INDEPENDENT CAPITAL GROUP

# ENERGY
## CHAMPIONS FUND





**ECF Factsheet** | **January 2021**

### 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 $13.3m
**Benchmark**
MSCI World Energy Sector Net TR Index
**Custodian**
Credit Suisse (Luxembourg) S.A.

### Codes

**Share classes**
A1 Retail USD class, accumulating
A2 Retail USD class, distributing
I2 Institutional USD class, 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 One share
A2 One share
I2 USD $2m
**Trading frequency**
Daily

### Performance over 1 year


### Cumulative net performance in USD

| | NAV | January | YTD | CY2020 | 3 Year | Since Inception |
|---|---|---|---|---|---|---|
| | 29.01.2021 | 31.12.20-29.01.21 | | | | |
| Class A1 | 29.4 | 5.2% | 5.2% | -42.4% | -51% | -71%* |
| Class A2 | 26.5 | 5.2% | 5.2% | -42.4% | -51% | -71%* |
| Class I2 | 261.3 | 5.2% | 5.2% | -42.0% | -50% | -71%** |

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

### Monthly comment

It seems to be a good start into 2021 for the energy sector. OPEC+ is trying hard to defend prices and keep the market undersupplied. The surprisingly and unilateral and pre-emptive Saudi production cut for February and March announced at the beginning of the year, backs the Saudi energy minister's claim of the Kingdom being the self-designated guardian of the oil industry. Indeed, the shift from oversupplied in 1H20 to undersupplied from 2H20 onwards continues to be reflected in the futures curve that is downward sloped (backwardation) and inventories continue to fall. Indeed, visible petroleum inventories fell by 290mboe in 2H20 (1.57mboe/d) according to the IEA showing that the efforts of the market players are quite successful so far despite the complicated market situation. On the demand side, analysts estimate that crude oil is likely to be a key beneficiary of increased mobility once a critical mass of the population is vaccinated this year. However, at the end of the month the broad market suffered its worst week since October 30. For the energy sector it was an even more challenging week with Biden administration's freeze on new federal oil and gas leases. While the actions resulted in a steep sector selloff, the moves were telegraphed on the campaign trail. The real surprise seems to be that the Biden administration is weighing the possibility of stopping new permits or not allowing permit renewals on federal territory - something the industry hadn't anticipated. Roughly ¼ of US oil production comes from leases managed by the Department of the Interior. At the same time, it forces a brake on US production growth in a way that should support hydrocarbon prices in the long run. RBC estimates that the production decline from not issuing or renewing federal permits could increase global oil prices by $5/bl over time. As with any sign of danger, the first instinct may be to flee. But sometimes such times call for closer inspection. Interestingly, 2021 is set to be the industry's best year yet in cash flow terms! Cash flow and earnings growth must be the new priorities. If the discipline sticks, dividend- and value-focused investors could be lured back. Further to that M&A activity is brisk, with $52bn worth of deals done in the US only last year and the consolidation wave is expected to continue. The M&A efforts to achieve adequate size, coupled with the consolidation of weakened companies, will continue to shrink the number of producers. Even two of the biggest players like Exxon and Chevron were said to have considered combining their companies in what could be among the largest corporate mergers ever. Such a deal would reunite the two largest descendants of John D. Rockefeller's Standard Oil monopoly, which was broken up by US regulators in 1911, and reshape the oil industry. In any case, a more resilient industry is emerging from the ashes that aims to woo investors.

INDEPENDENT
CAPITAL GROUP

## ECF Factsheet

## January 2021

### Financial statistics*

| | |
|---|---|
| Number of holdings | 25 |
| Market cap | $24bn |
| P/B ratio | 1.2x |
| P/cash flow | 4.1x |
| FCF yield 2021E | 11.1% |
| FCF yield 2022E | 14.6% |
| Dividend yield | 4.1% |
| Net debt/equity | 54% |

### Operating statistics in boe*

| | |
|---|---|
| Production | 310 kboe/d |
| Cash costs | $15/boe |
| Reserve life (1P reserves) | 12 years |
| Reserve valuation (EV/1P) | $10/boe |
| Reserve replacement ratio | 140% |

### Market cap. segmentation*

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

### Top commodity exposure*

| | |
|---|---|
| Crude & liquids | 73% |
| Natural gas | 27% |

### Top 5 country exposure (production)*

| | |
|---|---|
| United States | 46% |
| Canada | 14% |
| Russia | 6% |
| Brazil | 4% |
| Oman | 4% |

### Top 5 holdings

| | |
|---|---|
| Diamondback Energy | 5.9% |
| Continental Resources | 5.3% |
| BP | 4.8% |
| Pioneer Natural Resources | 4.7% |
| Devon Energy | 4.7% |

| ESG transparency | ECF | Universe |
|---|---|---|
| CO2/mmboe | 15 | 43 |
| GHG/mmboe | 23 | 54 |
| Waste/mmboe | 0.4 | 2.1 |
| Gas flaring/mmboe | 2.1 | 9.0 |
| Spills/mmboe | 6.5 | 6.1 |
| Energy intesity/boe | 473 | 1'034 |
| Fatalities/th.empl. | 0.13 | 0.15 |
| %Women on board | 21% | 15% |
| Policy Score | 59% | 41% |


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

**Independent Capital Group AG**
Waldmannstrasse 8
8001 Zurich
+41 44 256 16 16
http://www.independent-capital.com

### 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

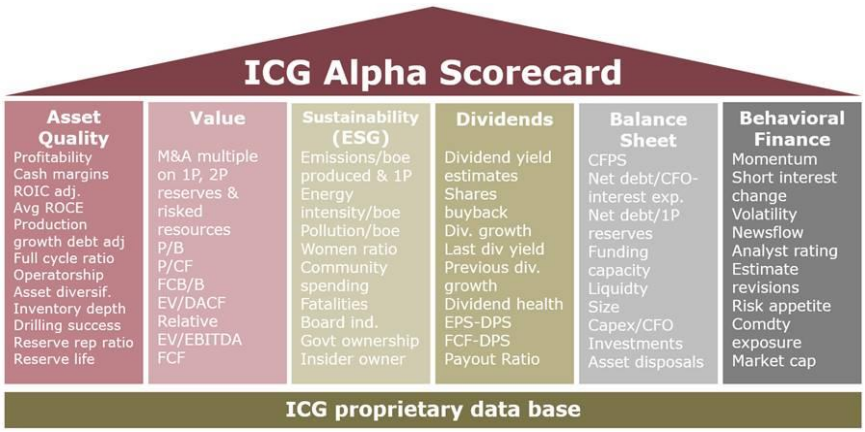
Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Energy Champions Fund offers 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 (>200'000 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.




### 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

Disclaimar: 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.