INDEPENDENT CAPITAL GROUP

ENERGY
CHAMPIONS FUND





ECF Factsheet

September 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 $22.2m
Benchmark
MSCI World Energy Sector Net TR Index
Custodian
Credit Suisse (Luxembourg) S.A.

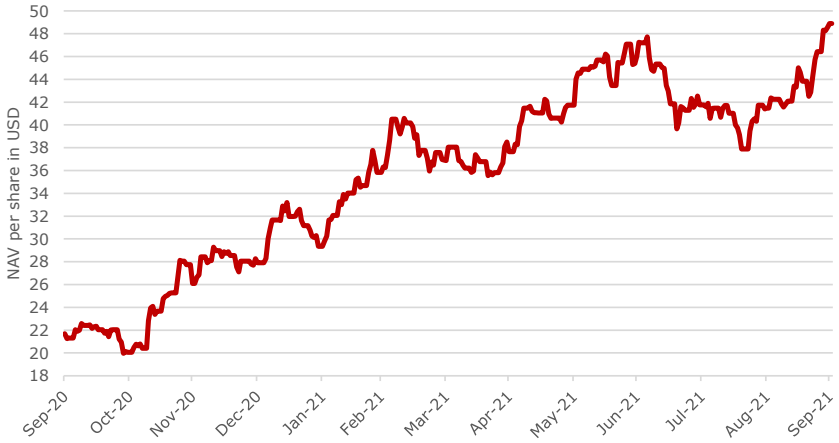
Codes

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 **+126.9%**



Cumulative net performance in USD

	NAV	September	YTD	1 Year	3 Year	Since Inception
	30.09.2021	31.08.-30.09.2021				
Class A1	48.9	17.9%	75.2%	125.4%	-23%	-51%
Class A2	43.3	17.9%	75.2%	125.3%	-23%	-51%
Class I2	428.9	18.0%	76.0%	126.9%	-21%	-50%*

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

Monthly comment

The latest gains for oil prices have come as part of a broader rally in energy markets, with depleted natural gas inventories and resurgent economic activity sparking fierce competition in Europe and Asia for natural gas to feed their power markets. A global natural-gas production deficit, depleted inventories, lower imports from Russia and a push from the Chinese government to slash emissions (switching out coal for gas) have all played a role in pushing gas prices higher. That comes as the Northern Hemisphere heads into the winter indoor heating months. Futures for US natural gas reached $5.8/MMBtu last week. They are up some 130% this year while European natural-gas prices have more than quadrupled this year. Coal and carbon-permit prices headed higher, too, adding to the strain on energy-hungry companies and industries in Europe and Asia. India's power plants have only 4 days left of thermal coal stocks. A shortfall in global energy supplies is spilling into crude markets and could add momentum to this year's rally in oil prices according to several analysts that increased oil price forecasts. Power plants are already starting to switch from using natural gas to using oil in Asia. China ordered its state-owned companies to secure energy supplies for winter at all costs. The order from Beijing is the latest sign that rising energy prices are becoming a political issue, after the White House recently said crude's rally was a concern. Meanwhile, the OPEC+ alliance will meet today to review the next monthly increase. Paradoxically, high prices are partly the result of cuts to exploration budgets. Globally, producers have cut back capital spending by about half over the past decade. Therefore, not surprisingly, OPEC's said consumers should brace for more energy shortages unless the world boosts investment in new oil-and-gas development. Despite its clear unpopularity the energy sector has been the best performing sector within the S&P 500 this year by a wide margin. Indeed, oil and gas companies are earning as much cash as never before. The positive price outlook and rising demand for oil has prompted renewed M&A activity, with ConocoPhillips agreeing to acquire Royal Dutch's Permian Basin assets for $9.5bn in cash. This perhaps portends further consolidation among industry players as the O&G majors divest of assets for ESG reasons and smaller operators exit the market. Finally, we think, it's becoming increasingly understood that the various ESG policies to reduce fossil fuel usage are having a counter-productive effect on energy prices, as renewable energy generation is not able to bridge the gap between continued demand and fossil fuel plants going offline as we transition to renewable energy sources. Interestingly, the OPEC secretary M. Barkindo said: the world can't afford to underinvest in oil and the energy crisis in Europe and many parts of the world is a wake-up call. The ECF continues with an absolute and a relative strong performance.

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Financial statistics*

Number of holdings	25
Market cap	$41bn
P/B ratio	1.5x
P/cash flow	5.7x
EV/EBITDA 2022E	3.9x
FCF yield 2022E	15.5%
Dividend yield	4.1%
Net debt/equity	35%

Operating statistics in boe*

Production	490 kboe/d
Cash costs	$13.2/boe
Reserve life (1P reserves)	13 years
Reserve valuation (EV/1P)	$13/boe
Reserve replacement ratio	180%

Market cap. segmentation*

Small	< $3bn	27%
Mid	$3 - 30br	27%
Large	> $30bn	46%

Top commodity exposure*

Crude & liquids	72%
Natural gas	29%

Top 5 country exposure (production)*

United States	34%
Canada	23%
Russia	12%
Brazil	9%
Oman	4%

Top 5 holdings

ConocoPhillips	4.8%
ARC Resources	4.8%
EOG Resources	4.7%
Galp Energia	4.6%
Diamondback Energy	4.6%

ESG transparency	ECF	Universe
CO2/production	35	40
GHG/mmboe	36	42
Waste/production	1.4	2.0
Gas flaring/production	1.7	2.4
Energy intesity/boe	137	176
Fatalities/th.empl.	0.054	0.219
%Women on board	18%	16%
Policy Score	61%	48%
Insider ownership	15%	7%

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

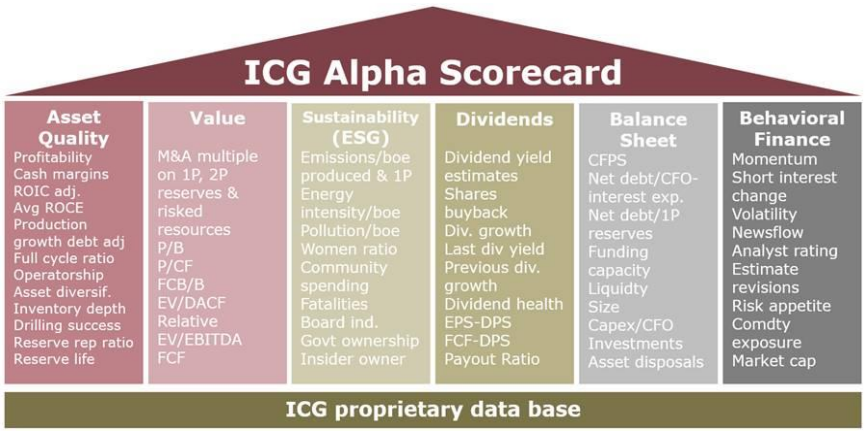
Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Energy Champions Fund offers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