

ENERGY CHAMPIONS FUND



ECF Factsheet

Fund objectives

The fund aims to generate long term capital growth by primarily investing in equities from companies offering exposure to the energy market.

Fund facts

Investment manager

Independent Capital Group AG

Fund name

White Fleet II Energy Champions Fund

Legal status

Luxembourg SICAV with UCITS IV status

Base currency

USD

NAV calculation

Daily

Inception date

March 2014

Fund size

USD \$9.2m

Benchmark

MSCI World Energy Sector Net TR Index

Custodian

Credit Suisse (Luxembourg) S.A.

Codes

Share classes

A1 Accumulating

A2 Distributing

I2 Distributing

Bloomberg ticker

A1 WFECHA1 LX Equity

A2 WFECHA2 LX Equity

I2 WFECI2D LX Equity

ISIN

A1 LU1018863792

A2 LU1018863875

I2 LU1092313045

Valor-Number

A1 23322792

A2 23322921

I2 25025474

Dealing & prices

Mgmt fee p.a.

A1 1.25%

A2 1.25%

I2 0.65%

Min Subscription

A1 1 share

A2 1 share

I2 \$2m

Trading frequency

Daily

August 2020

Performance over 1 year



Cumulative net performance in USD

	NAV	August	YTD	CY2019	3 Year	Since Inception
	31.08.2020	31.07.-31.08.2020				
Fund A1 Acc.	25.3	1.4%	-47.8%	11.0%	-56.4%	-74%*
Fund A2 Distr.	22.8	1.3%	-47.8%	11.0%	-56.4%	-74%*
Fund I2 Distr.	224.5	1.4%	-47.5%	11.7%	-55.6%	-75%**

*Indicative Total Return calculations / Inception date: Fund A1/A2 28.2.2014, **Fund I2 12.9.2014

Monthly comment

Crude oil capped a 4th monthly gain in August but has struggled to hold >\$43 as increasing coronavirus infections raise concerns about the sustainability of the demand recovery. Following a year of unprecedented shocks, uncertainties over oil fundamentals has never been higher. Even at the latest OPEC+ meeting, the group announced a very high compliance rate of 97% but the statement, while positive in tone, offered also cautious guidance for the coming months. Indeed, the oil market flipped into undersupplied territory in July. However, the fragility of the oil market was also highlighted, along with the significant uncertainties associated with oil demand, and all members were called on to be vigilant in the coming months. Only China, that had a stronger-than-expected PMI with its early recovery and robust fiscal/monetary support resulted in an oil demand level above last year's. On the equity side, the 2nd quarter of 2020 will go down in history as one of the worst for the energy industry. A collapse in demand, a collapse in drilling activity, and a collapse in oil prices took their toll without exception. Company results were a sea of red. However, investor expectations were low, so generally speaking energy stock prices were unfazed by dismal results. Rather, investors scrutinized how management teams are planning to position their companies to ensure greater resilience to future oil price cycles. Many companies also used the opportunity to reset their stated long-term energy price expectations, resulting in big asset write-downs. Finally, a couple of companies adjusted their dividends lower and made them more flexible. Therefore, we think the exceptional situation was used by many to lower the bar and this should accelerate the earnings recovery from here. Dedicated energy investors are increasingly comfortable with the positive rate of change thesis on oil, especially the supply side. The thesis is grounded in the upstream commitment to focus on debt reduction, return of incremental dollars to shareholders, and staying disciplined on re-investment. Finally, the announcement of Exxon Mobil's exit from the DJI Index has been widely seen as emblematic of the decline in importance of Big Oil as the wider sector's importance dwindles (now <2.5% of the S&P). The current disparity is probably generated by a combination of the cyclical/structural and thematic/sentiment. Nevertheless, investor legend Warren Buffett increased his investments in commodity related companies (Dominion Energy, Barrick Gold, Japan's 5 biggest trading companies) this year showing increasing interest in the commodity sector that was out-of-favour for too long and may become a big opportunity going forward, he probably thinks. ICG is looking also for the companies with the strongest moat on different variables and offer an attractive well diversified portfolio of best-in-class companies that will strongly recover with the increasing focus of general investors in commodities.

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Financial statistics*

Number of holdings	25
Market cap	\$22.3bn
P/B ratio	1.0x
P/cash flow	3.5x
EV/EBITDA 2021E	4.9x
FCF yield 2020E	7.5%
Dividend yield	4.0%
Net debt/equity	42%

Operating statistics in boe*

Production	272 kboe/d
Reserve life 1P	11 years
Cash costs	\$14/boe
EV/1P proven reserves	\$9/boe
Production CAGR 2019-23E	2%

Market cap. segmentation*

Small	< \$3bn	34%
Mid	\$3 - 30br	41%
Large	> \$30bn	25%

Top commodity exposure*

Crude & liquids	70%
Natural gas	30%

Top 5 country exposure (production)*

United States	42%
Canada	22%
Russia	5%
Oman	4%
Colombia	4%

Top 5 holdings

Continental Resources	5.0%
Canadian Natural Resources	4.9%
Tourmaline Oil	4.8%
Parsley Energy	4.7%
Concho Resources	4.7%

ESG transparency ECF Universe

CO2/mboe	15	38
GHG/mboe	24	50
Waste/mboe	1.0	2.2
Gas flaring/mmmboe	0.8	5.8
Spills/mboe	5.9	8.1
Fatalities/th.empl.	0.02	0.15
%Women on board	20%	13%
Board independence	72%	66%
Insider ownership	10%	5%



The ECF is the first fund in Switzerland and the first energy fund globally to have received South Pole Carbon's label as a "Climate Impact Transparent Investment"

Contact

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Why commodities

Commodities have been key in the economic development of the world. The industrialisation and urbanisation of the developing world is far from complete. Urban population is expected to grow globally from 52% to 66% by 2050. Urbanisation drives per capita wealth increase and with it the demand for natural resources. The increase in average income is happening on an unprecedented scale and speed. During the next 20 years the world population is expected to grow larger and on average younger. Middle class expands on a global basis, more than doubling by 2030 to reach >5 billion people. India and China show the largest increases with each reaching more than 1 billion middle-class citizens, China alone has the potential for 250 million people to urbanise in the next 10 years. By 2030, global middle-class consumption is expected to be more than \$63 trillion vs \$35 trillion in 2015. Demand for commodities remains continual, while they are becoming scarcer.

Why natural resource equities and the Energy Champions Fund

Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Energy Champions Fund offers the investor the opportunity to participate in an actively managed portfolio of natural resources companies active in the energy sector and this in a pragmatic sustainable way. This means considering sustainability criteria without losing sight for return.

ICG Investment Process

Our investment process is based on a quantitative approach to find the best-in-class companies. The consistent methodological process, which has been backtested successfully, is non-predictive with >90% of the analysis based on historical data. Our process has a portfolio view and helps to create a balanced portfolio instead of single stock bets or market cap weightings. After defining the broad investment universe, selecting the best-in-class subsectors with the highest margins or most attractive investment opportunities, the universe is further filtered down to companies with significant subsector exposure. To properly analyse natural resource related companies, the ICG Investment team makes use of standardised data. We developed a proprietary data base to better analyse financial and operating figures. Extensive data is used (>170'000 data points) to analyse trends across the industry and pinpoint sector champions.

ICG Alpha Scorecard

To better measure the relative attractiveness of natural resource companies in a specific subsector we use sub-sector Alpha Scorecards to facilitate the investment decision. The ICG Alpha Scorecard is a quantitative and qualitative screening scorecard that pinpoints sector champions with strong economic «moat» based on different variables. The approach helps to identify companies with a relative good track record in different key financial and operational variables (statistically robust dependence of performance to scorecard variables). The majority of variables are based on historical figures from the last fiscal year or based on a 3 year average. The majority of variables are also dynamic. The Investment Management team selects the top 25 companies based on the ICG Alpha Scorecard ranking. All positions are equally weighted, however we may reduce the weight or even exclude a company on exceptionally events (e.g. oil spill, political risk). Monthly position update based on all instruments and rebalancing is only done if it makes sense.

ICG Alpha Scorecard					
Asset Quality	Value	Sustainability (ESG)	Dividends	Balance Sheet	Behavioral Finance
Profitability Cash margins ROIC adj. Avg ROCE Production growth debt adj Full cycle ratio Operatorship Asset diversif. Inventory depth Drilling success Reserve rep ratio Reserve life	M&A multiple on 1P, 2P reserves & risked resources P/B P/CF FCB/B EV/DACF Relative EV/EBITDA FCF	Emissions/boe produced & 1P Energy intensity/boe Pollution/boe Women ratio Community spending Fatalities Board ind. Govt. ownership Insider owner	Dividend yield estimates Shares buyback Div. growth Last div yield Previous div. growth Dividend health EPS-DPS FCF-DPS Payout Ratio	CFPS Net debt/CFO- interest exp. Net debt/1P reserves Funding capacity Liquidity Size Capex/CFO Investments Asset disposals	Momentum Short interest change Volatility Newsflow Analyst rating Estimate revisions Risk appetite Comdty exposure Market cap
ICG proprietary data base					

Investment Manager

The Energy Champions Fund is managed by Independent Capital Group AG, an independent asset management and investment advisory firm based in Zurich and Basel. Independent Capital Group AG has taken over the team of the commodities and energy investment boutique Gateway Capital Group in Basel in 2014. The experienced portfolio management team has a long proven track record in selecting natural resources investments and is responsible for other commodity investment solutions.

* based on weighted average and/or weighted average barrels of oil equivalent (boe) numbers

Disclaimer: This is an advertising document. The state of the origin of the fund is Luxembourg. In Switzerland, the representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the paying agent is Credit Suisse (Switzerland) Ltd., Paradeplatz 8, CH-8001 Zurich. The prospectus, the key information documents or the key investor information documents, the articles of association as well as the annual and semi-annual reports may be obtained free of charge from the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.