

INDUSTRIAL METALS

CHAMPIONS FUND



IMC Factsheet

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

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

August 2022

Performance over 1 year **-16.7%**



Cumulative net performance in USD

	NAV	August	YTD	2 Year	3 Year	since IMC*
	31.08.2022	29.07.-31.08.2022				
Class A	184.0	-1.1%	-15.9%	42.5%	63.4%	55.0%
Class B	162.1	-0.9%	-18.7%	34.2%	48.5%	37.7%
Class C**	138.9	-1.0%	-15.6%			-7.4%

*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

Monthly comment

Recession fears continue to grip commodity markets, with oil, petroleum products, aluminium, wheat or sugar well below YTD highs and forward curves weaker. Goldman Sachs says commodities are pricing a recession more so than any other asset class. Nevertheless, they believe that commodities are the best asset class to own during a late-cycle phase where demand remains above supply. Mainly because physical fundamentals signal some of the tightest markets in decades. Inventories are in almost all markets significantly below the 5 year average and some stand at risk of depletion. Interestingly, Goldman Sachs analyzed the largest 50 copper projects, which are likely to bring 4mt of additional copper supply by 2026. Most of this incremental supply is likely to come online in the next 2 years, after which supply growth decelerates significantly. The majority of supply additions in 2027/28 come from unapproved projects, implying risks of delayed project starts and supply additions shifting to after 2030 given project complexity and scrutiny on ESG: 50% of projects were delayed by an avg. of 3 years vs 2018. By the way, US mining companies, automakers and a bipartisan group of congressional members are recommending that the US federal government cut the time needed to permit a new mine in order to boost domestic production of EV minerals. Further to that, Chile's state-owned copper company Codelco cut its production outlook for 2022 to 1.49-1.51mt, down from a previous forecast of 1.61mt. Codelco's production outlook for 2023 is also lower at 1.45mt and at risk according to local newspapers. The long-term supply gap remains unsolved, with widening mid-term deficits. Goldman estimates miners need to spend \$150bn of capex over the next decade to solve the expected deficit of 8mt. On the other side, copper demand is likely to accelerate given the push towards a low-carbon economy and growing green copper demand. Indeed, REPowerEU plans using over \$200bn of grants and other incentives aims to triple its wind and solar by 2030. In the US, the climate bill called the Inflation Reduction Act unlocks \$370bn for clean energy but will likely trigger some \$1.2tn in private investments by 2035 acc. to WoodMac. As we have highlighted several times, we still live in a material world. An energy system powered by clean energy technologies differs profoundly from one fueled by traditional hydrocarbon resources as they require significantly more industrial metals. Considering the difficulties to bring new mines online we are not surprised to see increasing M&A activity in the sector. Rio Tinto is buying Turquoise Hill Resources in a deal valued at \$3.3bn, securing more control of a giant copper mine in Mongolia. BHP announced an \$5.9bn offer to buy Oz Minerals that was declined. Nevertheless, it's the first M&A transaction for BHP since 2011.

IMC Factsheet

August 2022

Financial statistics*

Number of holdings	25
Market cap	\$23bn
P/B ratio	1.7x
P/cash flow	4.8x
EV/EBITDA 2022E	3.7x
FCF yield 2022E	13.3%
Dividend yield	3.6%
Net debt/equity	18%

Operating statistics in copper-eg.*

Production	3'850 ktpa
Reserve life (2P reserves)	22 years
Cash costs	\$4'320/t
Cash margin	51%
Reserve valuation (EV/2P)	\$790/t

Market cap. segmentation*

Small	< \$3bn	26%
Mid	\$3 - 30bn	45%
Large	> \$30bn	28%

Top 5 commodity exposure*

Copper	29%
Aluminium	13%
Steel	11%
Iron ore	10%
Nickel	5%

Top 5 country exposure (production)*

Australia	17%
United States	15%
Canada	8%
Brazil	8%
Chile	7%

Top 5 holdings

Hudbay Minerals	4.8%
Teck Resources	4.7%
Albemarle	4.4%
South 32	4.3%
SQM	4.3%

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

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 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.