

LTIF

Long Term Investment Fund

SIA Funds. Strategic Value

«Value and Natural Resources back on track»

October 2024

Investment Boutique vs. Institutional

“We like what we do”



- **Swiss asset manager.** Regulated by FINMA. Based in Lachen (Lake of Zurich)
- **Value strategy, long-only**
- **Boutique type:** EUR 200 million AUM
- Team of 8 people with **4 investment professionals with more than 25 years of experience**
- **LTIF Classic**, created in 2002, and with a **9% p.a. for 20+ years**. **LTIF Natural Resources** seeks to generate value from the energy transition. **7% p.a. past 5Y.**
Mandates

Partners - Investment Experience



- **Marcos Hernandez Aguado, Managing Partner, CIO**
Head of Investments Committee and PM

- **Alex Rauchenstein,**
Managing Partner (IC)



- **Urs Marti, Partner, (IC)**
Natural Resources

- **Prof. Jose Carlos Jarillo,**
Founding Partner (IC)

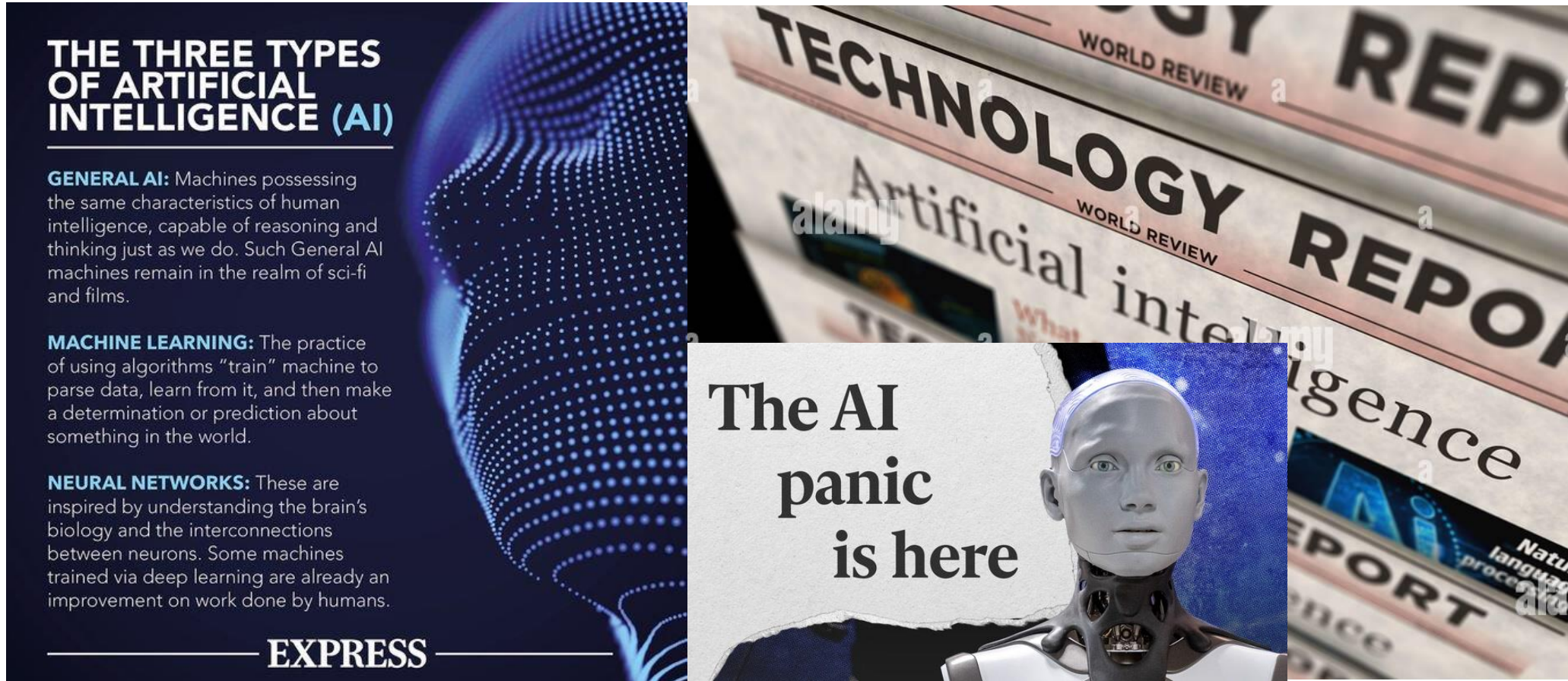


**> 25 years
experience**

**Invested in
SIA Funds**

**Unconstrained
decision making**

The dominant theme in Markets today



THE THREE TYPES OF ARTIFICIAL INTELLIGENCE (AI)

GENERAL AI: Machines possessing the same characteristics of human intelligence, capable of reasoning and thinking just as we do. Such General AI machines remain in the realm of sci-fi and films.

MACHINE LEARNING: The practice of using algorithms "train" machine to parse data, learn from it, and then make a determination or prediction about something in the world.

NEURAL NETWORKS: These are inspired by understanding the brain's biology and the interconnections between neurons. Some machines trained via deep learning are already an improvement on work done by humans.

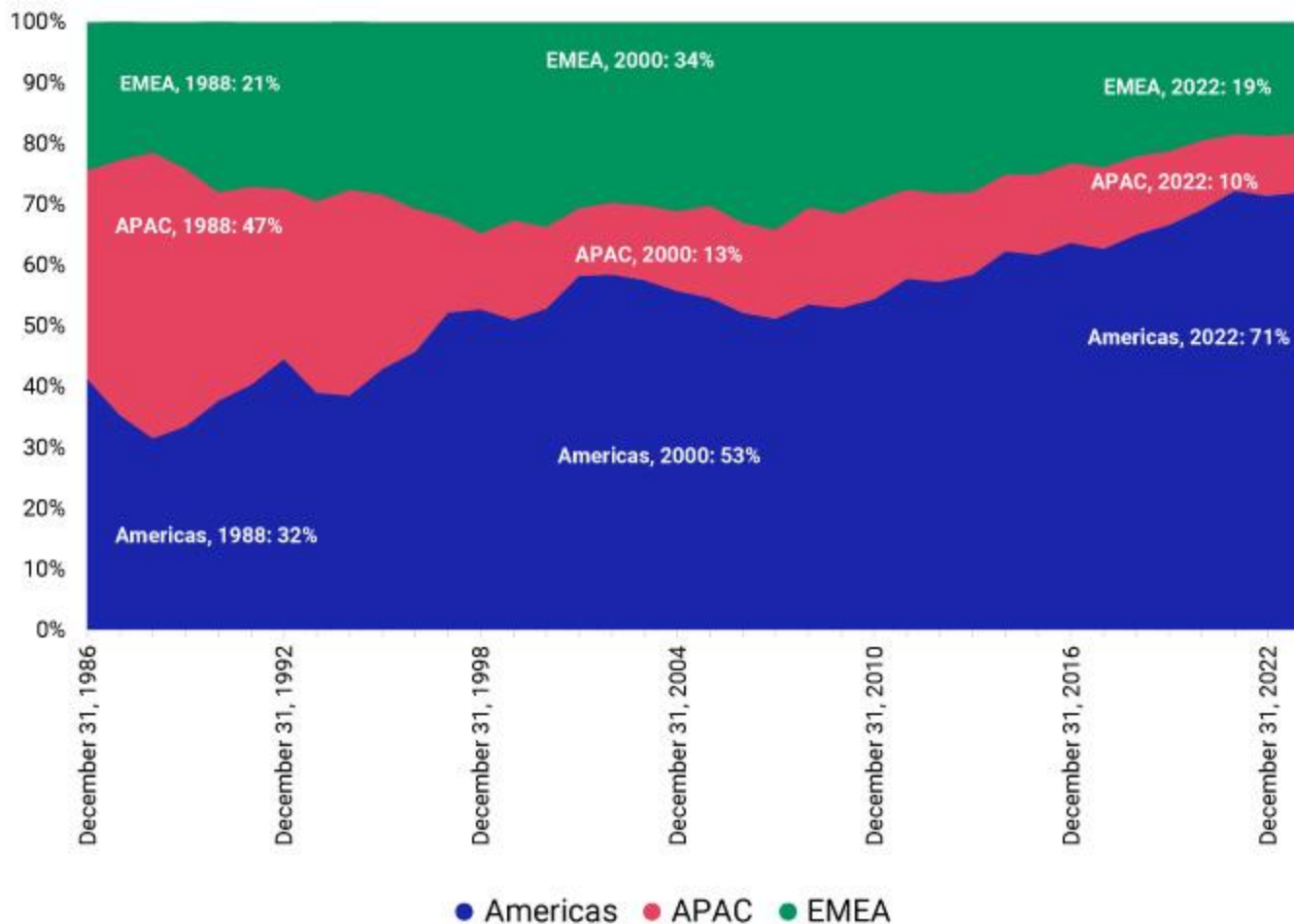
EXPRESS

The AI panic is here

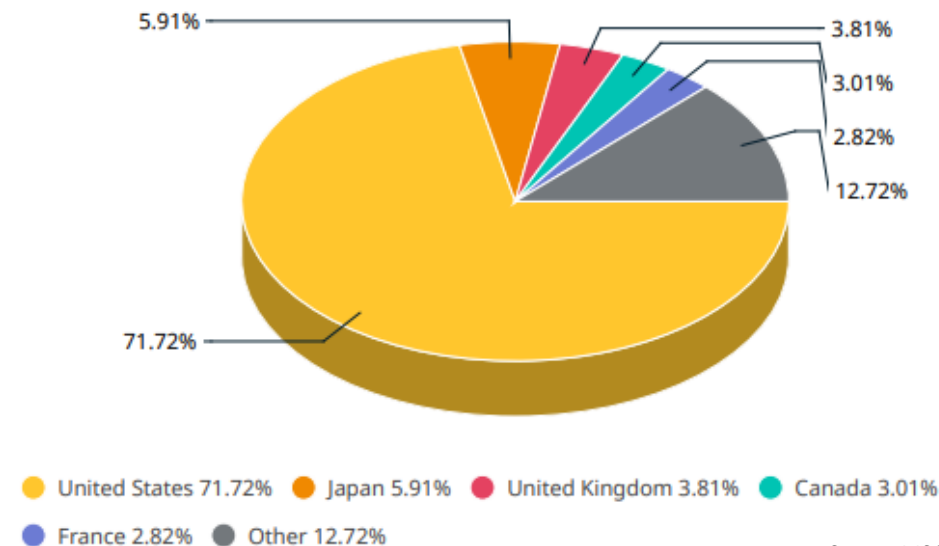
Some years back it was autonomous driving



USA weightings in the MSCI World since 1986 and today



COUNTRY WEIGHTS



Source MSCI

worldometer

Coronavirus

Population

W / GDP / GDP by Country

Source: SIA Group / Bloomberg

GDP by Country

#	Country	GDP (nominal, 2022)	GDP (abbrev.)	GDP growth	Population (2022)	GDP per capita	Share of World GDP
1	United States	\$25,462,700,000,000	\$25.463 trillion	2.06%	341,534,046	\$74,554	25.32%

From Value to Strategic Value: the 4 Gs

- **Strategic analysis of the sector:** competitive framework, entry & exit barriers, historical returns, cyclicalities, regime change
- **Strategic analysis of the company:** 5 forces, moats, competitive advantages, growth, returns
- **Choose good (moaty) businesses.** Buy them at a discount. Discard weak business models... at any price.

The 4Gs: Good business, good management, good balance sheet and @ a good price

Strategic Value: 3 examples



Price/Book 2x
PE 10X, ROE 22%
Dividend Yield 5%
Our IRR 14-15% p.a.

Taken private +65%



~~Price/Book 0.8x
PE 7.6X, EV/EBITDA 4.8x,
ROE 11%
Our IRR 13-14% p.a.~~

+56%

Price/Book 1.1x
PE 7.5X, EV/EBITDA 5.2x,
ROE 14.2%
Our IRR 11-12% p.a.



~~@ USD 75 WTI, FFCF 33 Bn. USD >
Market. Cap - 2026~~

+23%

~~Our IRR 14-15% p.a.~~

Market. Cap today
39 Bn. USD

Our IRR 12-13% p.a.

The 4Gs: Good business, good management, good balance sheet and @ a good price

LTIF Classic: Global, Concentrated, Diversified

Long-only Fund, Value, Strategic Value Investing

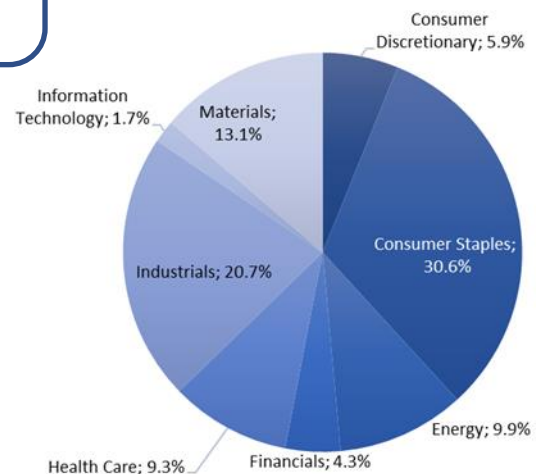
No Index

Weight in sectors or geographies depend on opportunities

Concentrated in 30-40 companies

Fundamental Analysis

Fully invested in equities



The LTIF Classic is a kind of holding with 30 companies, with extremely low industrial risk

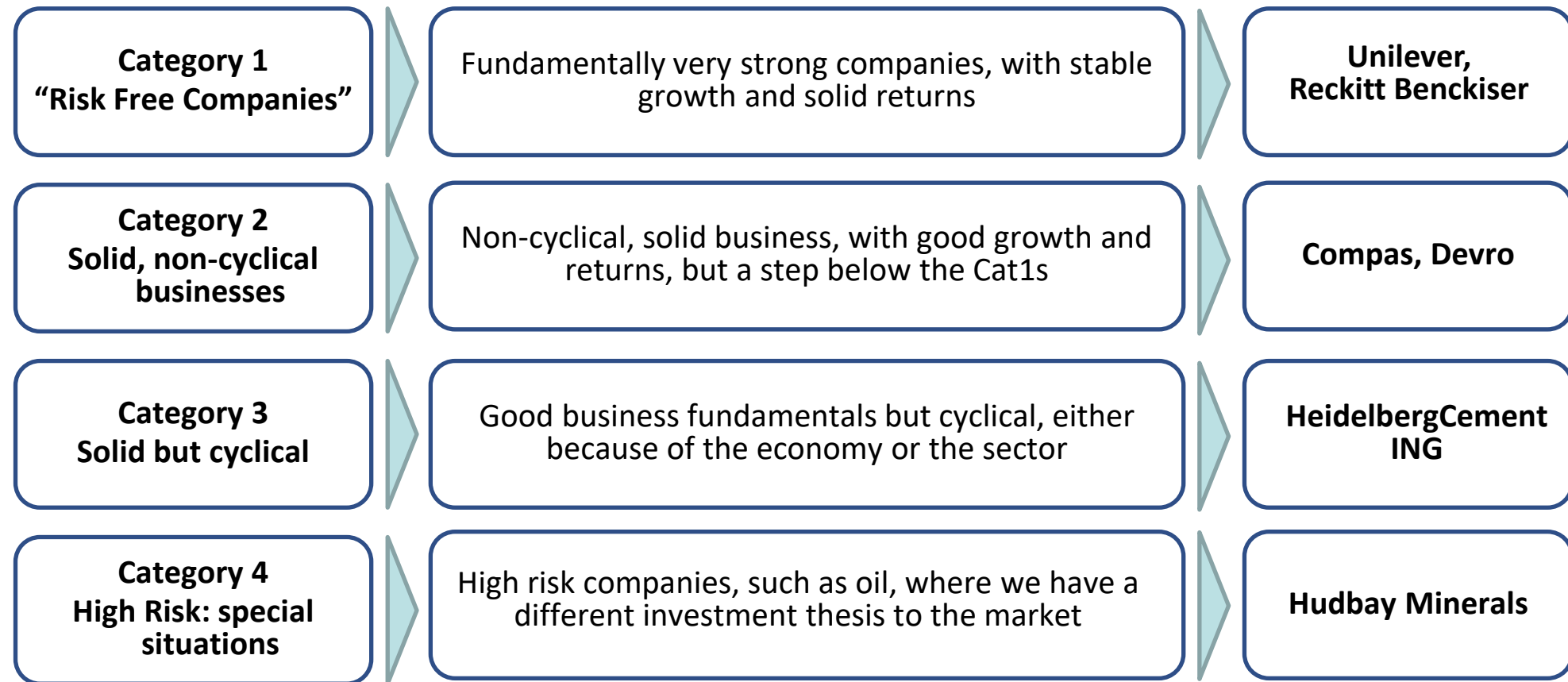
The Classic: 9% per year since 2002



- Multiplied initial investment by 6x in 20 years
- 2.5 pp ahead the MSCI Value Index p.a.
- Our target is 10% p.a. net of all costs
- **Doubling investment every 7 years**

Magical combination of compounding and long term

Portfolio Construction and Risk Management: LTIF Classic



50-60% of the Classic in Cat 1-2 and never more than 10% in Cat4

The Classic since September 2011



- 4 risk categories initiated in 2011
- c.10% per year since 2011
- Doubling every 7 years; x4 in 14

Alpha is not the target but the consequence

PER 25 of 11.5x - well below the MSCI World

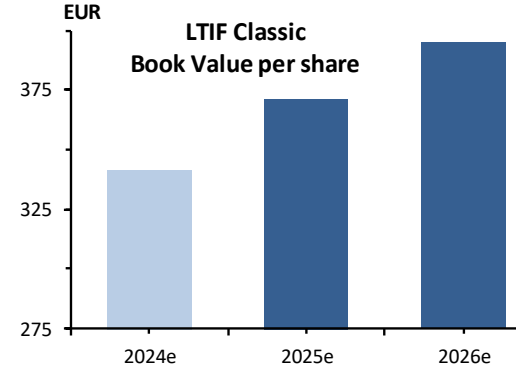
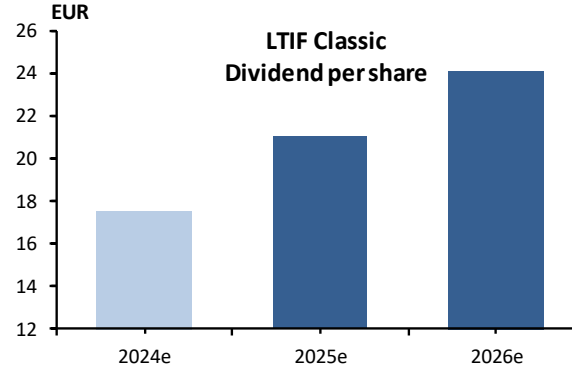
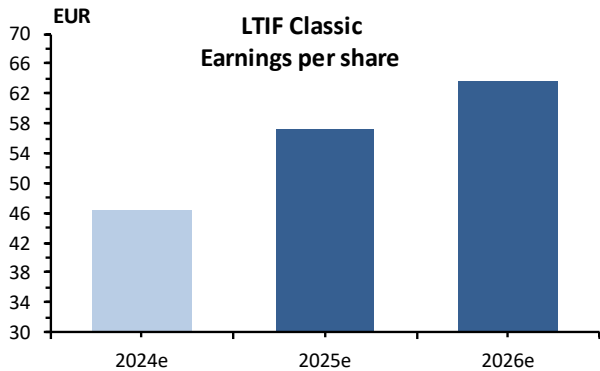
Date	NAV	%
31.12.2020	407.9	
31.12.2021	494.3	21.2%
31.12.2022	565.3	14.4%
31.12.2023	616.7	9.1%

Reporting LTIF Classic as of 30.06.2024 (aggregated data in EUR)

Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2024e	46.4		14.2	7.0%	19.2	5.2%
2025e	57.2	23%	11.5	8.7%	17.2	5.8%
2026e	63.5	11%	10.4	9.6%	16.1	6.2%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2024e	17.5		2.7%	1.9%
2025e	21.0	20%	3.2%	2.1%
2026e	24.1	15%	3.7%	2.5%

Year	BPS	%	P/B	MSCI World P/B
2024e	341.7		1.9	3.2
2025e	371.1	9%	1.8	2.9
2026e	395.0	6%	1.7	2.8



Source: SIA Group / Bloomberg

- Value means buying at a discount
- We usually look for 30% discount to IV
- Discount = margin of safety & risk management

ISS, a leading global workplace and facility management company.

Global player

with 310,000 employees, 30+ countries and 40'000 customers

Services

Cleaning, Food, Technical, Workspace, Security, Support

Industries

Aviation, Banking & Professional Services, Healthcare, Life Sciences, Industry & Manufacturing, Technology



Aviation:

26 of the world's 30 largest airlines, 100+ Airports globally

Banking:

20 of the world's 30 largest Banks, 40+ countries,
10'000 location supported daily

Healthcare:

100+ Key accounts, 700+ Hospitals across the world

Life Science:

30+ Customers across the world, 45+ countries,
5'000 working in life science

Manufacturing:

50 largest manufacturing companies in the world
with 1'000'000+ square meters of production plants

Technology:

3 of the top 5 global Tech Companies



Why do we like this sector?

Oligopolistic:

4 leading companies

Sodexo, CBRE Group, **Compass Group**, we own 3 😊

Economy of Scale:

Bulk purchasing / supplier negotiation,
Operational Efficiency, Technology / Innovation,
Risk Management & Resource Allocation

➤ *by leveraging on this, larger companies
have the cost and quality leadership*

High Switching Costs:

One stop shop for Key clients, small cost items



Why do we like ISS (1)



It is one of the **top 4** Facility Management Companies Worldwide.

It has recovered its **Revenues and Operating margins** to **pre Covid levels**.

ISS was generating a **1.8bn DKK FCF in 2023** on a Market Cap. of 25bn DKK and was able to reduce the financial leverage substantially to **2.2x Net debt /EBITDA**

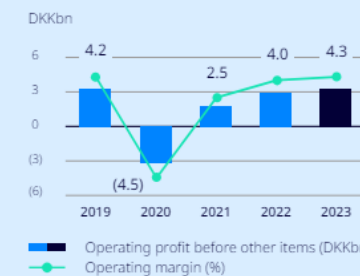
ISS has a very high **customer retention** rate and was even able to increase it to **95%**

Organic growth¹⁾ 9.7%



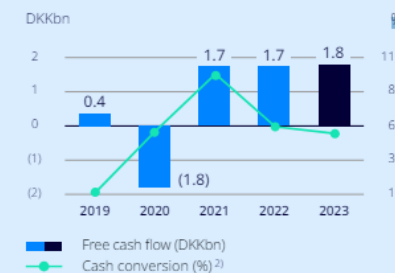
¹⁾ Excluding the impact of IAS 29

Operating margin¹⁾ 4.3%



¹⁾ Excluding the impact of IAS 29

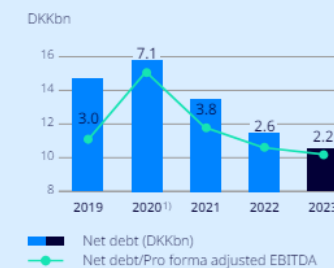
Free cash flow¹⁾ 1.8 DKKbn



¹⁾ Excluding the impact of IAS 29

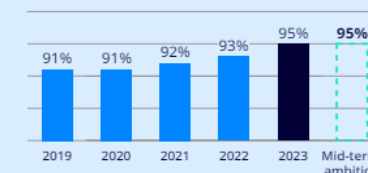
²⁾ Free cash flow/Operating profit before other items in %

Financial leverage 2.2x



¹⁾ Excluding restructurings and one-off costs

Customer retention 95%



Why do we like ISS (2)



ISS A/S established several long-term targets as part of “One ISS”

Organic growth 4-6%, starting 2024

Operating margin above 5%, starting 2024

To convert more than 60% of its operating profit into free cash flow

Keep an investment-grade Rating and a Net Debt 2.0-2.5 x EBITDA

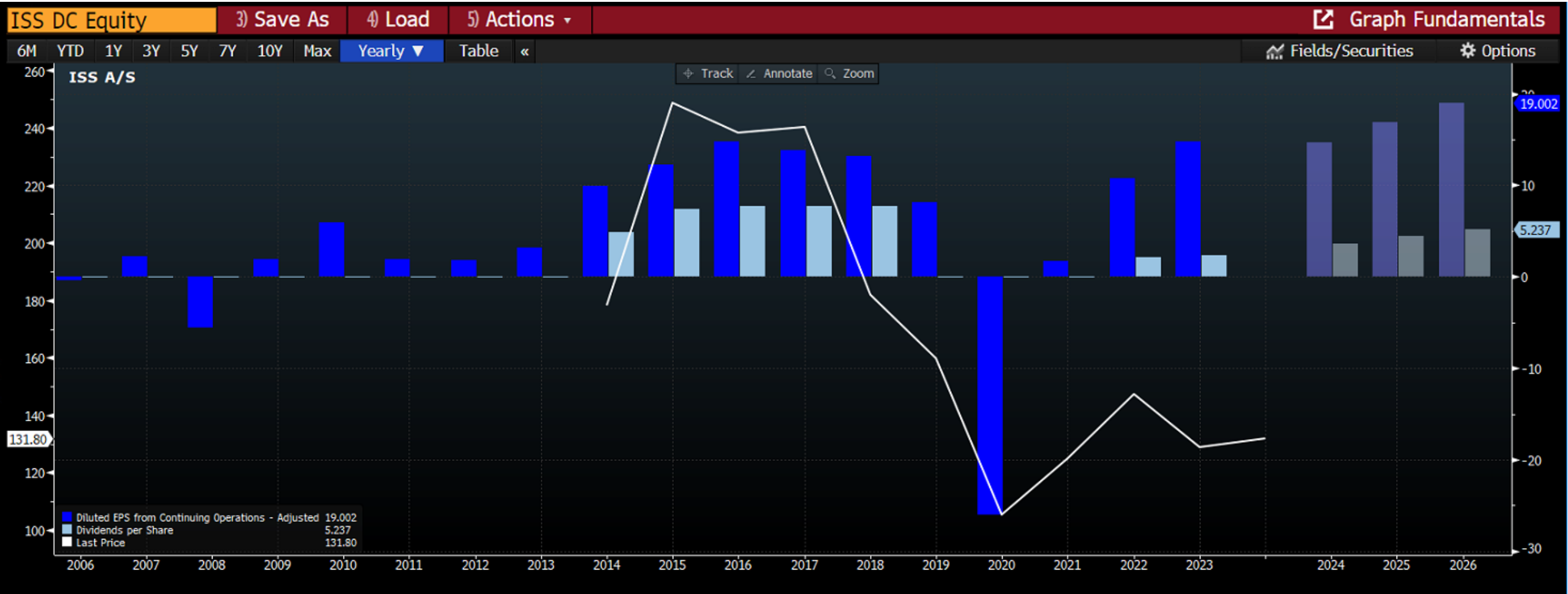
Dividend Payouts of 20-40%

Allocating capital to value-creating investments and share buybacks

But now, the share price is still depressed



Operating EPS would justify DKK 240-260



ISS Shares trade at a deep discount



- P/E 2025 of 7.8x vs. historical average of 20 x
- Free Cash Flow Yield 12% on 2025E
- ROE of 25%, P/Book 1.9x, Div. Yield 3.4%

- **Share price: DKK 132.4**
- **Intrinsic Value of DKK 250 per share and IRR of 18.7% at current prices.**

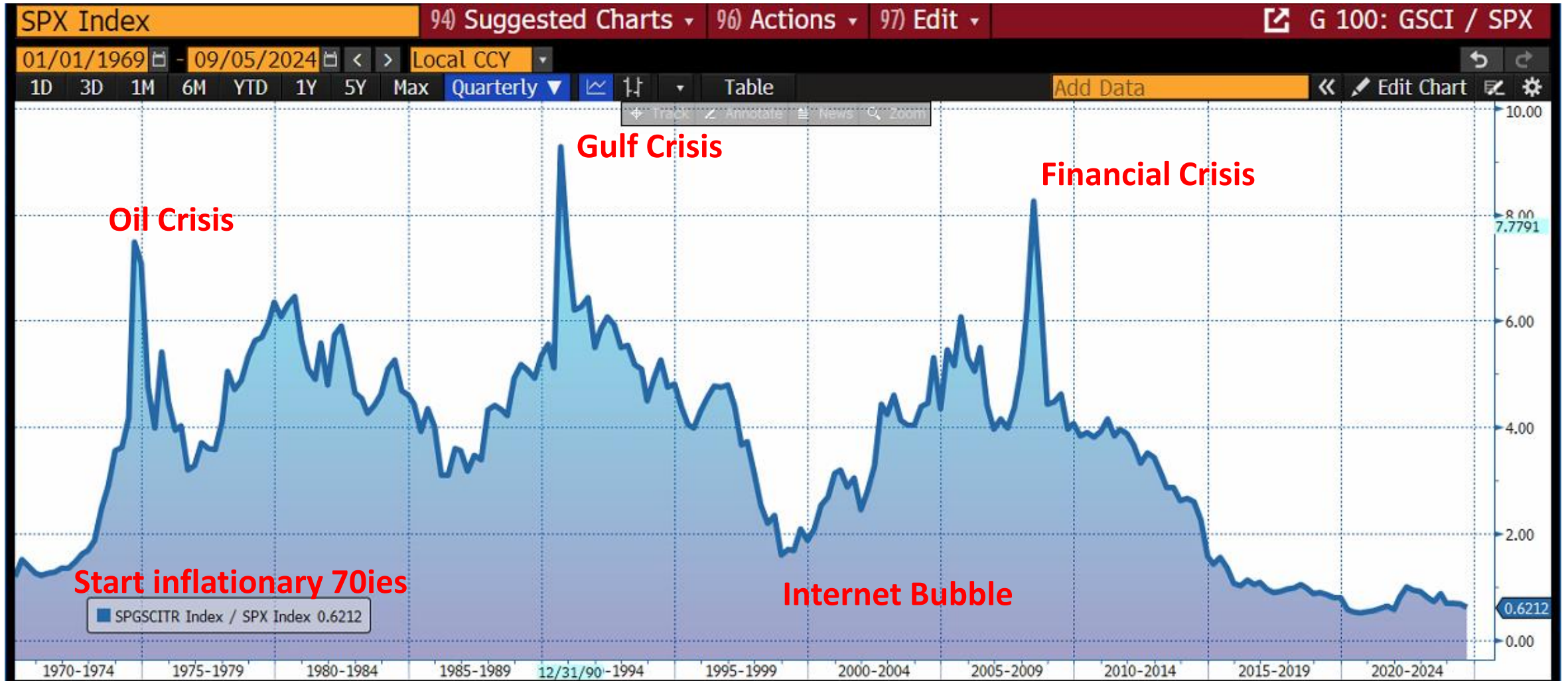


Last but not least here, a real live example of how ISS uses new technologies to further improve their operational efficiency.

(Video taken at the Prague Airport, Alex Rauchenstein)

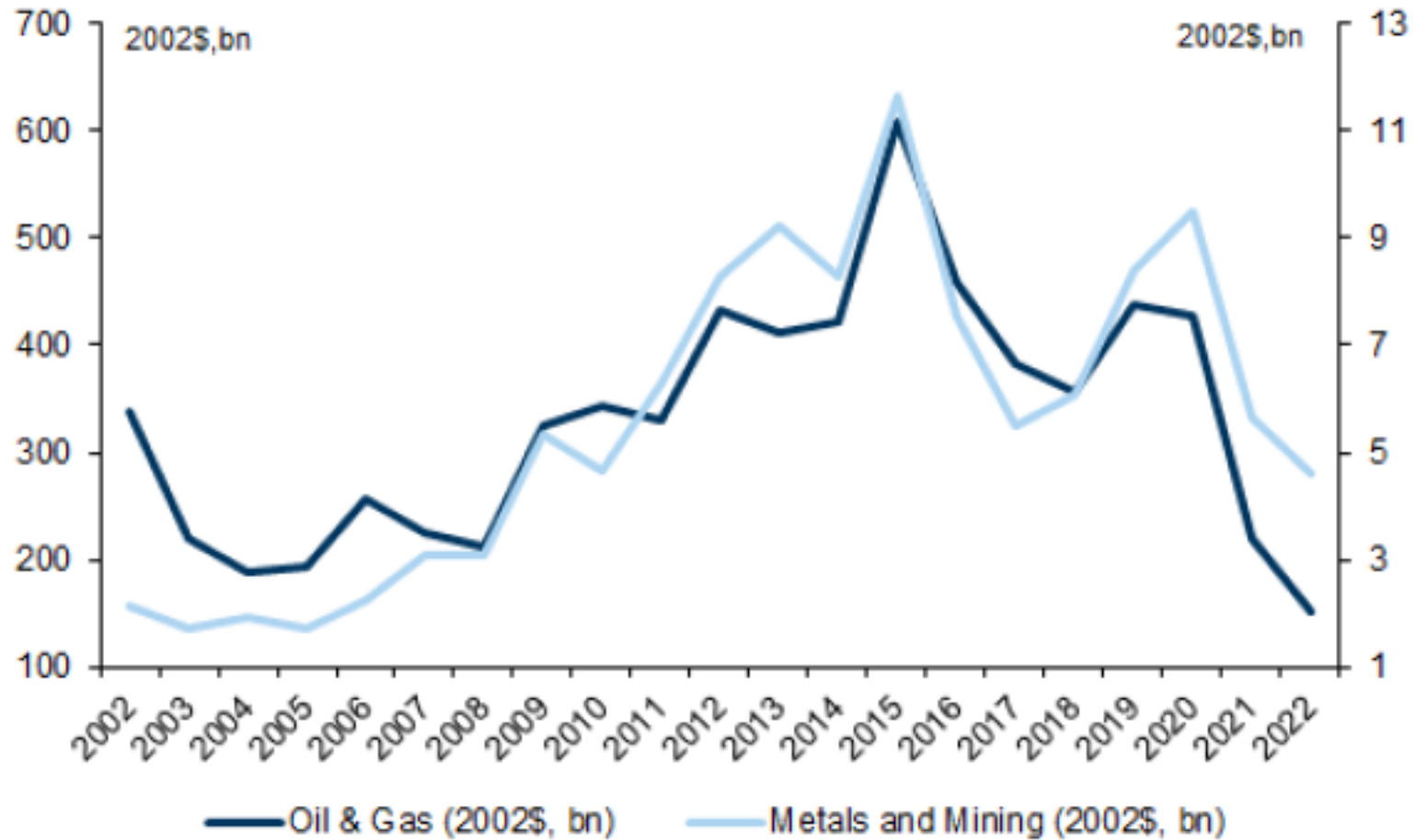


GSCI/S&P500 Ratio: As cheap as it can get, still!



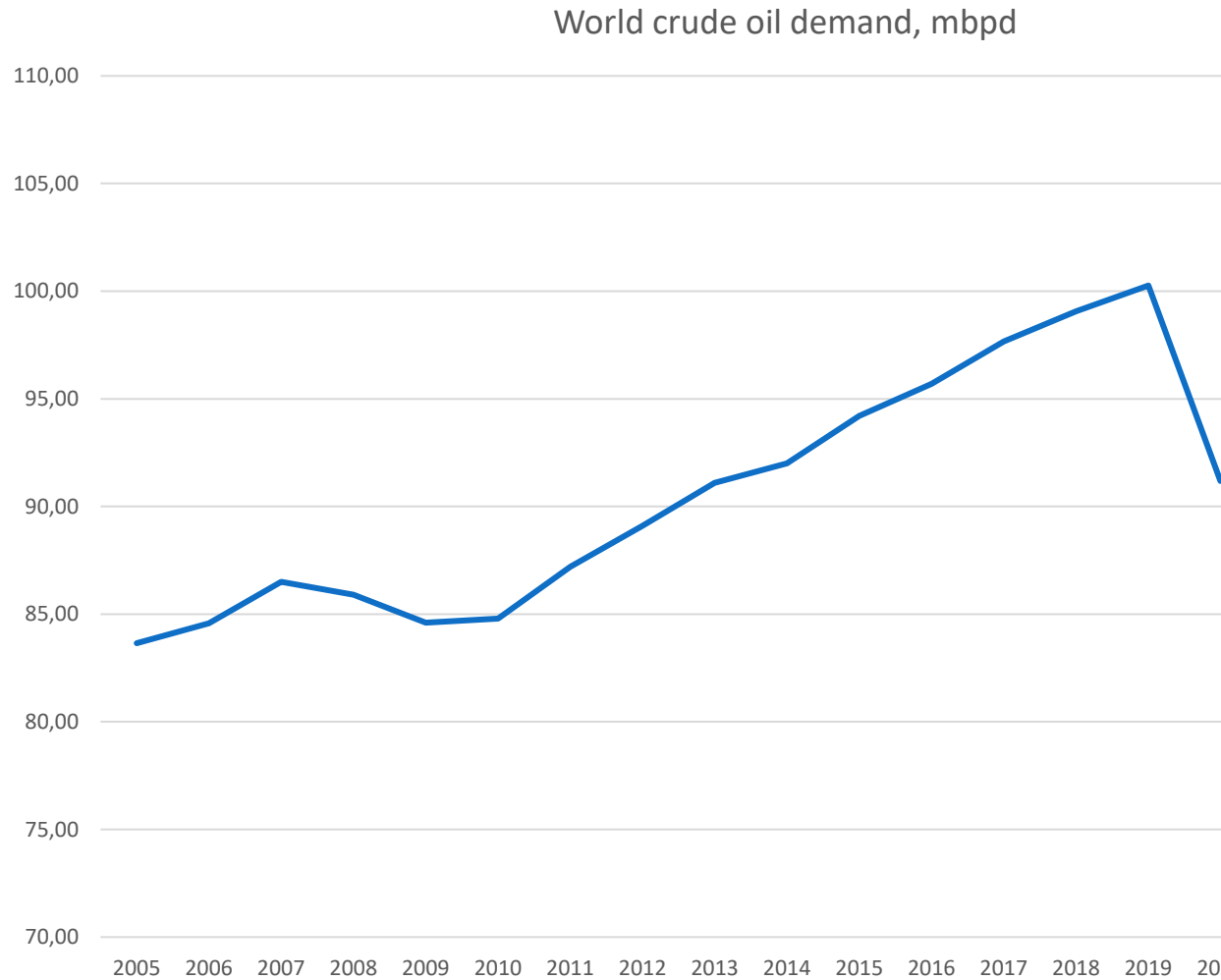
It does not get cheaper...

Oil & Gas and Metals and Mining (rhs) real capex in 2002 dollars



Source: Goldman Sachs/Baker Hughes

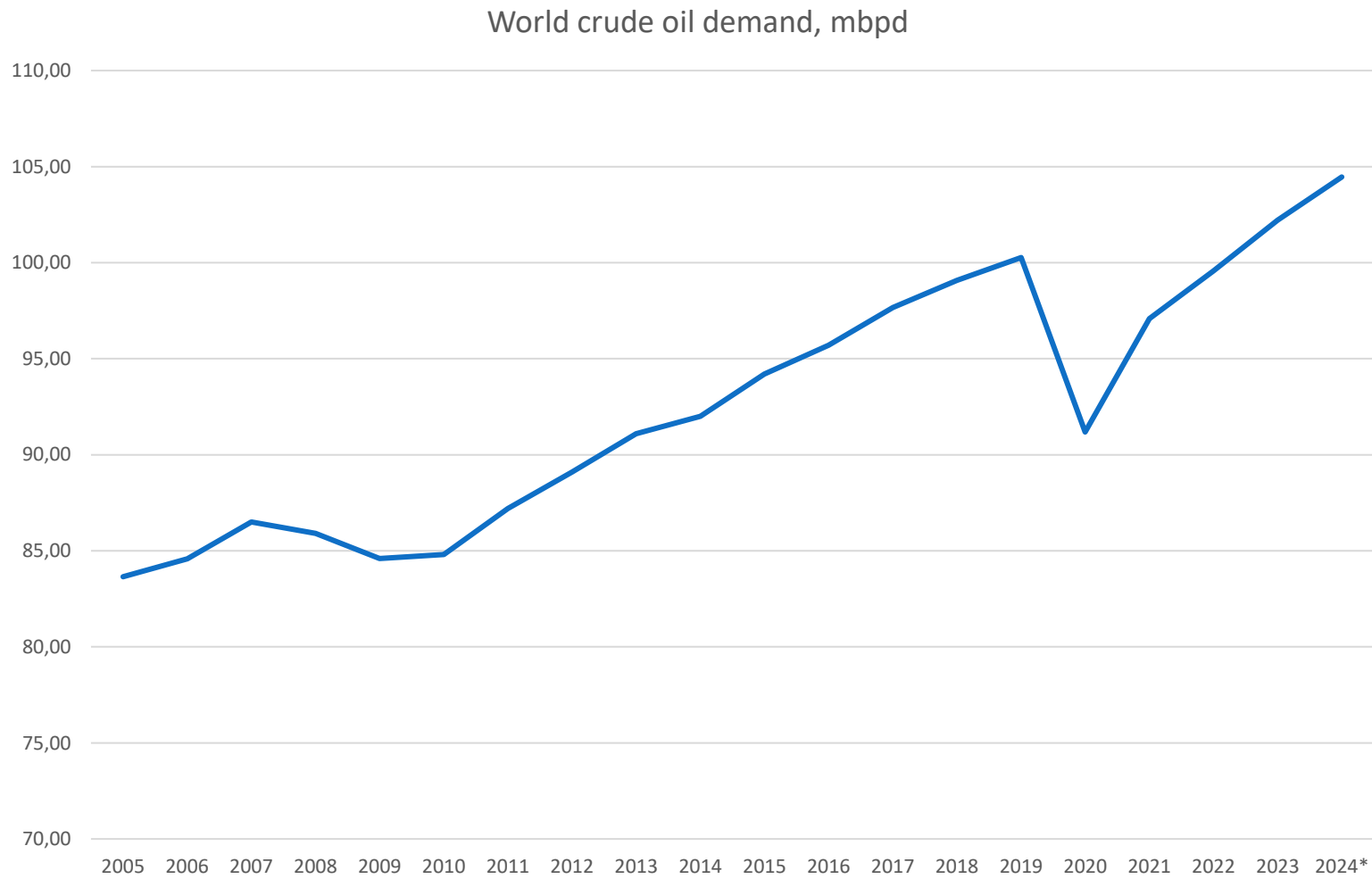
In 2020, many people thought peak demand had arrived...



In 2021, the International Energy agency was estimating a peak of 100 in 2019, going to 75 mbd in 2030

Source: OPEC

... but it hadn't



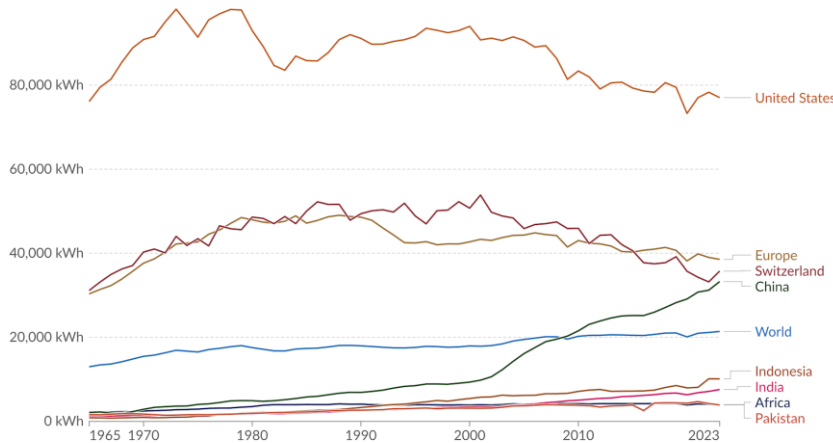
Source: OPEC

It's hard to see the future from Zurich...

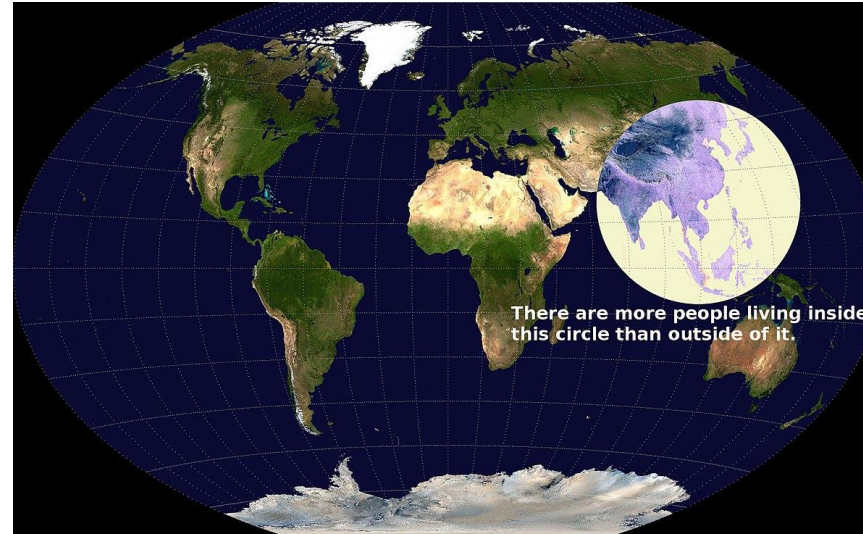
Energy use per person

Measured in kilowatt-hours¹ per person. Here, energy refers to primary energy² using the substitution method³.

Our World
in Data



Data source: U.S. Energy Information Administration (2023); Energy Institute - Statistical Review of World Energy (2024); Population based on various sources (2023)
OurWorldInData.org/energy | CC BY

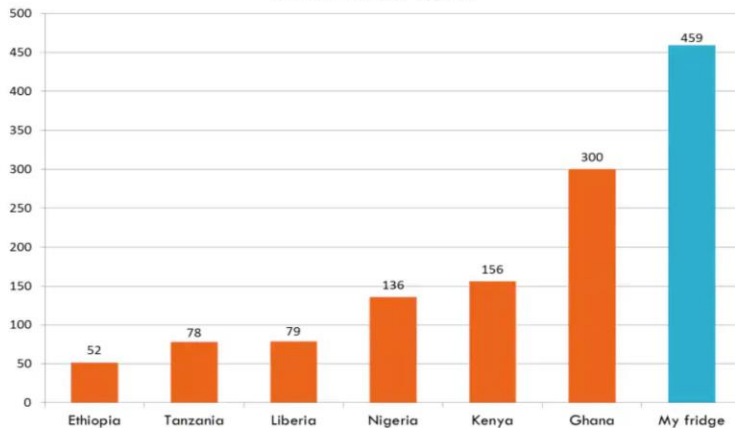


Valeriperis Circle

In fifty years' time, one in five humans will live in Africa.

If we converge towards 30.000 KWh/person, the world needs a a 50% increase in energy production

Electricity Consumption (annual kWh per capita)

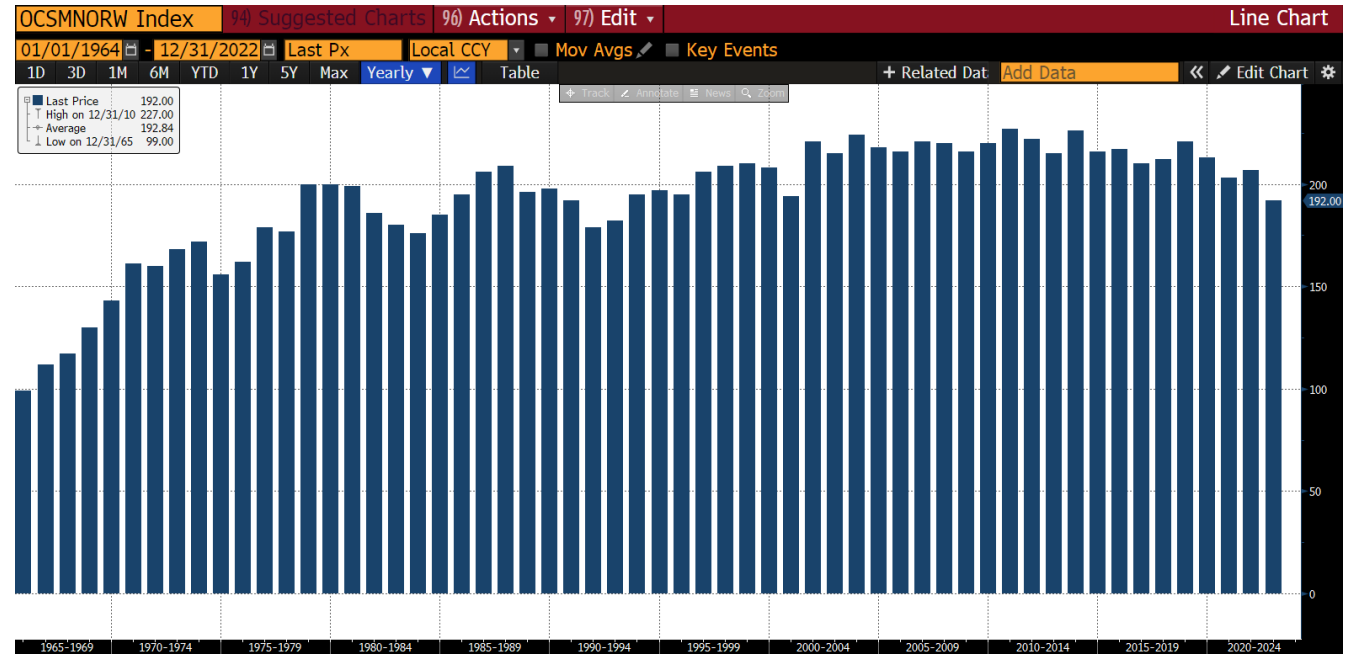
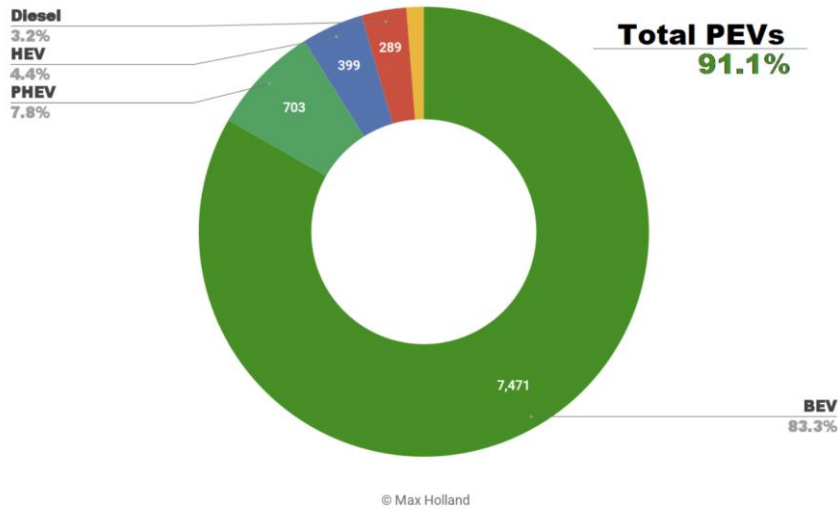


Source: IEA, 2010

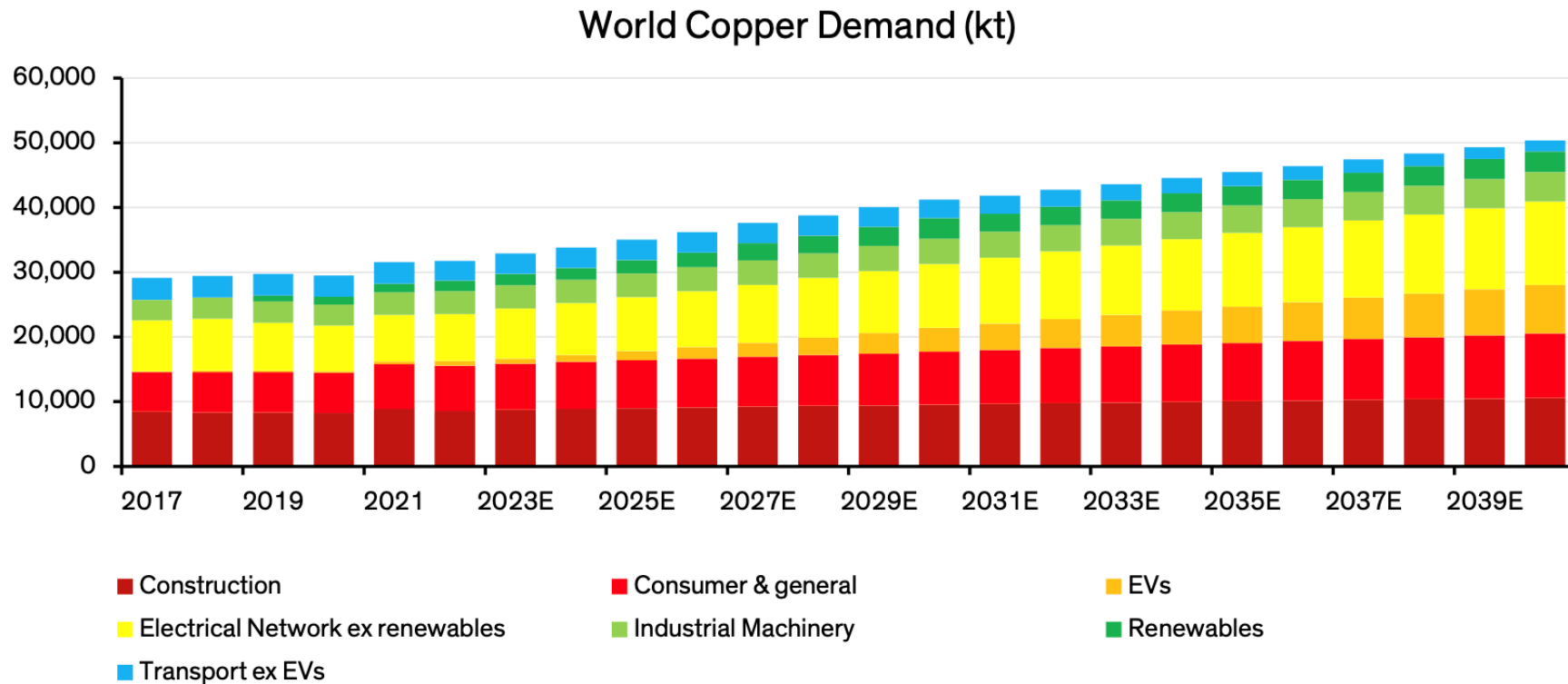
Oil is very hard to substitute for: the case of Norway

April 2023 Norway Passenger Auto Registrations

Data from OFV



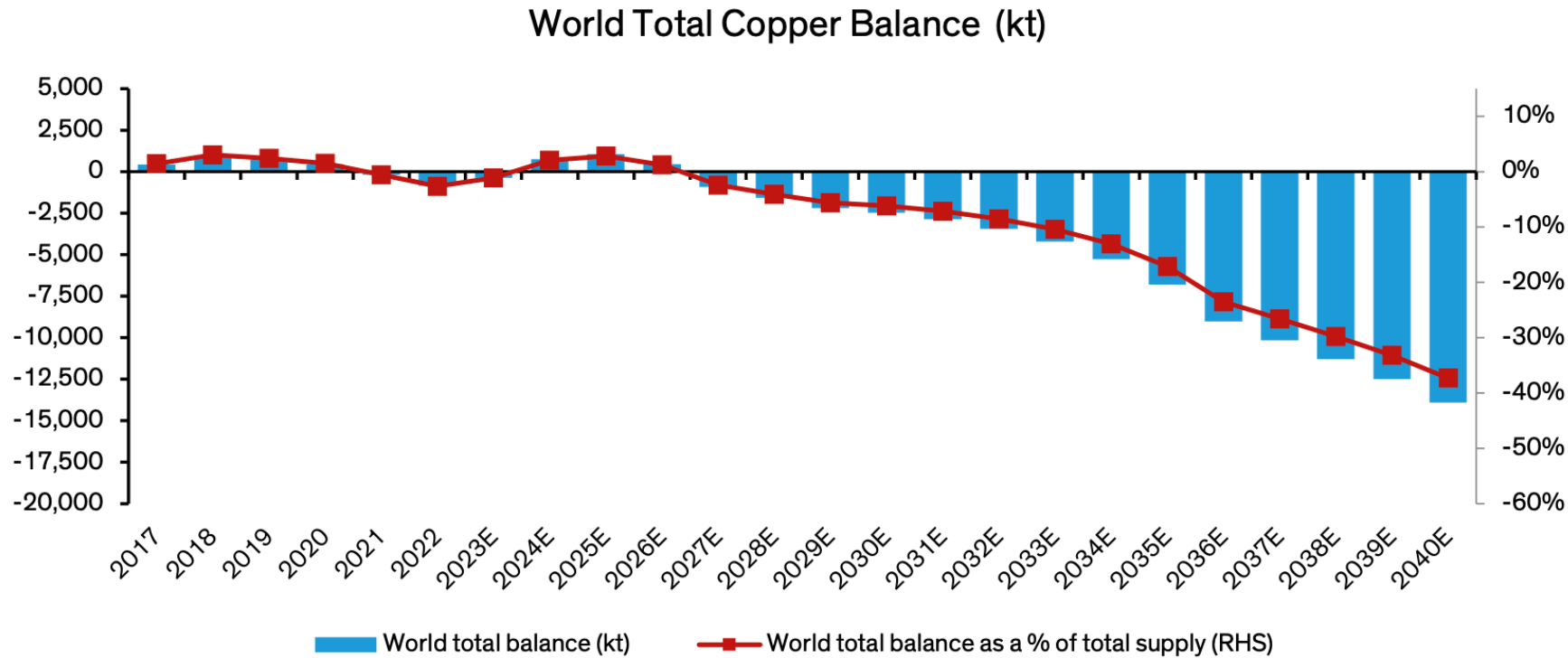
Copper: demand growth to accelerate



- Demand will grow by 1m tons per year compared to 0.5m
- Electric cars, batteries, wind, solar, grids, buildings ... will be electrified
- From 30m tons in 2020 to 50m in 2040 ie. 60 Cobre Panamá or 50 Kamoakakula in 20 years

Source: WoodMac, Bernstein analysis and estimates

Copper: structural deficit by 2025/26



- A copper mine takes a decade
- 4.0\$ per pound is too low
- Hurdles: ESG, tax & resource nationalism
- Resources are in high-risk countries

Source: WoodMac, Bernstein analysis and estimates

The copper market looks balanced for a couple of years. After 2025 we see a structural deficit. Timing will be dictated by the recovery of China and no short-term solution

The grid is one of the key limiting factors for the “transition”

POSITIONED FOR THE FUTURE

energising today | advancing tomorrow

Global electricity demand is growing ... and is projected to increase a further 55% by 2035 to drive the energy transition¹ ...

Total electricity demand¹

Electricity demand primarily driven by electrification of fossil fuel demand, including:

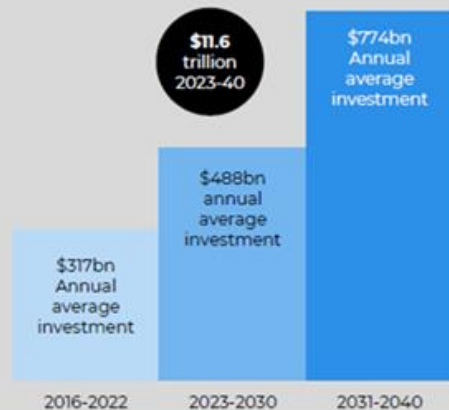
- Electrification of mobility: 476M cars by 2035²
- Electrification of residential heating and industrial processes
- Plus growing energy intensive demand from data centres, AI and Crypto currencies. By 2026 this category alone could add demand equal to Germany



... but despite accelerating investment in renewable energy³, global investment in grids has barely changed over the last five years⁴ ... the world's electricity grid is not ready yet ...

- More than 3TW of new renewable power projects are waiting in grid connection queues⁴ limiting the pace of the energy transition
- To meet national energy and climate goals, we need to add or refurbish more than 80 million kilometers of grids by 2040 – the equivalent of the world's existing grid⁴

Grid investment, APS scenario⁴



... underpinning the role of fossil fuel base load electricity in the energy systems of today

Despite rapid growth in China's renewable generation capacity, the majority of its 2023 electricity demand growth (of 538TWh⁵) was met by coal

China's future grid design incorporates energy hubs of renewables+coal

China 2023 electricity generation growth by source (TWh)⁵



Notes: [1] Source: IEA Electricity 2024 and World Energy Outlook 2023, APS scenario. [2] Source: BNEF, Long term electric vehicle outlook, includes BEV and PHEV. [3] Bloomberg NEF, Energy Transition Investment Trends 2024, 30 January 2024. [4] IEA Electricity Grids and Secure Energy Transitions, October 2023. [5] China National Statistics, Glencore estimates

GLENCORE

2023 Preliminary Results

21

There are three simultaneous cycles

	Origin	Duration	Impact
Investment	Length of time to absorb excess supply; length of time to develop new supply Inelasticity	10 to 15? years	Multiply prices by more than 5 times
Economic	Fluctuation in demand due to GDP growth fluctuations	6 to 18 months (typically)	Fluctuations in prices of 20%
Financial	Financial actors' anticipation, speculation	Weeks	Fluctuations in price of some 20-24%

Investment strategy

- **Most important: choose your cycle and stay with it**
- Seek (long-term) bottlenecks: commodities where adding new capacity is difficult, supply is getting tight
- Buy the companies, not the commodities (value creation)
- Avoid start-ups (remember, the reason to invest in the space is that growing supply is difficult)
- Risks to consider:
 - financial (cash flow, strong balance sheet)
 - political (cannot be avoided: must diversify)
 - Management asset allocation (track record)

"The SIA value bracket"

Exploration

Discovery

Decision to move into production

Announcement of financing, dillution, hedging

Cost overrun

Permitting problems

Delays

Investors throw the towel

Bank hike debt costs

Spent \$ can be bought for Cents

Cashflow starts kicking in

Debt is being reduced

Dividends are being announced

Production fades

Expansion is needed

Going underground

New pits

10.4x earnings & 1.6x book 2025 - below mid-cycle

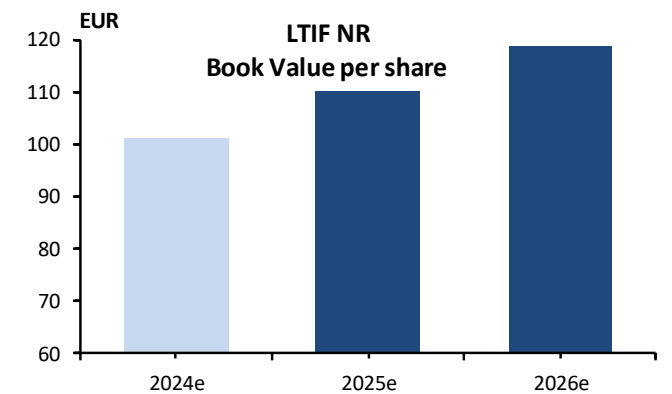
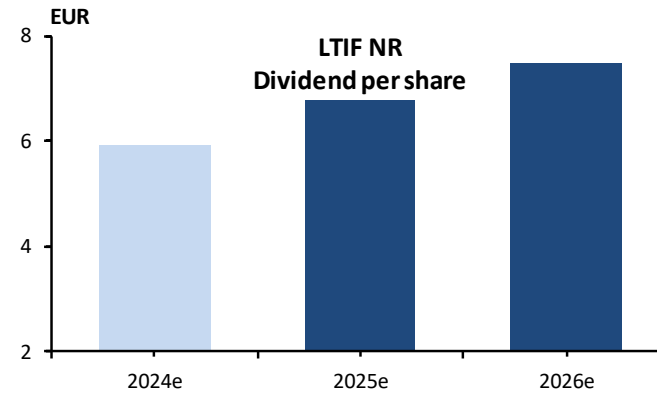
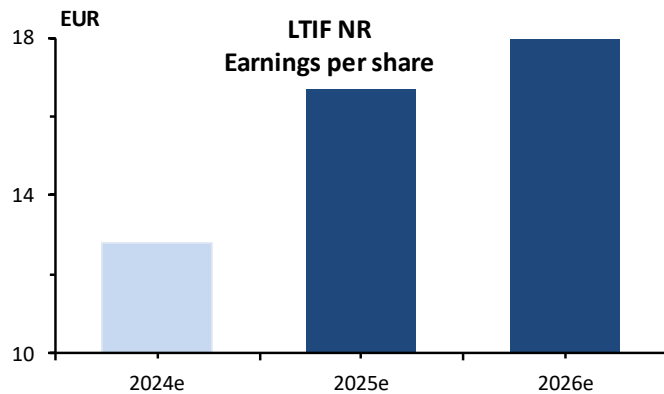
Date	NAV	%
31.12.2020	87.1	
31.12.2021	122.5	40.7%
31.12.2022	138.4	12.9%
31.12.2023	150.3	8.6%

Reporting LTIF NR as of 30.06.2024 (aggregated data in EUR)

Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2024e	12.8		13.6	7.3%	12.2	8.2%
2025e	16.7	31%	10.4	9.6%	10.8	9.3%
2026e	17.9	7%	9.7	10.3%	10.6	9.5%

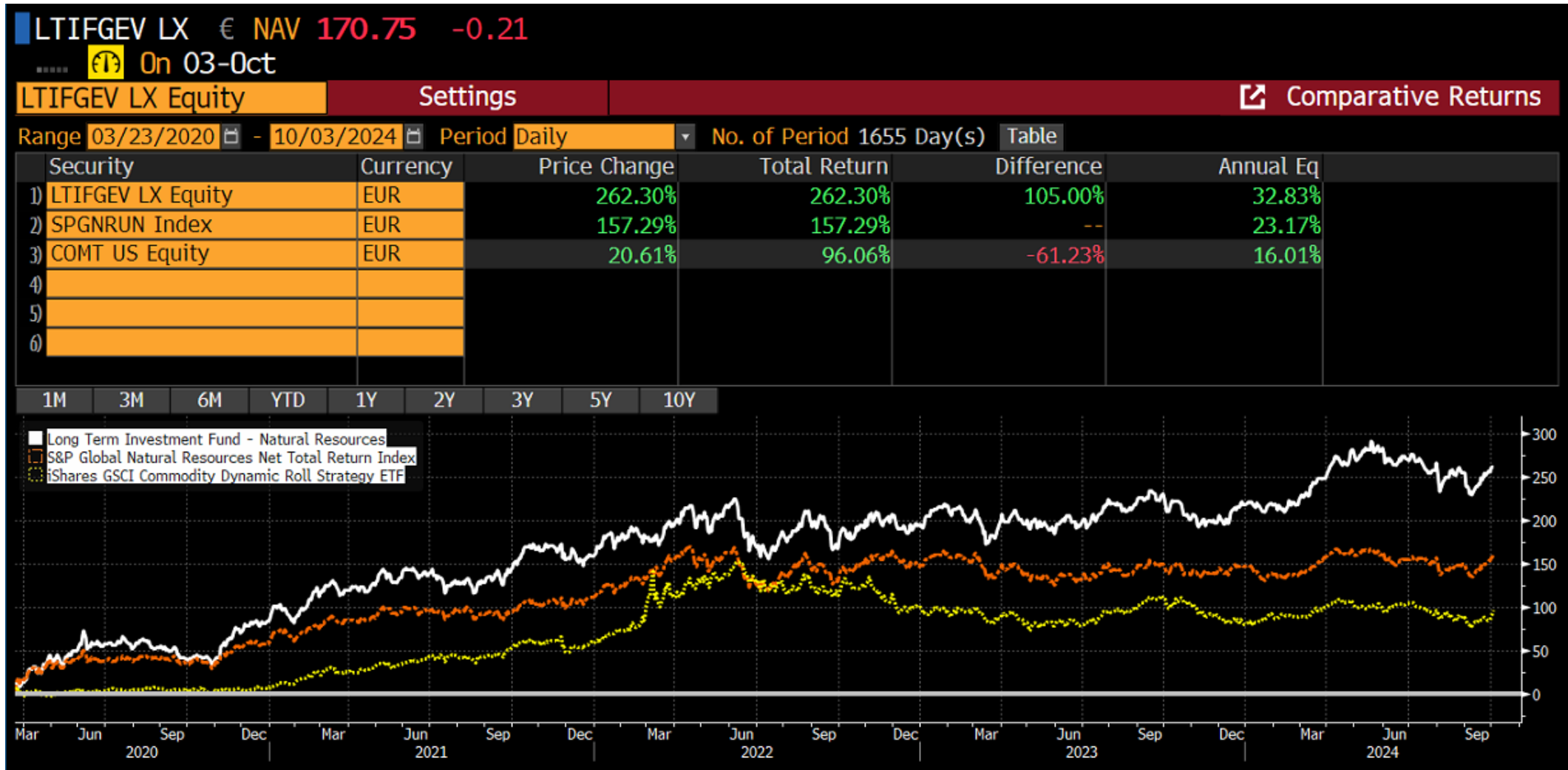
Year	DPS	%	Div. Yield	S&P NR Div. Yield
2024e	5.9		3.4%	3.5%
2025e	6.8	14%	3.9%	3.7%
2026e	7.5	10%	4.3%	3.9%

Year	BPS	%	P/B	S&P NR P/B
2024e	101.3		1.7	1.7
2025e	110.2	9%	1.6	1.5
2026e	118.5	8%	1.5	1.4



Source: SIA Group / Bloomberg

LTIF NR a good instrument in a bull market



LTIF NR vs. Bloomberg universe (top decile)

LTIFGEV LX € NAV 164.99 +1.75
 On 12-Aug

LTIFGEV LX Equity Export Page 1/5 Security Description

Profile Performance Holdings Organizational ESG

LONG TERM INV-NATURAL RES-AE Objective Natural Resources Sector

Long Term Investment Fund - Natural Resources is a Sicav incorporated in Luxembourg. The objective of the Fund is to achieve long-term capital appreciation. The Fund primarily invests its assets in worldwide equity securities relating to natural resources. The Fund mainly invests in companies whose main business is to produce, extract, and refine natural resources. [FIGI BBG000DFGDJ5]

6) Comparative Returns | COMP »

7) NAV EUR 164.99
 Assets 08/12/24 EUR 82.19M

Performance	Return	Percentile
1 Month	-5.67%	18
YTD	9.78%	93
1 Year	9.83%	92
3 Year	14.49%	89
5 Year	11.49%	93

Px Source FundPartner Solutions Europe

Bloomberg Classification

Fund Type	SICAV
Asset Class	Equity
Industry	Thematic
Market Cap	Broad Market
Strategy	Blend
Geo. Focus Region	International
General Attribute	Natural Resources

Fund Info		Fees	
Inception Date	02/15/2006	Front Load	.00%
Share Class	Retail	Back Load	.00%
Min Investment	N.A.	Early Withdrawal	N.A.
Min Subsequent	N.A.	Current Mgmt Fee	1.50%
Min IRA	N.A.	Performance Fee	15.00%
Expense Ratio	2.14%	12b1 Fee	N.A.

Long Term Investment Fund (SIA) structure

Compartments	LTIF Classic Series			
Investment style	Long-only			
Management fee	1.5% pa			
Performance fee	15% (HWM and Hurdle Rate)			
Currency	EUR	CHF	USD	EUR
ISIN number	LU0244071956	LU0301246772	LU0301247077	LU1449969846
Telekurs valor	2'432'569	3'101'817	3'101'820	33'180'015
Bloomberg ticker	LTIFCLA LX	LTIFCLC LX	LTIFCLU LX	LTIFCLD LX
Distribution	reinvested	reinvested	reinvested	distributed

Compartments	LTIF Natural Resources		
Investment style			
Management fee	1.5% pa		
Performance fee	15% (HWM)		
Currency	EUR	CHF	USD
ISIN number	LU0244072335	LU0301246939	LU0301247234
Telekurs valor	2'432'575	3'101'836	3'101'839
Bloomberg ticker	LTIFGEV LX	LTIFGEC LX	LTIFGEU LX
Distribution	reinvested	reinvested	reinvested

- **Daily liquidity**, cut-off time previous day at 4:00 pm CET
- **Performance fees are assessed and paid yearly**



SIA Funds AG is an authorized Asset Manager of collective investment schemes, regulated by the Swiss Financial Market Supervisory Authority FINMA.



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