ENERGY
CHAMPIONS FUND





ECF Factsheet **June 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 $20.5m

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 **+85.5%**

Cumulative net performance in USD

	NAV 30.06.2021	June 28.05.-30.06.2021	YTD	CY2020	3 Year	Since Inception
Class A1	46.0	10.2%	64.8%	-42.4%	-27%	-54%
Class A2	40.8	10.2%	64.8%	-42.4%	-28%	-54%
Class I2	402.8	10.2%	65.3%	-42.0%	-26%	-55%*

**Indicative total return calculations / Inception date: Class A1/A2 28.2.2014, Class I2 12.9.2014*

Monthly comment

Oil recently rallied to above $76/bl, its highest level since October 2018. Unlike then, when the market was supported by excessive fear of a potential stop in Iran oil exports, the current rally is driven by a steadily tightening physical market, with strengthening time spreads across WTI, Brent and Dubai. The tight WTI-Brent differential implies that North America is driving the current deficit, as local demand rebounds in the face of inelastic local supply. This tightening is in fact running slightly ahead of most analyst expectations, with high-frequency mobility and flying data pointing to global demand currently near 97.5mboe/d and with shipping data pointing to a still moderate ramp-up in OPEC+ exports. Goldman Sachs estimates that the global market is in a 2.3mboe/d deficit currently, with the remaining excess inventories down to 330mboe. At the current rate of draws, this excess will be gone within 3 months. However, oil prices are down this week as the market awaits the next OPEC+ decision, scheduled for July 1. While the need for higher OPEC+ output in August is clear, there remains uncertainty on the magnitude of this next output hike. Ultimately, much more OPEC+ supply will be needed to balance the oil market by 2022. Analysts forecast demand to rise by an additional +2mboe/d by year-end, leaving for a 5mboe/d supply shortfall, well in excess of what Iran (1mboe/d max) and US shale producers can bring online (expected up 0.3mboe/d through year-end). Therefore, it's not so surprising to see some commodity traders like Trafigura or bank analysts like Bank of America saying oil may surge to $100/bl next year.
After the hard times of 2019/20, the higher oil prices came initially as a relief and now as an opportunity for the oil and gas producers. Firstly, a wider array of organic developments should provide good returns with budgeting at $60/bl; and secondly, the large-scale continuing divestment by the major oil companies - driven by a push towards greener energy - is providing scope for inorganic growth. Oil and gas companies are generating record free cash flows currently and valuation continue to be depressed. Further to that, futures prices for crude oil and natural gas remain well ahead of sell-side consensus expectations based on data compiled by Bloomberg. This suggests material CF / EPS revisions are anticipated in the coming months. We continue to see the current environment as a very attractive investment opportunity for the natural resource sector.

ECF Factsheet

June 2021

Financial statistics*

Number of holdings	25
Market cap	$19bn
P/B ratio	1.5x
P/cash flow	7.3x
EV/EBITDA 2021E	4.3x
FCF yield 2021E	11.7%
Dividend yield	3.4%
Net debt/equity	38%

Operating statistics in boe*

Production	167 kboe/d
Cash costs	$12.8/boe
Reserve life (1P reserves)	13 years
Reserve valuation (EV/1P)	$11/boe
Reserve replacement ratio	205%

Market cap. segmentation*

Small	< $3bn	43%
Mid	$3 - 30br	29%
Large	> $30bn	28%

Top commodity exposure*

Crude & liquids	70%
Natural gas	30%

Top 5 country exposure (production)*

United States	48%
Canada	30%
Russia	4%
China	3%
Nigeria	3%

Top 5 holdings

Continental Resources	5.6%
ARC Resources	5.2%
Tourmaline Oil	5.1%
Diamondback Energy	5.1%
Lukoil	5.0%

ESG transparency	ECF	Universe
CO2/production	36	49
GHG/mmboe	14	44
Waste/production	2.4	1.9
Gas flaring/production	1.1	2.0
Spills/production	0.1	0.7
Energy intesity/boe	98	196
Fatalities/th.empl.	0.017	0.022
%Women on board	18%	16%
Policy Score	24%	30%

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

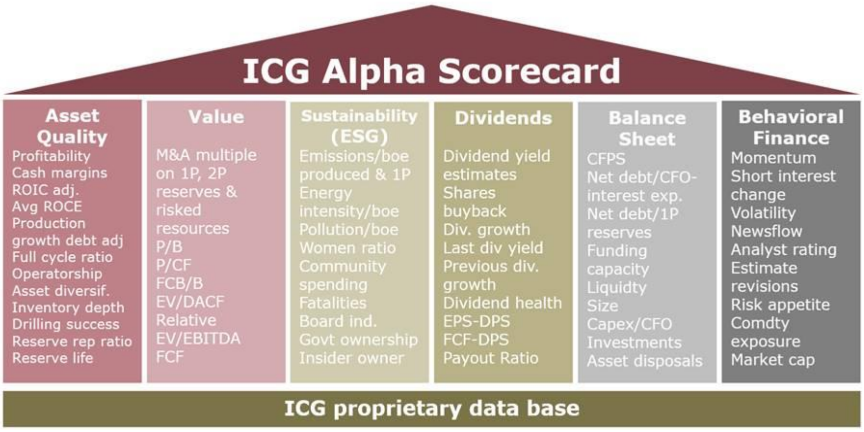
Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Energy Champions Fund offers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