INDEPENDENT
CAPITAL GROUP

ENERGY
CHAMPIONS FUND





ECF Factsheet | **March 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 $17.3m

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 31.03.2021	March 26.02.-31.03.2021	YTD	CY2020	3 Year	Since Inception
Class A1	36.9	2.9%	32.1%	-42.4%	-28%	-63%*
Class A2	33.3	2.9%	32.1%	-42.4%	-28%	-63%*
Class I2	328.5	3.0%	32.3%	-42.0%	-27%	-64%**

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

Monthly comment

Renewed lockdowns and a slow vaccine roll-out in Europe tempered demand optimism and caused oil prices and energy stocks to recently pull back from their early-March highs. The current demand outlook (and indeed investor sentiment) is heavily divergent by region. Asia and US is focussed on recovering demand, while Europe and Latin America see rising cases and further lockdowns. However, most analysts still believe that with the vaccine rollout gaining pace over the coming months and mobility restrictions being eased, the global oil demand recovery will continue during 2Q21. We are starting to see green shoots in high frequency demand data and US hotel bookings/flights show the scale of pent-up demand. On the other side, OPEC+ cautious approach in bringing back oil production they cut last year should add price support. As the bloc will likely only increase output when it sees a firm recovery in demand, the oil market should stay undersupplied this year. OECD crude oil inventories have steadily fallen through the first quarter but remain above the five-year average. Therefore, further draws in global crude oil inventory is more then likely during the whole year. Outside OPEC+, US oil producer have remained broadly disciplined despite higher prices to attract investors back to the sector. However, the “wildcard” in the oil and gas market became the privately-owned shale companies. Privates account for 30% of US shale production (around 2.5mboe/d) and these players may have less patience than the public companies.

Energy has participated in this year's market rotation from growth to value-oriented stocks. However, despite the strong YTD performance, the energy weighting of the S&P 500 is up only marginally from its YE20 20-year low. Nevertheless, a spotty historical track record of the energy management capital discipline, ESG challenges, and long-term oil demand risk notwithstanding, we believe that the oil and gas sector offers an attractive risk reward underpinned by sustainable FCF, increasing focus on return of capital to investors, and strong balance sheets. As we have seen in recently, management teams remain universally focused on delivering sustainable, competitive free cash flow. This is best visible with an estimated projected FCF yield of 7.2% in 2021E and 9.0% in 2022E in the energy space that is more than double the average of the eleven other sectors in the S&P 500 Index. The ECF has a FCF yield of 12.6% in 2021E and 14.8% in 2022E! Even so, valuations in the oil and gas sector remain depressed on an absolute basis and relative to their broader market indices. The EV/EBITDA estimates for energy in 2021E at 9.7x and 2022E at 7.7x are half the other sectors in the S&P 500 Index. We believe that investors could begin to positively re-value the group on the basis of its yield as oil price visibility improves during the year.

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Financial statistics*

Number of holdings	25
Market cap	$23bn
P/B ratio	1.4x
P/cash flow	6.1x
FCF yield 2021E	12.6%
FCF yield 2022E	14.8%
Dividend yield	4.0%
Net debt/equity	45%

Operating statistics in boe*

Production	260 kboe/d
Cash costs	$15/boe
Reserve life (1P reserves)	12 years
Reserve valuation (EV/1P)	$10/boe
Reserve replacement ratio	145%

Market cap. segmentation*

Small	< $3bn	38%
Mid	$3 - 30br	24%
Large	> $30bn	38%

Top commodity exposure*

Crude & liquids	72%
Natural gas	28%

Top 5 country exposure (production)*

United States	46%
Canada	17%
Russia	6%
Brazil	4%
Kurdistan	3%

Top 5 holdings

Marathon Oil	5.3%
EOG Resources	5.2%
Canadian Natural Resources	5.2%
Devon Energy	5.0%
Pioneer Natural Resources	5.0%

ESG transparency	ECF	Universe
CO2/mmboe	36	42
GHG/mmboe	33	43
Waste/mmboe	1.6	1.9
Gas flaring/mmboe	4.2	2.8
Spills/mmboe	1.9	1.2
Energy intesity/boe	125	160
Fatalities/th.empl.	0.07	0.05
%Women on board	18%	15%
Policy Score	53%	41%

Transparent Investment Climate Impact

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"

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

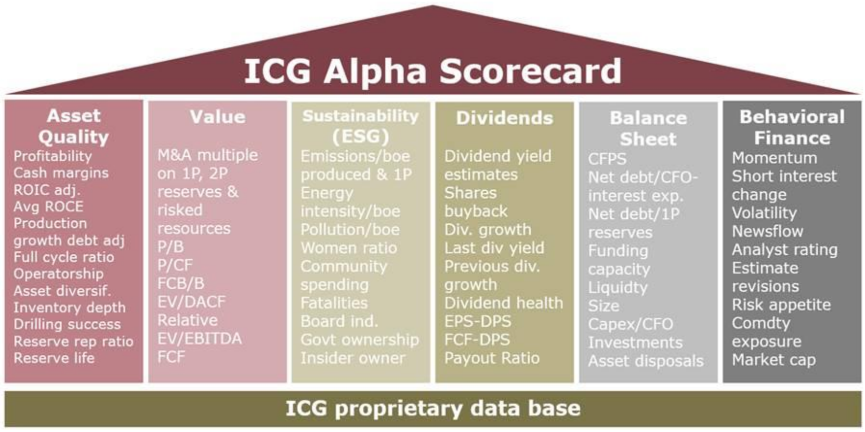
Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Energy Champions Fund offers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



Contact

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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