

# INDUSTRIAL METALS CHAMPIONS FUND



## IMC 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 industrial metals market.

### Fund facts

#### Investment manager

Independent Capital Group AG

#### Fund name

ICG Umbrella Funds -  
Industrial Metals Champions Fund

#### Legal status

Liechtensteiner UCITS contractual fund

#### Base currency

USD

#### NAV calculation

Daily

#### Inception date UCITS Liechtenstein

03. April 2018

#### New strategy - IMC

04. December 2018

#### Fund size

USD \$27m

#### Benchmark

MSCI Metals & Mining Net TR Index

#### Custodian

LLB Liechtensteinische Landesbank AG

### Codes

#### Share classes

- A Retail USD Class, acc.
- B Retail CHF Class, acc.
- C Institutional USD Class, acc.

#### Bloomberg ticker

- A GATNTRA LE Equity
- B GATNTRB LE Equity
- C GATNTRC LE Equity

#### ISIN

- A LI0382154354
- B LI0382154693
- C LI0580310303

### Dealing & prices

#### Management fee p.a.

- A 1.20%
- B 1.20%
- C 0.60%

#### Trading frequency

Daily

#### Minimum subscription

- A One share
- B One share
- C USD \$1m

### Performance over 1 year +101.7%



### Cumulative net performance in USD

	NAV	June	YTD	CY2020	2 Year	since IMC*
	30.06.2021	28.05. - 30.06.2021				
Class A	219.6	-4.3%	21.9%	37.3%	70.8%	75.0%
Class B	201.3	-4.7%	20.9%	32.8%	60.7%	61.6%
Class C**	164.6	-4.3%	9.7%			9.7%

\*domicile status change and inception of GNR-Fund Liechtenstein 3.4.18 (performance 46.37%); Change of strategy into IMC-Fund as of 4.12.2018

\*\*Inception 08. January 2021

### Monthly comment

The global economic recovery continues and remains metals intensive, with demand expectations still being pushed higher. With this, analysts expecting widespread supply bottlenecks in terms of both raw materials and logistics. However, China's anti-inflation rhetoric has been stepping up, dampening both physical demand aggression and financial market positioning. Analysts remain positive on current commodity prices and especially pointing out industry free cash flow which looks extremely robust. While demand tailwinds may be easing, with extended lead times and raw material markets susceptible to disruption, a supply risk premium to the cost curve can be justified over the coming quarters. Additionally, and adding another layer of complexity to commodity markets is the unusual situation where the developed world is leading industrial growth instead of China, mainly owing to the different timing of 2020 lockdowns. As excess economic support is slowly drained from the Chinese economy, the US and Europe currently lead the way in physical end-demand indicators. As the IEA recently noted, the shift towards clean energy naturally involves burning less fuel but building more equipment. Indeed, on the IEA estimates, since 2010 the average amount of minerals needed for a new unit of power generation capacity has increased by 50%, with an onshore wind facility requiring nine times more mineral resources than a gas-fired plant of the same capacity. According to some analysts, the energy transition is much more important for future demand than for the current market, and while the thematic trend has undoubtedly driven asset allocation towards the sector, in their view it is merely a supporting act in the current demand upcycle. The metals and mining industry on the other hand isn't immune to inflation. Oil prices are a significant input cost – analysts expecting to see cost inflation creep into earnings over the coming quarter. However, unlike previous cycles we are not seeing the same surge in capex-related costs, with lower growth spending meaning less exuberance in pushing projects. Furthermore, management is expected to remain disciplined and as a result, cost gains are unlikely to provide shocks. Most commodity prices remain trading well out of cost curves and with the relative lack of supply response, there is less need to spend time pushing supply off the market through the inevitable cycles over the coming years. This should lead to a period of sustained free cash flow and strong margins over the coming years well above longer-term cyclical norms for incumbent producers.

## IMC Factsheet

### Financial statistics\*

Number of holdings	25
Market cap	\$33bn
P/B ratio	2.8x
P/cash flow	11.8x
EV/EBITDA 2021E	5x
FCF yield 2021E	12.3%
Dividend yield	3.4%
Net debt/equity	16%

### Operating statistics in copper-eq.\*

Production	2'243 ktpa
Reserve life (2P reserves)	25 years
Cash costs	\$3'504/t
Cash margin	45%
Reserve valuation (EV/2P)	\$1'355/t

### Market cap. segmentation\*

Small	< \$3bn	20%
Mid	\$3 - 30bn	44%
Large	> \$30bn	37%

### Top 5 commodity exposure\*

Copper	29%
Iron Ore	19%
Steel	14%
Aluminium	6%
Nickel	4%

### Top 5 country exposure (production)\*

Australia	23%
United States	13%
Brazil	8%
Russia	6%
Chile	6%

### Top 5 holdings

IGO	4.3%
Iluka Resources	4.1%
Steel Dynamics	4.1%
Hudbay Minerals	4.1%
Vale	4.1%

ESG transparency	IMC	Universe
GHT/production	3.6	5.5
Energy Intensity	5	4
Fuel Used/Mt	275	333
Women in Mngmt	6.3%	2.8%
Women on Board	21.6%	11.1%
Spending/EBITDA	0.9%	1.0%

### Fund administration

Accuro Fund Solutions AG

### Contact

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\* based on weighted average and/or weighted average copper-equivalent numbers

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 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. 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.

## June 2021

### 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 Industrial 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 Industrial Metals Champions Fund offers the investor the opportunity to participate in an actively managed portfolio of natural resources companies active in the attractive industrial 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. 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	M&A multiple	Emissions/boe	Dividend yield	CFPS	Momentum
Cash margins	on 1P, 2P	produced & 1P	estimates	Net debt/CFO-	Short interest
ROIC adj.	reserves &	Energy	Shares	interest exp.	change
Avg ROCE	risked	intensity/boe	buyback	Net debt/1P	Volatility
Production	resources	Pollution/boe	Div. growth	reserves	Newsflow
growth debt adj	P/B	Women ratio	Last div yield	Funding	Analyst rating
Full cycle ratio	P/CF	Community	Previous div.	capacity	Estimate
Operatorship	FCB/B	spending	growth	Liquidity	revisions
Asset diversif.	EV/DACF	Fatalities	Dividend health	Size	Risk appetite
Inventory depth	Relative	Board Ind.	EPS-DPS	Capex/CFO	Comdty
Drilling success	EV/EBITDA	Govt. ownership	FCF-DPS	Investments	exposure
Reserve rep ratio	FCF	Insider owner	Payout Ratio	Asset disposals	Market cap
Reserve life					

### ICG proprietary data base

### Investment Manager

The Industrial 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.