

INDUSTRIAL METALS CHAMPIONS FUND



IMC 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 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 \$26m

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 +67.6%



Cumulative net performance in USD

	NAV 30.09.2021	September 31.08.-30.09.2021	YTD	CY2020	2 Year	since IMC*
Class A	200.7	-9.1%	11.5%	37.3%	75.2%	59.9%
Class B	182.9	-9.6%	9.9%	32.8%	65.1%	46.8%
Class C**	150.7	-9.1%	0.4%			0.4%

*domicile status change and inception of GNR-Fund Liechtenstein 3.4.18 (performance 33.78%); Change of strategy into IMC-Fund as of 4.12.2018

**Inception 08. January 2021

Monthly comment

The power crunch in the top base-metals consuming country has triggered production losses at smelters and fabricators in the past few months, hitting both supply and demand for everything from copper to tin. So far, the biggest impact has been felt at energy-intensive aluminum plants. According to Goldman Sachs, that has choked off aluminum supply, just under 3 million tons of annual smelting capacity, fueling the metal's rally to the highest level since 2008. While that's already about 8% of China's total capacity, the prospect of further power rationing as the country braces for higher winter demand will keep the sector under pressure. Policy makers in China are worried about higher commodity prices and are willing to intervene to drive costs down. While the nation's position as the world's top buyer gives some pricing power, ultimately, they're hostage to the dynamics of supply and demand. According to analysts, Beijing announced the first of its metal sales in June, with more following in July and September. Since then, copper has remained near unchanged, while aluminum and zinc extended gains. Clearly, those sales were not enough to materially alter the market balance in the mid- to long-term. Looking at copper, prices for the bellwether commodity this year will probably average more than \$4/pound – that would be a record annual average. The supply-demand equation for copper is very tight, even amid market-wide uncertainties fueled by Chinese property turmoil and global energy crunch. Copper plays a crucial role in a global transition toward cleaner energy and transport. But not only copper, the world needs more mines to meet demand for battery metals required to shift to less polluting energy sources. The ability to build mines in a world where extractive resource industries has become more challenging as investors put greater weight on the environmental credentials of metals producers, while social issues including dealing with local communities have also been under the spotlight. That adds to industry challenges that include supply disruptions and rising costs of raw materials. The industry keeps its exploration budgets in check though. BHP, one of the world's biggest miner, spent little more than it earned in an average 12-hour period last year exploring for new deposits. The company spent just \$53 million looking for copper last year, when it posted record profit of \$37.4 billion. The industry is universally bullish on copper, expecting a surge in demand while long-term supply looks constrained by the lack of new mine development. Yet part of the reason copper is so favored by miners and investors alike is because new deposits have been so hard to find. The company expects its total exploration spend to jump to \$800 million this year.

IMC Factsheet

Financial statistics*

Number of holdings	25
Market cap	\$26bn
P/B ratio	2.5x
P/cash flow	12.5x
EV/EBITDA 2022E	5.0x
FCF yield 2022E	12.4%
Dividend yield	4.7%
Net debt/equity	12%

Operating statistics in copper-eq.*

Production	3'960 ktpa
Reserve life (2P reserves)	30 years
Cash costs	\$3'909/t
Cash margin	55%
Reserve valuation (EV/2P)	\$780/t

Market cap. segmentation*

Small	< \$3bn	23%
Mid	\$3 - 30bn	45%
Large	> \$30bn	32%

Top 5 commodity exposure*

Copper	28%
Steel	18%
Iron Ore	11%
Aluminium	7%
Titanium	4%

Top 5 country exposure (production)*

Australia	16%
United States	15%
Brazil	13%
Russia	7%
Chile	7%

Top 5 holdings

Norsk Hydro	4.4%
Alcoa	4.4%
SQM	4.4%
Gerdau	4.4%
Capstone Mining	4.3%

ESG transparency	IMC	Universe
GHT/production	4.5	5.5
Energy Intensity	6	5
Fuel Used/Mt	526	416
Women in Mngmt	12.8%	4.2%
Women on Board	22.0%	11.8%
Disclosure Score	55.0%	30.0%

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 OpenFunds Investment Services AG, Seefeldstrasse 35, 8008 Zurich, whilst the Paying agent is Helvetische Bank AG, Seefeldstrasse 215, 8008 Zurich. 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.

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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 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 Cash margins ROIC adj. Avg ROCE Production growth debt adj Full cycle ratio Operatorship Asset diversif. Inventory depth Drilling success Reserve rep ratio Reserve life	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 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.