INDEPENDENT
CAPITAL GROUP

MSCI
ESG RATINGS
CCC | B | BB | BBB | A | AA | AAA

ENERGY
CHAMPIONS FUND





ECF Factsheet

July 2022

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 $27m

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 **+53.5%**

Cumulative net performance in USD

	NAV	July	YTD	CY2021	3 Year	Since Inception
	29.07.2022	30.06.-29.07.2022				
Class A1	63.7	9.4%	26.4%	80.4%	42.8%	-36.3%
Class A2	55.3	9.4%	26.4%	80.5%	42.8%	-36.4%
Class I2	550.3	9.4%	26.9%	81.6%	45.5%	-36.7%

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

Monthly comment

Oil markets remain tight. At present, the global crude market faces a deficit of 2mboe/d and stockpiles are near record low levels. However, a key discussion with investors is related to potential demand destruction in a recessionary scenario. History shows that demand growth was negative in only 10 years since 1965. Equally, the demand decline was limited even during recessions. While recent US data has suggested that economic weakness is starting to impact oil demand, some analysts think that the pullback along with continued cost inflation will put additional pressure on supply, ultimately prolonging the duration of the current commodity super cycle. Indeed, low spare capacity continues to weigh on OPEC's ability to deliver on its quotas. Further to that, with Saudi saying that its long-term max production capacity being only 13mboe/d, the world is increasingly looking for incremental barrels. However, public operators are not moving to accelerate activity levels in a hyper-inflationary environment, and service providers, are not investing in additional capacity, as supply chain and a lack of access to capital are increasingly barriers to entry. Gas markets are also tight, mainly in Europe. Russia cut exports to Europe to multiyear lows this summer supplying less than a third of normal volumes and there's no clarity on further moves. Related to that, electricity prices jumped in Germany to >€400/MWh for the first time ever. The current price is ~1'000% higher than the €41.1/MWh 2010-2020 average. However, European gas storage facilities are about 69% full, with the pace of refilling at average levels despite the cuts. Nevertheless, EU nations are quickly lining up alternative supplies and import infrastructure. According to most analysts energy stocks offer the most attractive risk/reward opportunity within equities, especially after the recent sharp correction. Energy is a deep value sector that is simultaneously improving on quality, growth and income factors, a rare combination. The sector should deliver strong relative and rising capital return (dividend yield +4%, growing buybacks $16bn announced YTD, +100% vs FY21) funded by +20% FCF yields. Indeed, analysts keep lifting earnings forecasts for energy companies at a fast pace, and the stock market is struggling to keep up. As a result, the Stoxx 600 Energy index is now the cheapest sector in Europe, with a record low fwd P/E of 5x and trading at a historic discount relative to the Index of 56%. As a revenge of "old world economy" Exxon generated in 2Q22 more free cash than Alphabet and is #3 in the S&P 500 behind Apple & Microsoft. Chevron jumped up in the ranks with cash inflow to #5. Nevertheless, energy stocks remain broadly under owned. However, there is growing concern about ESG underperformance, resulting in many institutions starting to revisit their existing ESG frameworks and looking at different ways of softening ESG objectives all of which should translate to incremental equity flows into energy.

INDEPENDENT CAPITAL GROUP

MSCI ESG RATINGS A

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Financial statistics*

Number of holdings	25
Market cap	$40bn
P/E 2022E	4.9x
P/cash flow	4.0x
EV/EBITDA 2023E	3.0x
FCF yield 2022E	22.4%
Dividend yield	5.6%
Net debt/equity	44%

Operating statistics in boe*

Production	252 kboe/d
Cash costs	$15/boe
Reserve life (1P reserves)	12 years
Reserve valuation (EV/1P)	$16/boe
F&D organic costs 3yrs avg	$15/boe

Market cap. segmentation*

Small	< $3bn	15%
Mid	$3 - 30br	42%
Large	> $30bn	43%

Top commodity exposure*

Crude & liquids	60%
Natural gas	40%

Top 5 country exposure (production)*

United States	33.0%
Canada	25.2%
Norway	7.7%
Australia	5.1%
Brazil	5.3%

Top 5 holdings

Vemillion Energy	5.5%
Petrobras	5.1%
Tourmaline Oil	5.0%
Equinor	4.6%
Woodside Energy Group	4.5%

ESG transparency

ESG transparency	ECF	Universe
CO2/production	33	39
GHG/mmboe	26	43
Waste/production	1.7	2.3
Gas flaring/boe	2.1	2.3
Energy intesity/boe	142	172
Fatalities/th.empl.	0.04	0.10
%Women on board	23%	21%
Overall Policy Score	67%	45%
Insider ownership	12%	5%

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"

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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 Energy Champions Fund

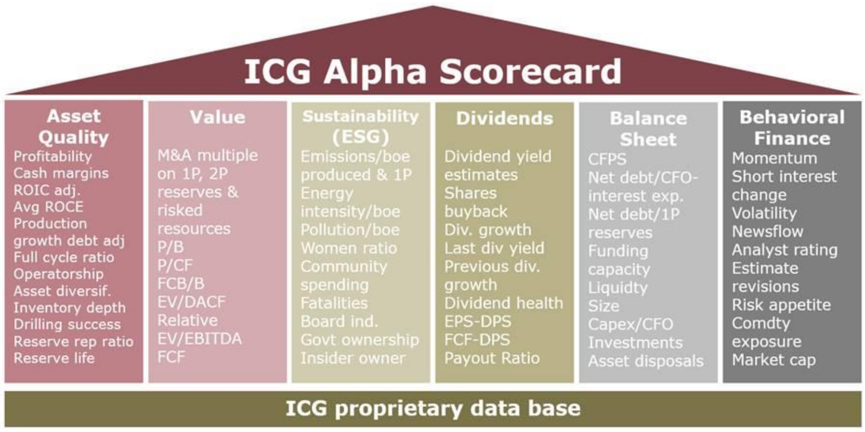
Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Energy Champions Fund offers 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 (>300'000 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