

# INDUSTRIAL METALS CHAMPIONS FUND



## IMC 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 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 \$29m

#### Benchmark

MSCI Metals & Mining Net TR Index

#### Custodian

LLB Liechtensteinische Landesbank AG

### Performance over 1 year -20.5%



### Cumulative net performance in USD

	NAV	July	YTD	2 Year	3 Year	since IMC*
	29.07.2022	30.06.-29.07.2022				
Class A	186.0	4.2%	-15.0%	50.7%	48.5%	48.2%
Class B	163.4	2.6%	-18.0%	41.4%	34.3%	31.2%
Class C**	140.4	4.2%	-14.7%			-6.4%

\*domicile status change and inception of GNR-Fund Liechtenstein 3.4.18 (performance 24.01%); Change of strategy into IMC-Fund as of 4.12.2018

\*\*Inception 08. January 2021

### 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

### Monthly comment

According to a new S&P Global study, unprecedented and untenable copper shortfalls in the coming decade put the global shift away from fossil fuels at risk. The bullish findings are a long way from the slowdown of recent months, when copper lost a thirds of its value from a March peak. Analysts from Goldman Sachs to Bank of America have slashed their near-term forecasts in anticipation of a drop in consumer spending and industrial activity. Longer term though, the equation changes. Demand is set to reach around 50 million tons by 2035 from 25 million today. With new deposits trickier and pricier to find and develop, the main sources of new supply would come from recycling and gains at existing mines. Based on current trends, an annual supply shortfall of almost 10 million tons would open up in 2035, the study of S&P found. That's equivalent to 20% of demand projected to be required for a 2050 net-zero world. Even assuming aggressive growth in capacity utilization and all-time high recycling rates, the market would still face persistent deficits, including nearly 1.6 million tons in 2035, it said. According to McKinsey, big deficits like the study found are hypothetical, with higher prices potentially boosting supply or curbing demand. Copper is not the only important base metal to the green energy story though – Teck Resources recently published an estimate of the resources needed to build a 13MW offshore wind turbine: 125t of copper, 7t of zinc and 700t of steelmaking coal among other key commodities, showing clearly the importance of commodities in a green, electrified world. On the equity side, quarterly results of the top mining companies came in with most miners flagging higher costs due to inflationary pressure and lighter revenues due to the commodity price slump in recent months. Although companies are facing rising costs, profitability is still strong – while Rio Tinto for example reported a decline in first-half profit, resulting in a dividend cut, the absolute figure of its dividend, \$4.3 billion, is still an enormous cash windfall for its investors. For now, profitability remains strong by historical standards, and the biggest miners continue to pay out large amounts of cash to shareholders. However, producers including Rio and larger rival BHP Group have been warning about the threat of slowing global growth and surging energy prices. It is also important to underline the financial health of balance sheets in the industry during uncertain times. Rio Tinto ended the first half with \$291 million of net cash, while the portfolio companies of the Industrial Metals Champions Fund are currently having a net debt/equity of less than 13%. Analysts wouldn't be surprised to see an uptick in deal-making as valuations are still low and companies are having full coffers of cash.

**IMC Factsheet**

**July 2022**

Financial statistics\*

Number of holdings	25
Market cap	\$25bn
P/B ratio	2.1x
P/cash flow	8.8x
EV/EBITDA 2022E	3.7x
FCF yield 2022E	14.8%
Dividend yield	4.2%
Net debt/equity	13%

Operating statistics in copper-eg.\*

Production	4'019 ktpa
Reserve life (2P reserves)	22 years
Cash costs	\$4'248/t
Cash margin	51%
Reserve valuation (EV/2P)	\$906/t

Market cap. segmentation\*

Small	< \$3bn	26%
Mid	\$3 - 30bn	48%
Large	> \$30bn	26%

Top 5 commodity exposure\*

Copper	26%
Aluminium	11%
Iron Ore	11%
Steel	10%
Lithium	6%

Top 5 country exposure (production)\*

Australia	21%
United States	12%
Brazil	7%
Canada	6%
Chile	6%

Top 5 holdings

Pilbara Minerals	5.6%
SQM	5.2%
Central Asia Metals	4.9%
Glencore	4.6%
BHP Group	4.5%

ESG transparency	IMC	Universe
GHT/production	5.2	5.9
CO2/production	1.5	1.8
Fuel Used/Mt	345	376
Women in Mngmt	25.3%	21.3%
Women on Board	28.5%	19.6%
Disclosure Score	61%	34%

Fund administration

Accuro Fund Solutions AG

Contact

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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.

\* 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.