

PRECIOUS METALS CHAMPIONS FUND



PMC 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 precious metals market.

Fund facts

Investment manager

Independent Capital Group AG

Fund name

ICG Umbrella Funds -
Precious Metals Champions Fund

Legal status

Liechtensteiner UCITS contractual fund

Base currency

USD

NAV calculation

Daily

Inception date

02. June 2020

Fund size

USD \$5.0m

Benchmark

NYSE Arca Gold Miners Index

Custodian

LLB Liechtensteinische Landesbank AG

Performance since inception (02. June 2020)



Cumulative performance in USD

	NAV 31.03.2021	March 29.01. - 26.02.2021	YTD	CY2020*	Since Inception
Class A	150.6	2.1%	-7.2%	8.1%	0.4%
Class B**	144.1	2.1%	-3.9%		-3.9%

*CY20 since inception 02.06.2020 / **Inception 08. February 2021

Fund administration

Accuro Fund Solutions AG

Codes

Share classes

A Institutional USD class, acc.
B Retail USD class, acc.

Bloomberg ticker

A PRCMCF A LE
B PRCMCF B LE

ISIN

A LI0445625085
B LI0445625093

Dealing & prices

Management fee p.a.

A 0.60%
B 1.20%

Trading frequency

Daily

Minimum subscription

A USD \$1m
B One share

Monthly comment

March saw another M&A deal in the gold space with Evolution bidding over C\$340 million for Battle North Gold – all cash. Despite COVID travel restrictions, this is the third M&A deal in the last two months following TMAC acquired by Agnico and GT Gold by Newmont. Clearly, it is cheaper to grow by buying a company than to build for the majors. Interesting about these transactions is that they are all cash, which means the cash can be redeployed right away in the sector. The average premium is over 40%, which we have not seen in a while in the gold sector. AngloGold Ashanti, the world's No. 3 gold miner, recently said that the industry braces for another round of mergers and acquisitions. Gold miners flush with cash are expected again to look to expand through acquisitions, as Barrick and Newmont did two years ago. The South African miners look specifically attractive as take-over targets, as the risk perception attached to the country has weighed down the stock's valuation relative to global peers. Also, the world's largest producer of palladium and refined nickel, Norilsk Nickel, suspended output at two of its mines last month after a flooding. According to Morgan Stanley, the drop in palladium production equates to about 6% of global supply. By month end, the company could stop water inflows though, putting it on course to resume full production in early May. Nonetheless, the incident affected the palladium as well as the platinum market – which both are expected to be in wider deficit this year due to this incident. The company represents 43% of palladium, 12% of platinum and 6% of the world nickel supply. Gold equities lost some of its steam recently but there is still a bullish case for them. Gold and the stock market have been diverging giving gold an attractive attribute: it provides diversification if the stock market turns more volatile. The lower price of gold is already discounting considerably higher real interest rates. Which means that gold should be able to withstand rising bond yields and perform well if inflation picks up. Some economists predict that core inflation will exceed the FED expectations over the next few years. Also, gold fell in late March after massive \$20bn margin call for Archegos Capital which triggered forced selling of assets. Gold may have been sold in the process to generate liquidity. In general, and even with lower gold prices, the companies are highly profitable with almost no debt. The gold miners of the PMC portfolio are set to deliver free cash flow yields of 10.6% in 2021E and 13.7% in 2022E but are still relatively and absolutely attractive valued at an EV/EBITDA of 5.2x in 2021E and 5.0x in 2022E. The companies are financially extremely healthy with a net debt to equity of only 4%.

PMC Factsheet

Exposure

Gold equities	53%
Metals physical	47%

Financial statistics*

Number of holdings	25
Market cap	\$13bn
P/B ratio	2.8x
P/cash flow	7.8x
EV/EBITDA 2021E	5.2x
FCF yield 2021E	10.7%
Dividend yield	3.1%
Net debt/equity	4%

Operating statistics in gold-eg.*

Production	2'637 koz
Reserve life (2P reserves)	17 years
Cash costs	\$741/oz
AISC**	\$740/oz
Reserve valuation (EV/2P)	\$373/oz

Market cap. segmentation*

Small	< \$3bn	28%
Mid	\$3 - 10bn	36%
Large	> \$10bn	36%

Top 5 commodity exposure of equities*

Gold	66%
Palladium	10%
Platinum	9%
Silver	9%
Copper	3%

Top 5 country exposure (production)*

South Africa	15%
Australia	13%
Russia	10%
Canada	8%
Mexico	7%

Top 5 equity holdings

Impala Platinum	4.3%
AngloGold Ashanti	4.3%
Kinross Gold	4.2%
Barrick Gold	4.2%
Kirkland Lake Gold	4.2%

ESG transparency	PMC	Universe
CO2/Koz	0.35	0.44
GHG/Koz	0.95	1.00
Waste/Koz	111	115
Women on Board	24.3%	11.4%
Fatalities	0.08	0.07

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 Precious Metals 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 Precious Metals Champions Fund offers the investor the opportunity to participate in an actively managed portfolio of natural resources companies active in the attractive precious metals 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. 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. The Precious Metals Champions Fund consists of a unique combination of investments in the best gold companies but has a minimum gold investment strategy to protect the gold equity downside. The Investment Management team will apply a rule based systematic approach with a gold risk factor that helps to define the current gold environment and according to that adjust the gold equities vs. gold allocation target.

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	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 Precious Metals 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.

*Equity portfolio based on weighted average and/or weighted average gold-equivalent numbers; **All-in sustaining cost

Disclaimer: The state of the origin of the Fund is Liechtenstein. In Switzerland, the Representative is LLB(Swiss) Investment AG, Claridenstrasse 20, CH-8002 Zurich, whilst the Paying agent is Bank Linth LLB AG, Zürcherstrasse 3, CH-8730 Uznach. The Basic documents of the Fund such as the prospectus, the key investor information document (KIID), the articles of association as well as the semi-annual and annual reports may be obtained free of charge at the office of the Swiss Representative. The current document is intended for information purposes only and shall not to be used as an offer to buy and/or sell shares. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Backtesting performance and past performance may not be reliable guide to future performance. This material has been prepared by Independent Capital Group AG, none of the administrator or the custodian and transfer agent of the Fund has independently verified any information contained herein and no party makes any representation or warranty as to the accuracy, completeness, or reliability of such information.