

PRECIOUS METALS CHAMPIONS FUND



PMC Factsheet

Fund objectives

The fund aims to generate long term capital growth by primarily investing in equities from companies offering exposure to the precious metals market.

Fund facts

Investment manager

Independent Capital Group AG

Fund name

ICG Umbrella Funds -
Precious Metals Champions Fund

Legal status

Liechtensteiner UCITS contractual fund

Base currency

USD

NAV calculation

Daily

Inception date

02. June 2020

Fund size

USD \$5m

Custodian

LLB Liechtensteinische Landesbank AG

Distribution

LI, CH, DE, AT

Fund administration

Accuro Fund Solutions AG

Codes

Share classes

A	USD acc.	F	USD acc.
B	USD acc.		
D	CHF (unhedged) acc.		

Bloomberg ticker

A	PRCMCFA LE	F	PRCMCFF LE
B	PRCMCFB LE		
D	Pending		

ISIN

A	LI0445625085	F	LI1205084919
B	LI0445625093		
D	LI1121337961		

Dealing & prices

Management fee p.a.

A	0.60%	F	2.00%
B	1.20%		
D	1.50%		

Trading frequency

Daily

Minimum subscription

A	USD \$5m	F	one share
B	USD \$1m		
D	USD \$0.5m		

February 2024

Performance since inception



Cumulative performance in USD

	NAV	February	YTD	1 Year	3 Years	Since Inception
	29.02.2024	31.01.-29.02.2024				
Class A	121.1	-7.8%	-13.9%	-0.7%	-17.9%	-19.3%
Class B*	113.8	-7.9%	-14.0%	-1.3%		-24.1%
Class D*	Pending					
Class F*	146.9	-8.0%	-14.1%	-2.0%		-2.1%

*B-Class since 08. February 2021; D-Class Pending; F-Class since 22. February 2023

Monthly comment

While gold is breaking out, it is frustrating to see how gold equities continue to underperform. Over the past year, while the metal itself has experienced a 12% increase, the gold equity index has declined by 8%. BMO attributes this underperformance to factors such as inflation, leading to elevated total costs, diminished margins, and constrained free cash flow. Additionally, the mining industry grapples with short mine lives, requiring constant reinvestment to replace depleted ore. A looming labor shortage compounds these challenges, driving up costs and hindering productivity. Although certain issues may persist, there is optimism regarding the impact of inflation diminishing. During the annual reporting of our portfolio companies, notable improvements in costs and margins have already been observed. Analysts anticipate a reduction in inflationary pressures as the economy slows down, labor constraints ease, and energy prices normalize in the industrial supply chain. Projections point towards a 5% annual unit cost deflation in 2025 and beyond. Traditionally, the gold sector's cost curve aligns with fluctuations in gold prices, resulting in increased marginal supply. However, the current cycle demonstrates a sustained level of discipline among companies. There is a focus on adhering to cutoff grades and reserve price assumptions, with an emphasis on generating free cash flow over prioritizing revenue. Despite rising industry costs, these do not seem to stem from self-inflicted actions. Gold equities are currently undervalued, with historically low valuations, while expected increases in free cash flow yields and dividends lie ahead. Management teams have exhibited greater discipline in capital management, avoiding overpaying for mergers and acquisitions. This prudent approach has contributed to a still fragmented industry with numerous small companies. Examining key financial metrics, the precious metals champions fund's portfolio boasts a weighted average P/B multiple of only 1.2x, a price-to-cash flow ratio of 5.4x, and a dividend yield exceeding 2.5%. The anticipated rise in free cash flow yield from 6% in 2024 to over 15% in 2025 aligns with the continued maintenance of healthy balance sheets among our portfolio companies, characterized by minimal to no debt.

PMC Factsheet
Exposure

Gold equities	80%
Metals physical	20%

Financial statistics*

Number of holdings	25
Market cap	\$5.1bn
P/B ratio	1.2x
P/cash flow	5.4x
EV/EBITDA 2024E	3.9x
FCF yield 2024E	5.9%
Dividend yield	2.5%
Net debt/equity	3.0%

Operating statistics in gold-eq.*

Production	1'067 koz
Reserve life (2P reserves)	18 years
Cash costs	\$1'104/oz
AISC**	\$1'035/oz
Reserve valuation (EV/2P)	\$260/oz

Market cap. segmentation*

Small	< \$3bn	76%
Mid	\$3 - 10bn	8%
Large	> \$10bn	16%

Top 5 commodity exposure*

Gold	79%
Silver	11%
Copper	7%
Palladium	1%
Rhodium	1%

Top 5 country exposure (production)*

Australia	17%
Canada	14%
Mexico	5%
South Africa	4%
China	4%

Top 5 equity holdings

China Gold International	4.9%
Pan African Resources	4.6%
Dundee Precious Metals	4.6%
New Gold	4.5%
Perseus Mining	4.4%

Transparency	PMC	Universe
Carbon footprint/EVIC	205	224
Renewable Energy Cons.	7.4%	5.5%
Fatality Rate	3.5%	7.7%
Women on Board	32%	27%
Independent Board	73%	59%

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*Equity portfolio based on weighted average and/or weighted average gold-equivalent numbers; **All-in sustaining cost

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.

February 2024
Why commodities

Commodities have been key in the economic development of the world. 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. 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 Precious Metals Champions Fund

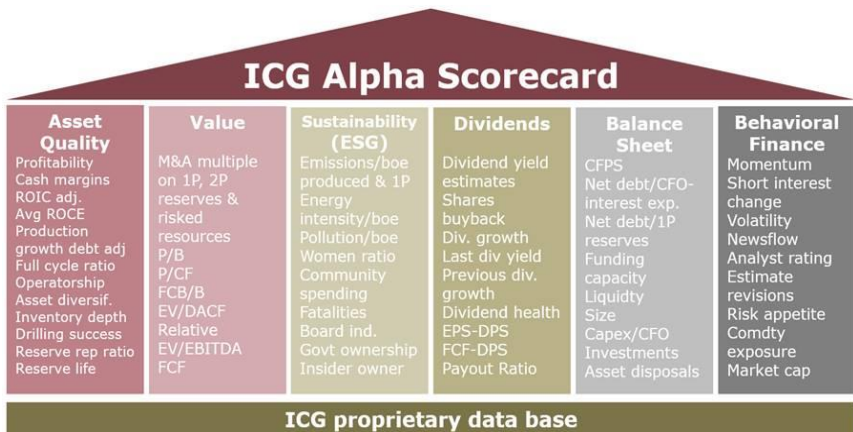
Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Precious Metals Champions Fund offers the investor the opportunity to participate in an actively managed portfolio of natural resources companies active in the attractive precious metals sector and this in a pragmatic sustainable way.

ICG Investment Process

Our investment process is based on a quantitative approach to find the best-in-class companies. The consistent methodological process 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. 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

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. The majority of variables are dynamic and based on historical figures from the last fiscal year or on a 3 year average. All 25 positions are equally weighted, however we may reduce the weight or even exclude a company on exceptionally events (e.g. oil spill, political risk). The Precious Metals Champions Fund consists of a unique combination of investments in the best gold companies but has a minimum gold investment strategy to protect the gold equity downside. The Investment Management team will apply a rule based systematic approach with a gold risk factor that helps to define the current gold environment and according to that adjust the gold equities vs. gold allocation target.


Investment Manager

The Precious 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.