

L T I F

Long Term Investment Fund

Tend Investment Summit

«Value and Natural Resources back on track»

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 230 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, CIO**
Head of Investments Committee and PM



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



- **Alex Rauchenstein, CEO (IC)**



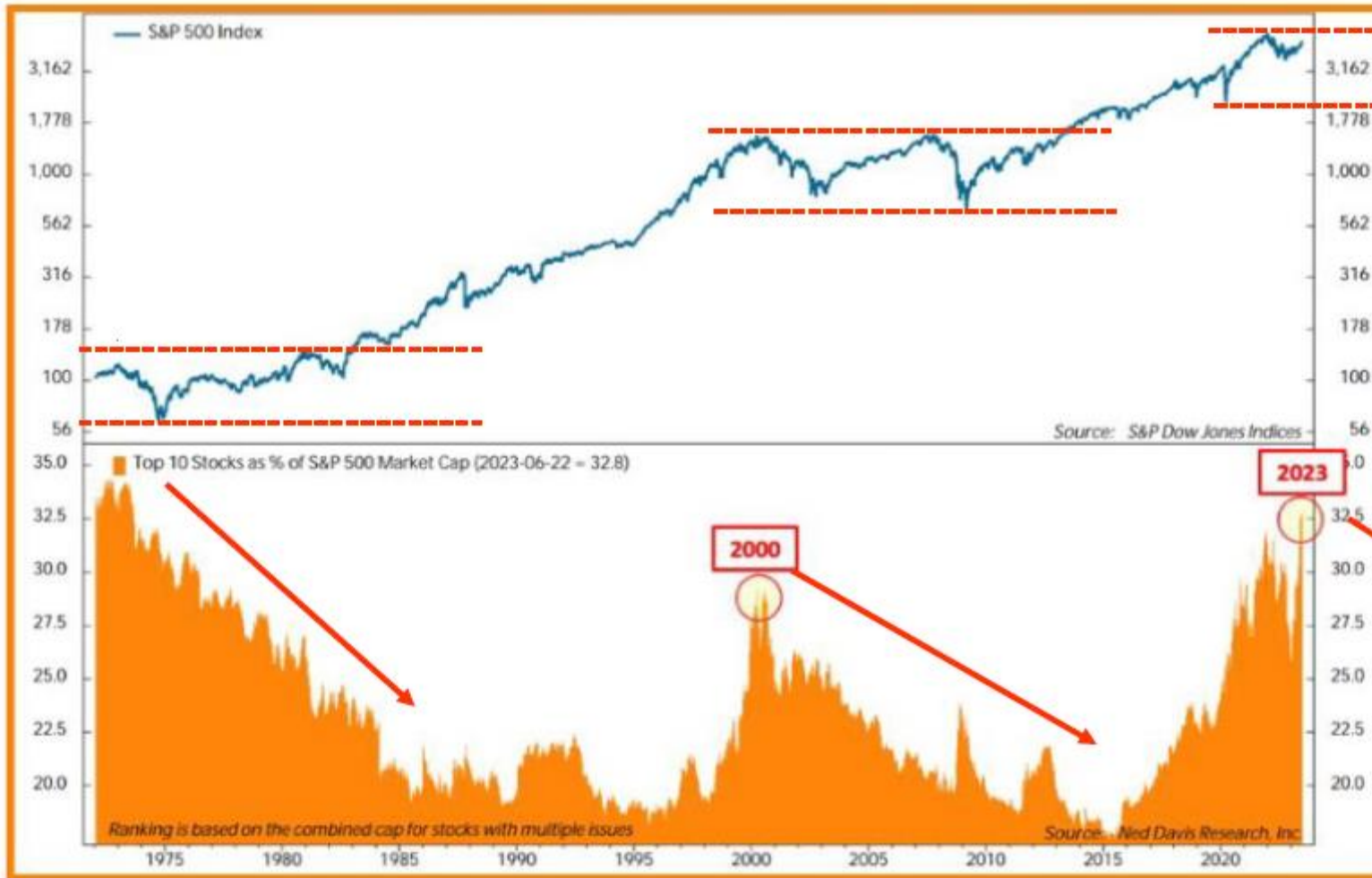
- **Prof. Jose Carlos Jarillo, Founder (IC)**

**> 25 years
experience**

**Invested in
SIA Funds**

**Unconstrained
decision making**

Top 10 Concentration of the S&P 500



Index
10 years
sideways?

?

Source: arvy

History shows that, 1-2 out of 10 will remain

The 10 Largest Companies in the World by Market Cap. (ex. Saudi Aramco)

| 1980: Peak Oil | | 1990: Japan will take over world | | 2000: TMT bubble | | 2010: China will take over world | | 2022: Only Tech can deliver growth | |
|----------------|--------------------|----------------------------------|--------------------------|------------------|---------------------|----------------------------------|-------------------------|------------------------------------|--------------------|
| | IBM | | NTT | | Microsoft | | Exxon Mobil | | Apple |
| | AT&T | | Bank of Tokyo-Mitsubishi | | General Electric | | PetroChina | | Microsoft |
| | Exxon | | Industrial Bank of Japan | | NTT DoCoMo | | Apple Inc. | | Alphabet |
| | Standard Oil | | Sumitomo Mitsui Banking | | Cisco Systems | | BHP Billiton | | Amazon |
| | Schlumberger | | Toyota Motors | | Wal-Mart | | Microsoft | | Tesla |
| | Shell | | Fuji Bank | | Intel | | ICBC | | Facebook |
| | Mobil | | Dai ilchi Kangyo Bank | | NTT | | Petrobras | | Nvidia |
| | Atlantic Richfield | | IBM | | Exxon Mobil | | China Construction Bank | | TSMC |
| | General Electric | | UFJ Bank | | Lucent Technologies | | Royal Dutch Shell | | Berkshire Hathaway |
| | Eastman Kodak | | Exxon | | Deutsche Telekom | | Nestlé | | Tencent Holdings |

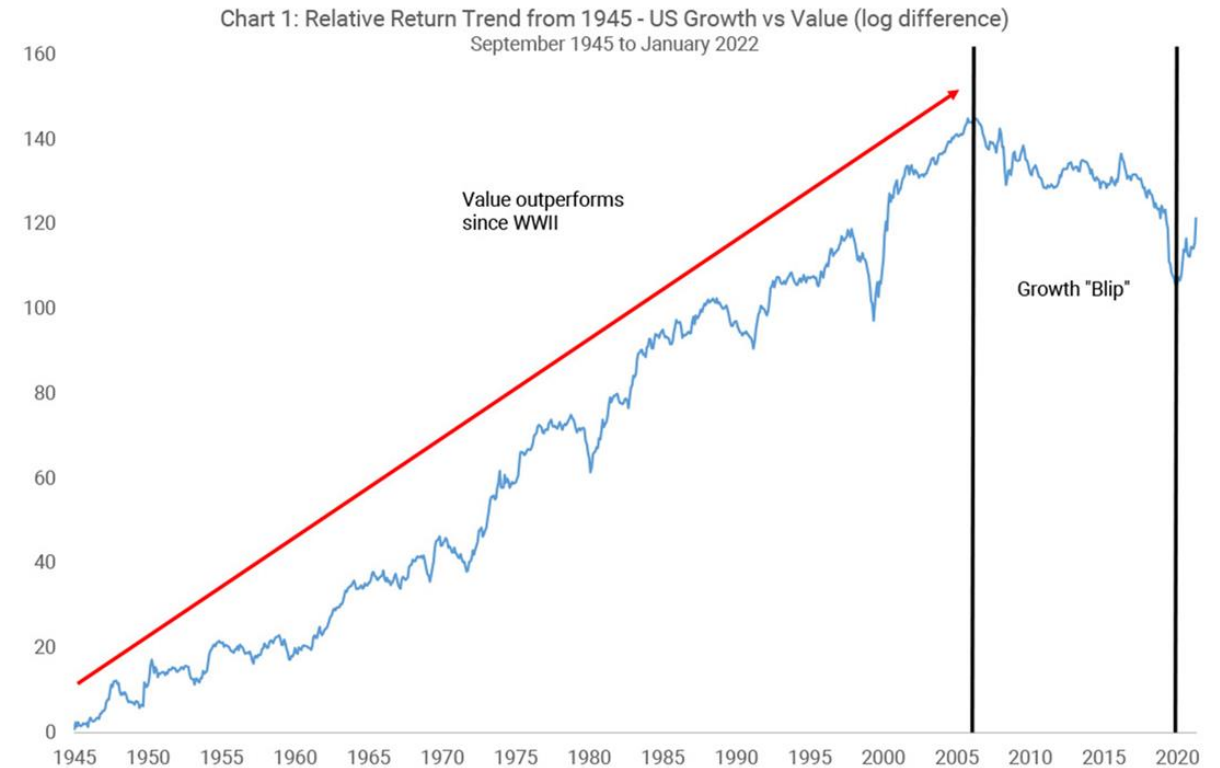
Japan -> MSCI World Index Weight 40+% !!

Japan -> MSCI World Index Weight 6% !!

Source: arvy / GavekalResearch

Start: Value Works

- Value clearly beats growth in the long term
- Relative Return Trend from 1945 US Growth vs Value



Source: Fama & French

Value: from headwind to tailwind



From Value to Strategic Value: the 4 G's

- **Strategic analysis of the sector:** competitive framework, entry & exit barriers, historical returns, cyclicality, 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.



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



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

Our IRR 14-15% 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

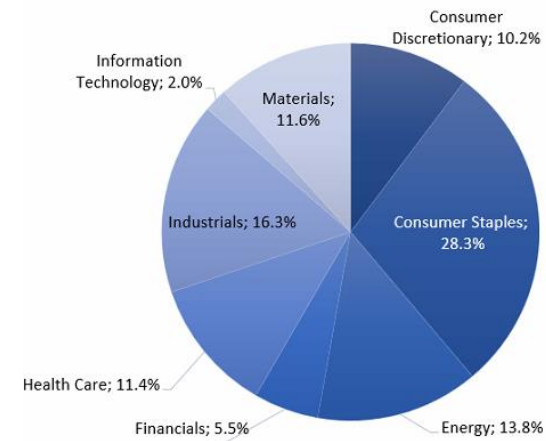
No Index

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

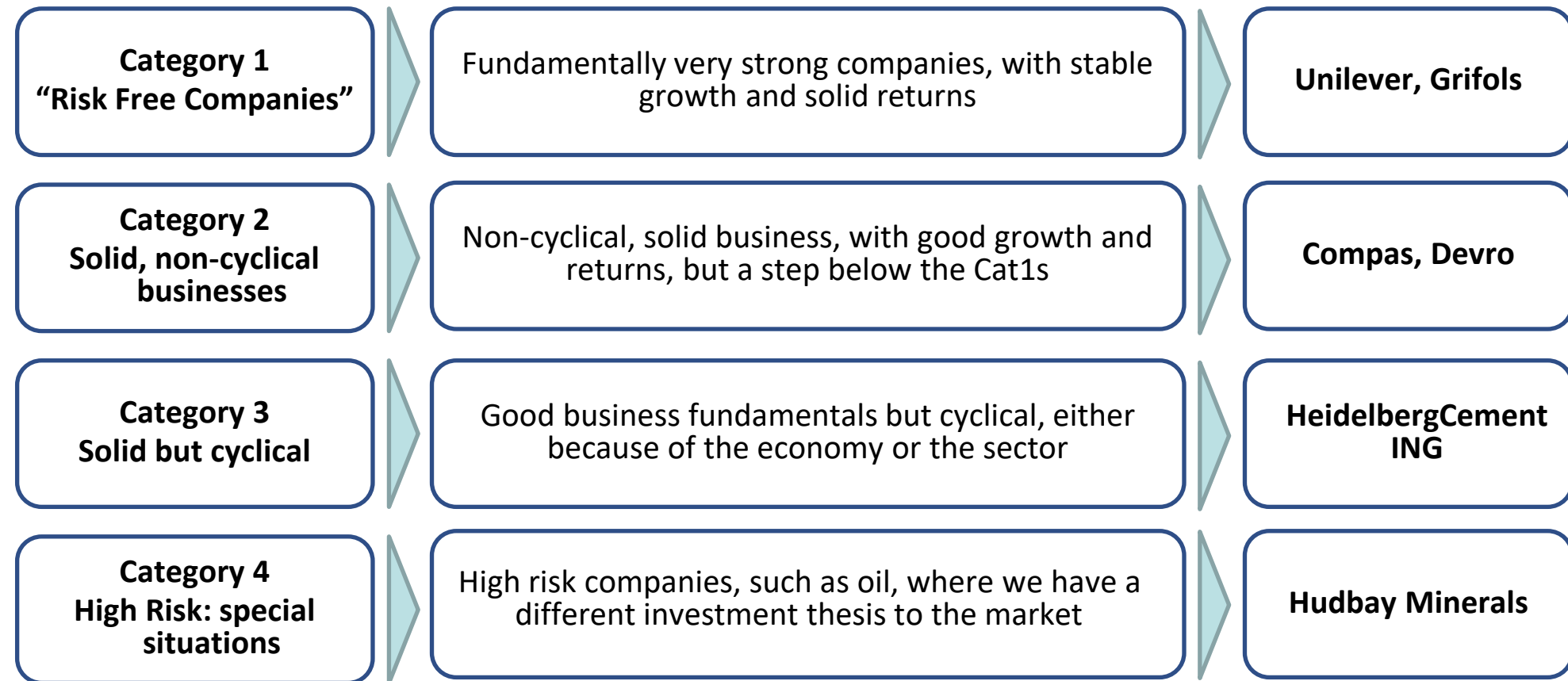
The Classic: 9% per year since 2002



- 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

Quality is key for risk. Both concentrated and diversified

LTIF Classic Top 10 Holdings

| Name | Weight |
|------------------------------|--------------|
| ISS A/S | 7.0% |
| Grifols SA | 6.3% |
| Pandora A/S | 4.6% |
| Medtronic PLC | 4.4% |
| MTU Aero Engines AG | 4.1% |
| Unilever PLC | 4.1% |
| Leroy Seafood Group ASA | 4.0% |
| Reckitt Benckiser Group PLC | 4.0% |
| Mowi ASA | 3.9% |
| Salmar ASA | 3.7% |
| Total Top 10 Holdings | 46.1% |

- Quality of companies and funds. The 4 Gs
- Concentration: 50% of the Classic Fund is in 10 names
- Large business & geographic diversification. Avoid concentration risks

Know your portfolio

We buy at a discount. The discount rises protection

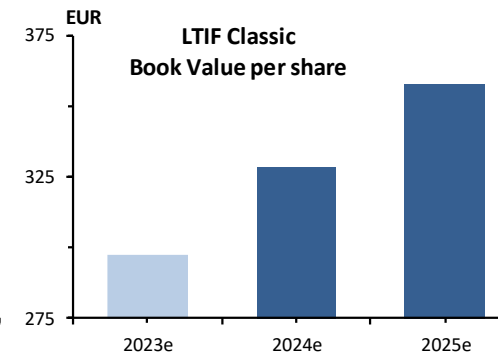
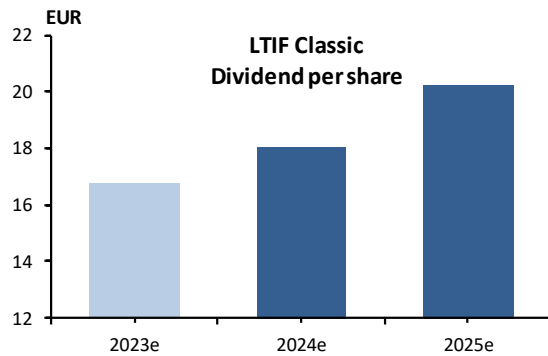
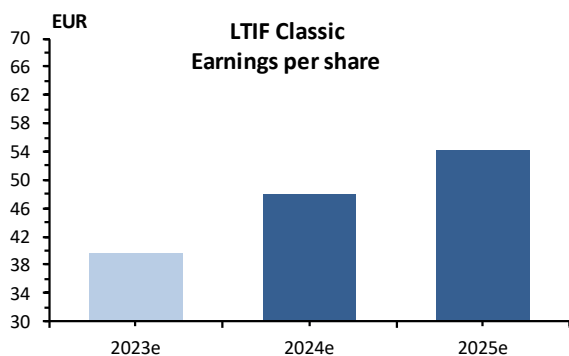
| Date | NAV | % |
|------------|-------|-------|
| 31.12.2020 | 407.9 | |
| 31.12.2021 | 494.3 | 21.2% |
| 31.12.2022 | 565.3 | 14.4% |
| 31.12.2023 | 616.7 | 9.1% |

Reporting LTIF Classic as of 31.12.2023 (aggregated data in EUR)

| Year | EPS | % | P/E | EPS yield | MSCI World P/E | MSCI World EPS yield |
|-------|------|-----|------|-----------|----------------|----------------------|
| 2023e | 39.6 | | 15.6 | 6.4% | 17.9 | 5.6% |
| 2024e | 48.0 | 21% | 12.9 | 7.8% | 16.3 | 6.2% |
| 2025e | 54.2 | 13% | 11.4 | 8.8% | 15.1 | 6.6% |

| Year | DPS | % | Div. Yield | MSCI World Div. Yield |
|-------|------|-----|------------|-----------------------|
| 2023e | 16.8 | | 2.7% | 2.1% |
| 2024e | 18.1 | 8% | 2.9% | 2.2% |
| 2025e | 20.2 | 12% | 3.3% | 2.7% |

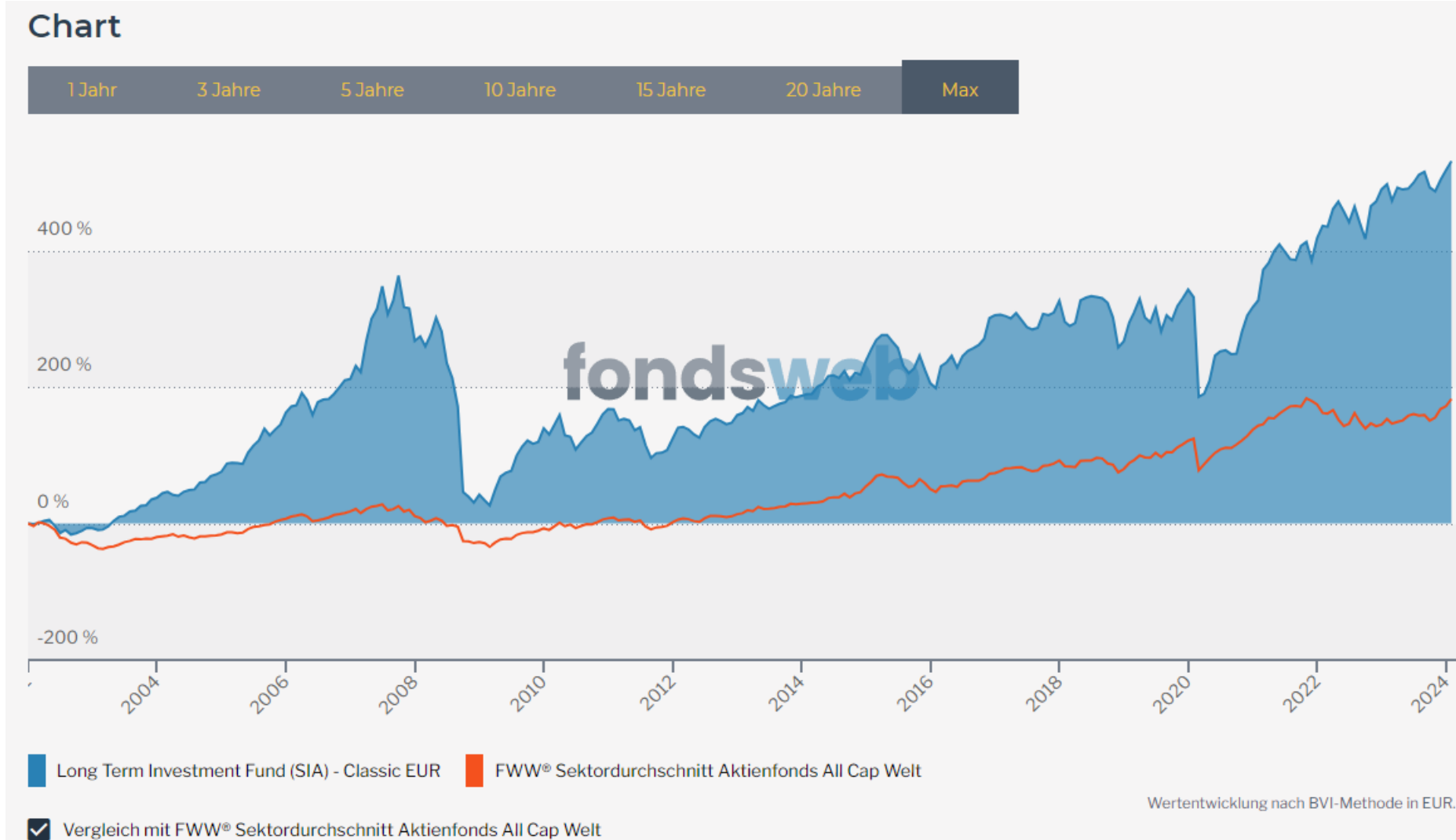
| Year | BPS | % | P/B | MSCI World P/B |
|-------|-------|-----|-----|----------------|
| 2023e | 297.3 | | 2.1 | 2.9 |
| 2024e | 328.4 | 10% | 1.9 | 2.7 |
| 2025e | 358.0 | 9% | 1.7 | 2.5 |



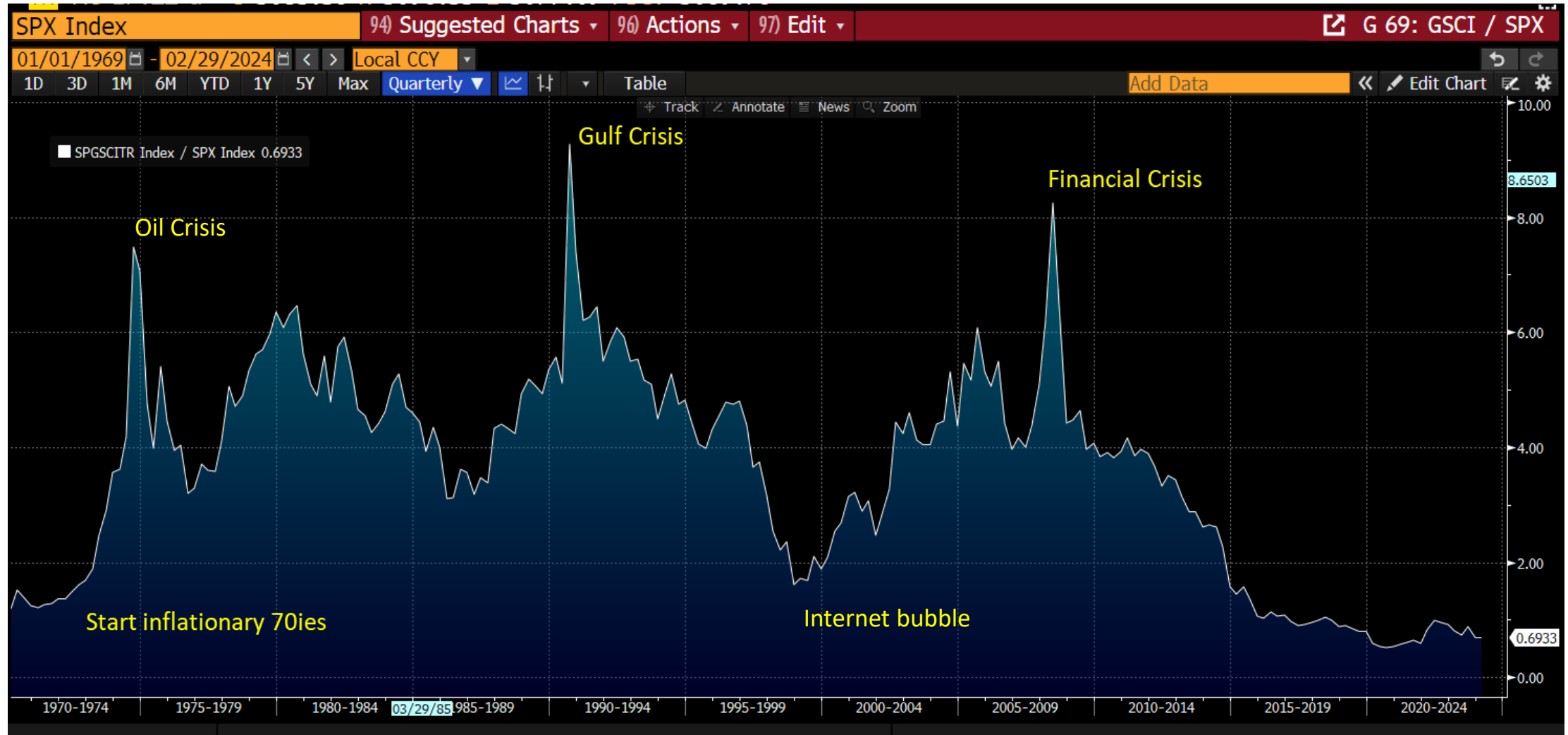
- Value means buying at a discount
- We usually look for 30% discount to IV
- Discount = risk management

Source: SIA Group / Bloomberg

The Classic since inception vs Competition



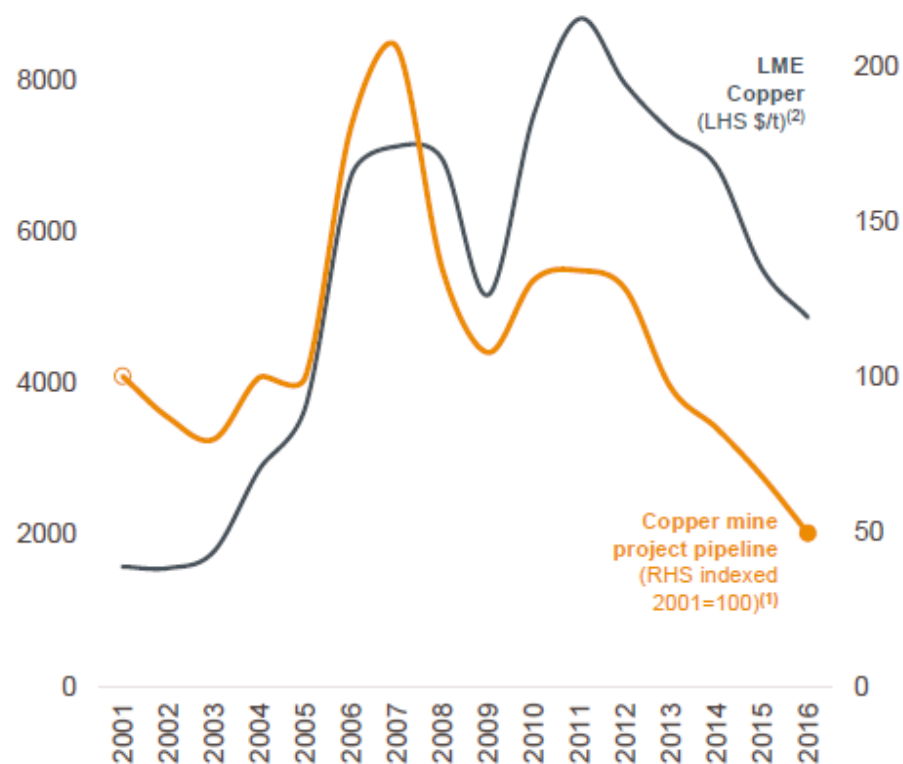
GSCI/S&P500 Ratio: As cheap as it can get



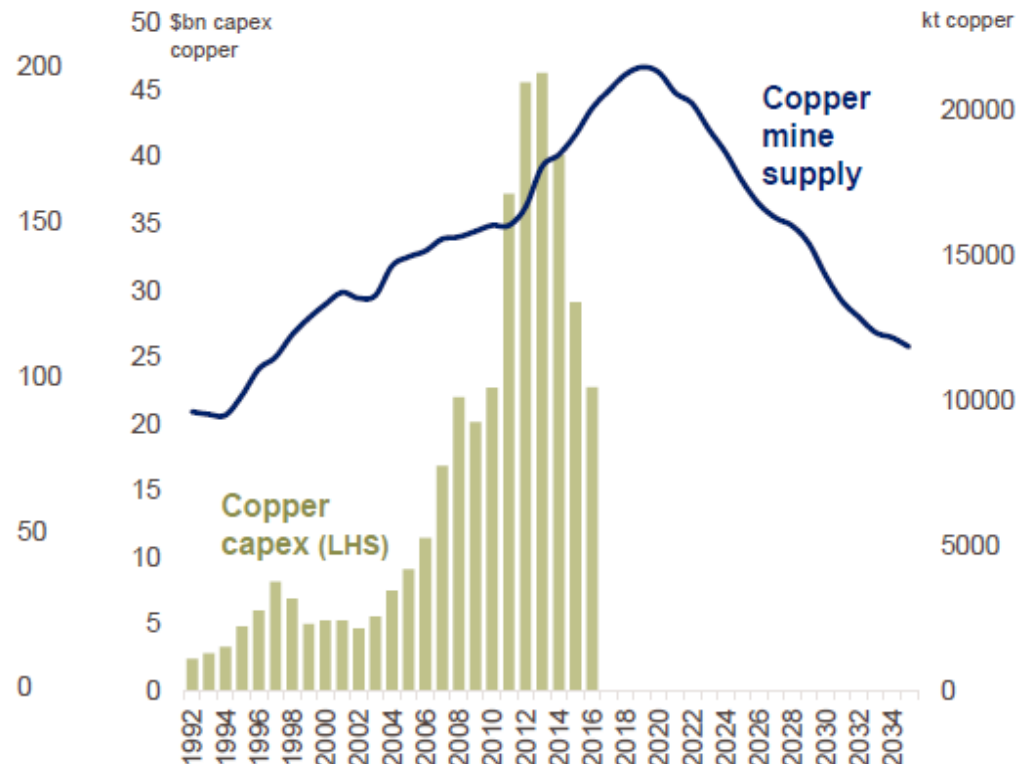
A very long pig cycle

Sustaining copper mine supply is progressively more challenging

Copper mine project pipeline now below pre-supercycle lows



Supply is peaking in 2018 and declines thereafter at 3.5% CAGR with no reinvestment ⁽³⁾

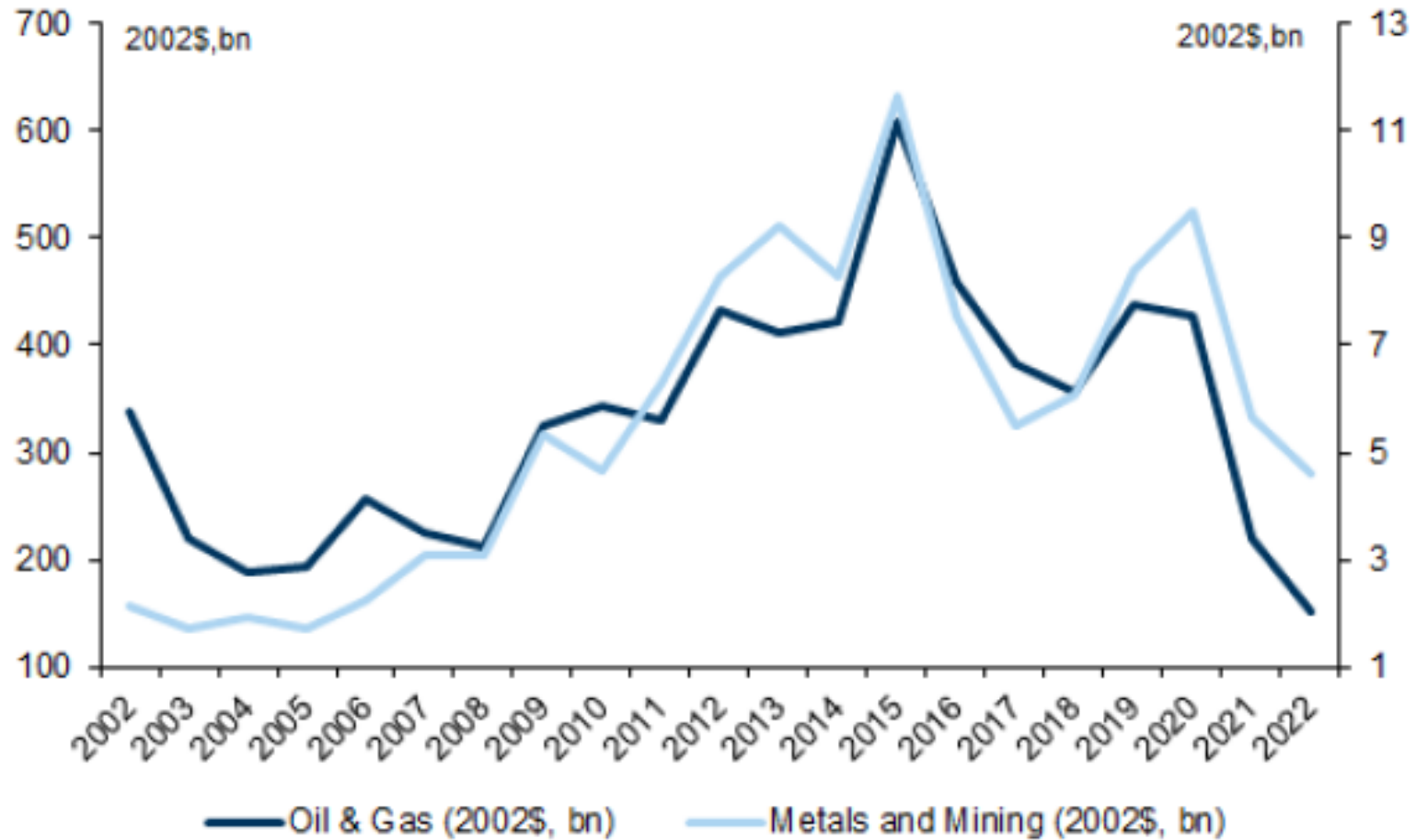


Source: (1) Copper mine project pipeline comprises the total production volume of projects categorised as highly probable and probable by Wood Mackenzie's Global copper long-term outlooks from 2001 to 2016, indexed change from 2001. (2) Annual average LME cash copper price, source Wood Mackenzie and Bloomberg. (3) Bernstein European Metals and Mining, 8 March 2017, Copper & Gold – Not a production wall ... It's a production cliff

GLENCORE

It does not get cheaper...

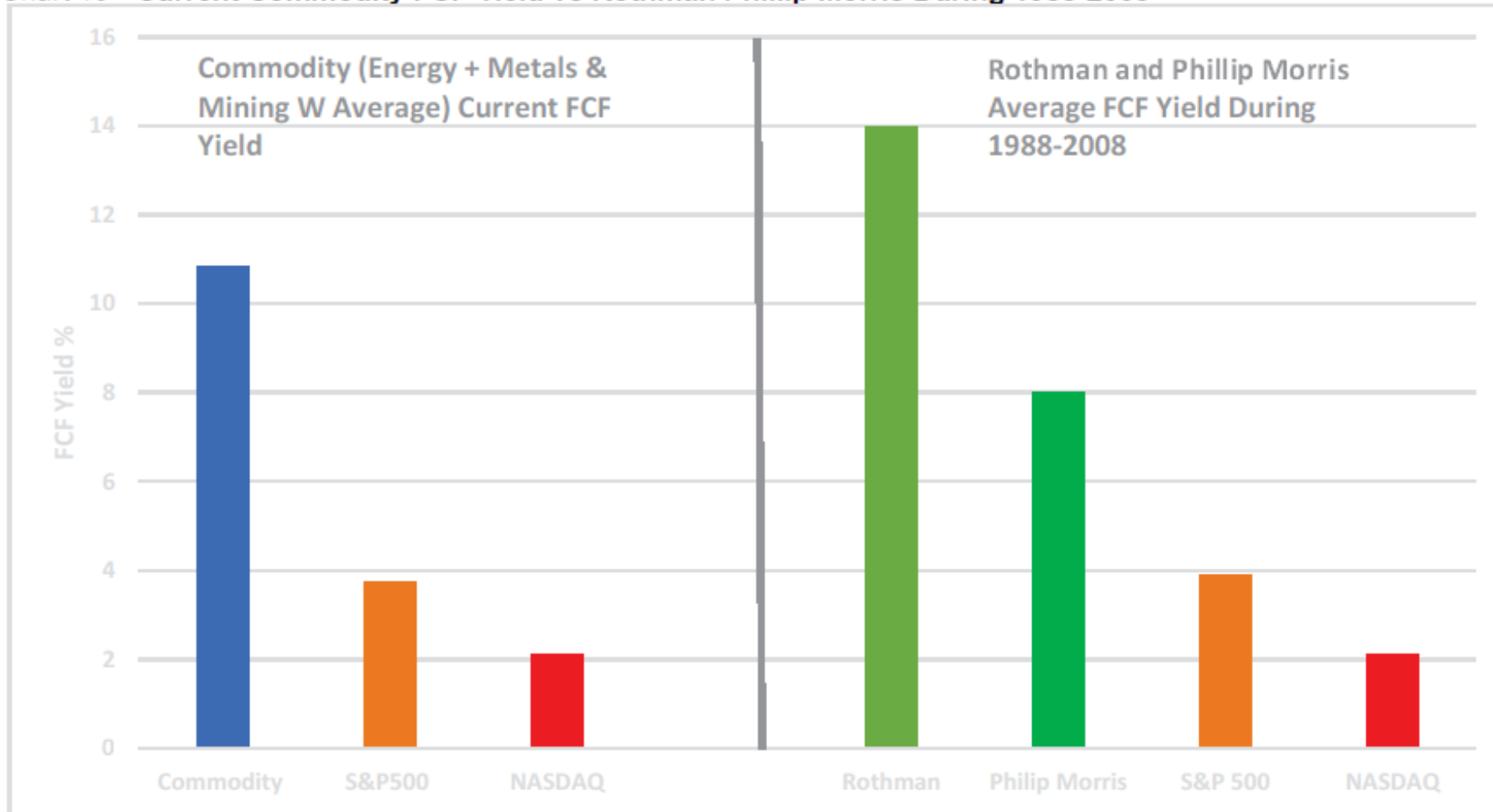
Oil & Gas and Metals and Mining (rhs) real capex in 2002 dollars



Source: Goldman Sachs/Baker Hughes

Tobacco reloaded

Chart 15 - Current Commodity FCF Yield vs Rothman Phillip Morris During 1988-2008



Source: Bloomberg, Factset, Stifel Research

Tobacco reloaded

Artificial Cost of Capital Barriers to Entry and Excess Returns: Tobacco Case Study

This is all reminiscent of the excess returns delivered by Tobacco companies. Only on a MUCH larger scale. Below we highlight the Excess Total Returns of Rothman's and Philip Morris for the 20-year period from 1988 to 2008 as Regulatory and Social Barriers increased on the sector. During this period Rothman's was the single highest Total Returning Equity on the Toronto Stock Exchange. Note the use of Cash Flow for Dividend Increases and Special Dividends in lieu of expansion or acquisitions.










Chart 13 - Rothman vs S&P/TSX Cumulative Total Return



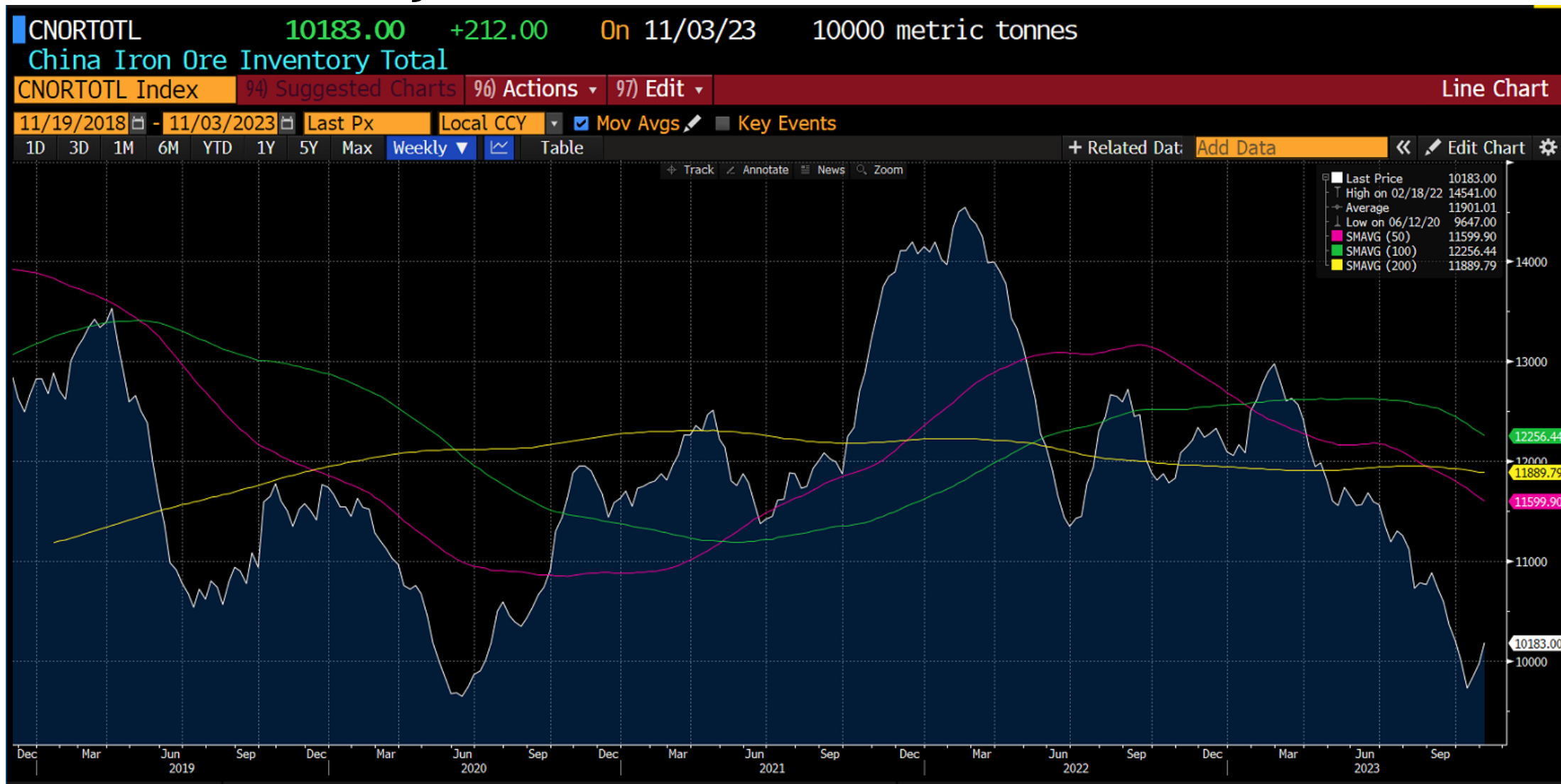
Source: Bloomberg, Stifel Research

Source: Stifel

The Industrial recession is 2 year old

| Country | 2022 Production (in million tonnes) | Annual Production Change | Global Share |
|---|-------------------------------------|--------------------------|---------------|
|  China | 1013.0 | -2.0% | 53.9% |
|  India | 124.8 | 5.3% | 6.6% |
|  Japan | 89.2 | -7.9% | 4.8% |
|  United States | 80.5 | -6.5% | 4.3% |
|  Russia | 71.5 | -5.8% | 3.8% |
|  South Korea | 65.9 | -6.9% | 3.5% |
|  Germany | 36.8 | -8.8% | 2.0% |
|  Türkiye | 35.1 | -15.0% | 1.9% |
|  Brazil | 34.0 | -6.5% | 1.8% |
|  Iran | 30.6 | 6.8% | 1.6% |
|  Italy | 21.6 | -13.0% | 1.1% |
|  Taiwan | 20.7 | -12.1% | 1.1% |
|  Vietnam | 20.0 | -15.0% | 1.1% |
|  Mexico | 18.2 | -1.9% | 1.0% |
|  Indonesia | 15.6 | 8.3% | 0.8% |
| Rest of World | 201.0 | -11.2% | 10.7% |
| World Total | 1878.5 | -3.9% | 100.0% |

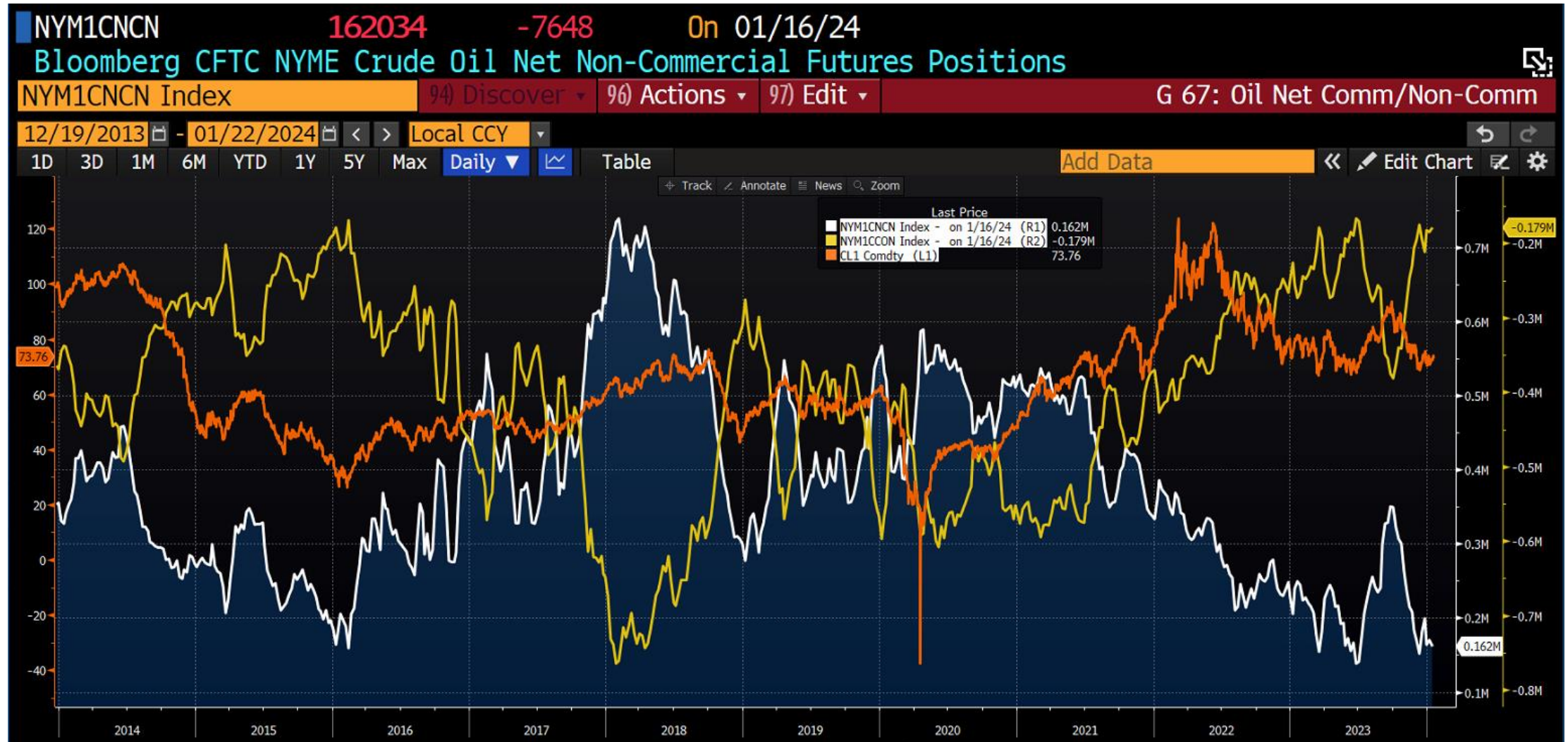
and already discounted...



A consolidation on a high level



Very low non commercial oil position at the COMEX



Never listen to demand stories!



Stanley Wittingham ([Wiki](#)) co-invented the lithium-ion battery in the 70s and Exxon was the financial sponsor. After a few years, they decided to cut the program as the batteries would catch fire (one of the many reasons). In 2019 together with other scientists Wittingham won the Nobel price for developing the Lithium-Ion battery ([Wiki](#)). It took 50 years to develop an idea that XOM sponsored but never monetized.

Fast forward to today, and XOM is announcing that they are planning to become a leading producer of Lithium and begin production in 2027. While it is not a material opportunity for XOM, Lithium stocks (ALB and LTHM) are getting hit today.

It does not disappear, it is just own by...



US chemicals giant Albemarle has abandoned its proposed takeover of Liontown Resources in the face of a series of raids on the miner's share register by Australia's richest person, Gina Rinehart. The mining magnate has spent nearly \$1 billion building a blocking stake in the lithium miner over the past month, with her company Hancock Prospecting picking up a strategic 19.9 per cent holding in Liontown.



Mrs Rinehart ends 2016 owning more than 1.5 per cent of Australia's total land area and is also a leading beef owner following the successful purchase of the country's largest pastoral portfolio, S. Kidman & Co

Do you now need to buy uranium...



Kazatom, MacArthur, Langer Heinrich: 36 Mlb!!

Kazatomprom plans 2025 uranium production increase

29 September 2023



The board of the Kazakh uranium producer has approved a strategy to increase production volumes in 2025, returning to a 100% level relative to its subsoil use agreements for the first time since 2018 and adding up to 6,000 tU to anticipated global primary supply.

- Q1 CY2024 production target
- Cornerstone offtakes secured
- Peak production of 6Mlb of U_3O_8
- LHM to be 4% of annual global uranium production

Operations Resume at Cameco's McArthur River Uranium Mine and Key Lake Mill

We continue to expect production of 18 million pounds (12.6 million pounds our share) in 2024.

«It is just business» Don Corleone

The Globe and Mail (Canadian newspaper) is reporting Teck will sell its met coal business to Glencore, Nippon Steel and Posco for \$8.9bn. None of the companies have commented. What does this mean? If the news report is correct this looks like a positive for Glencore in my view. The potential deal is cited at \$8.9bn, which would imply a multiple of **2.3x** on 2024 Cons Est EBITDA of \$3.9bn in 2024.

"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**

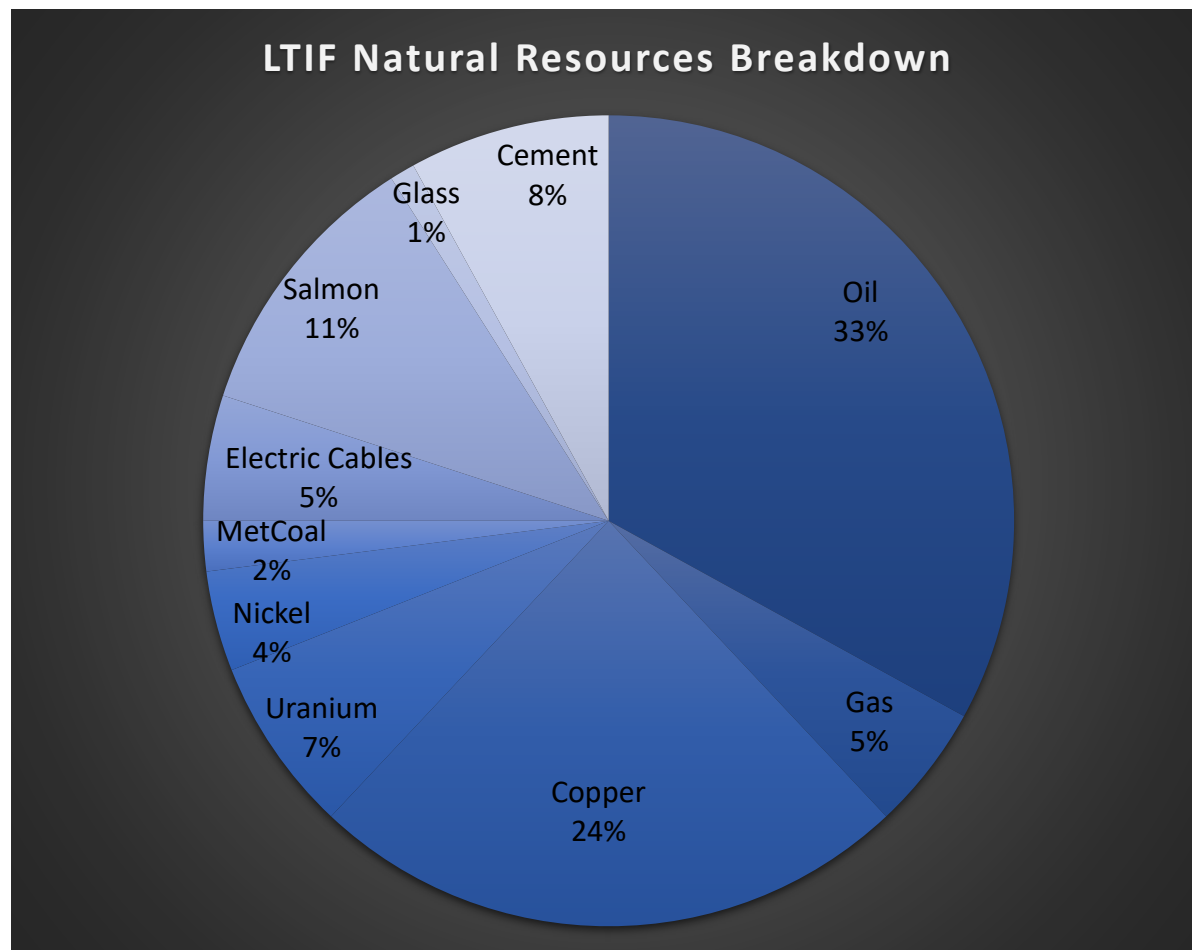
Production
fades

Expansion
is needed

Going
undergrou
nd

New pits

LTIF Natural Resources



- **Good business: TIER1 reserves & assets**
- **Good management**
- **Good Balance Sheet**
- **Good price (cheap)**

- **Scarce commodities**
- **In/near production**
- **No start ups**
- **No majors**

- **Energy**
- **Metals**
- **Infrastructures**
- **Agrifood**

We just invest in companies / assets

What is a good asset?

Uranium grades average from 0.07 to 0.035% U

Operation

(As of December 31, 2021)

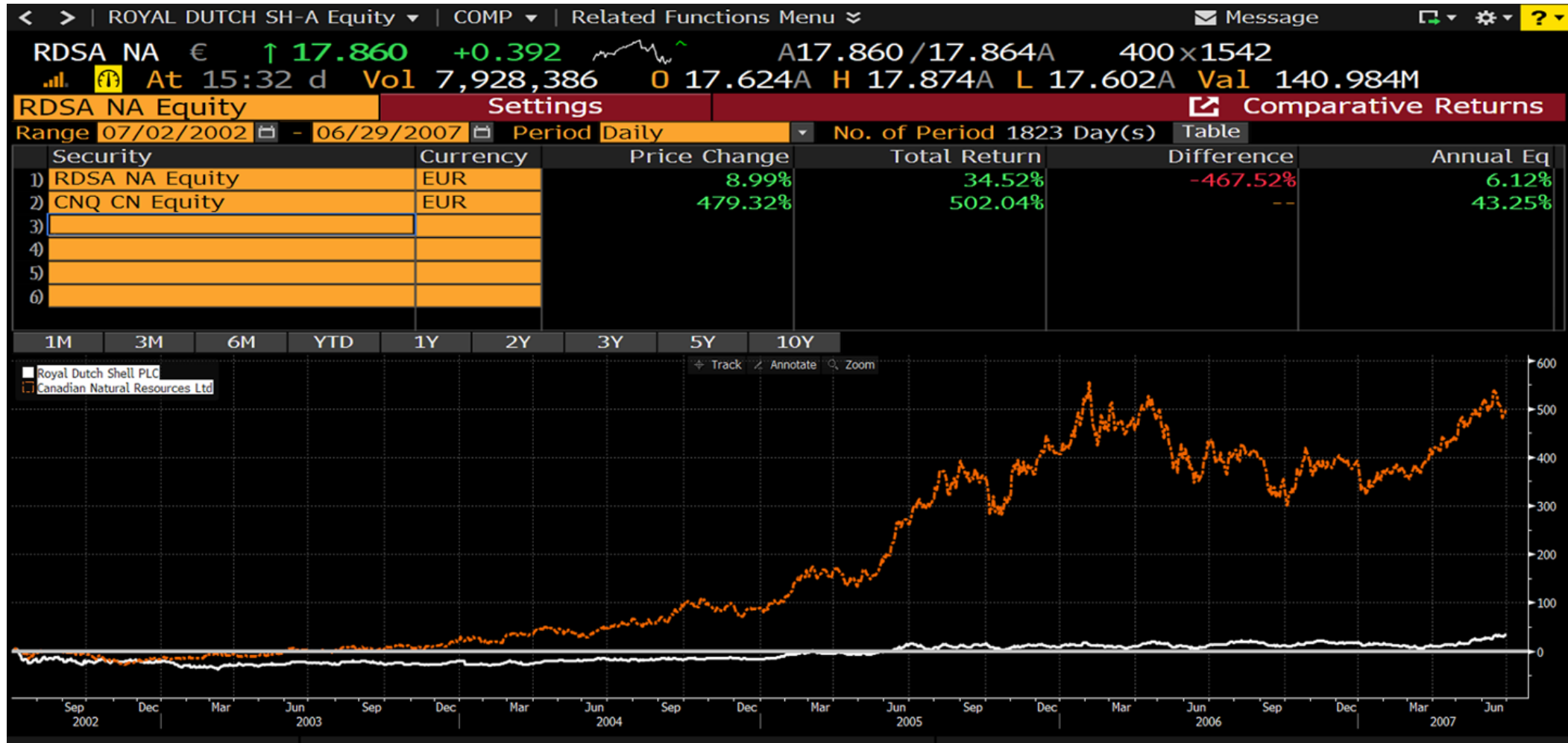


Production

(As of December 31, 2021)



Majors are defensive, underperform in bull market



Real live is very complex...

[The Largest Gold And Copper Deposit In The World | Super Structures | Spark - YouTube](#)



We buy at a discount. The discount rises protection

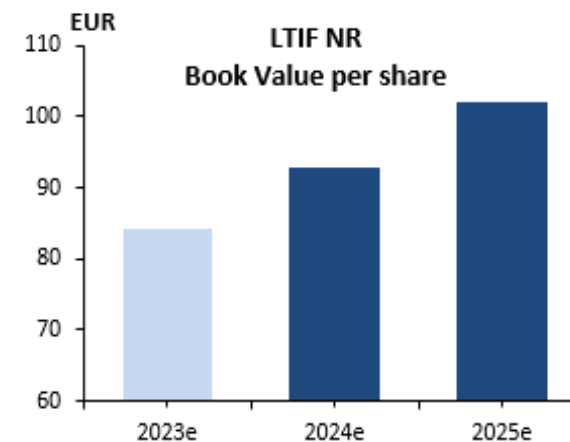
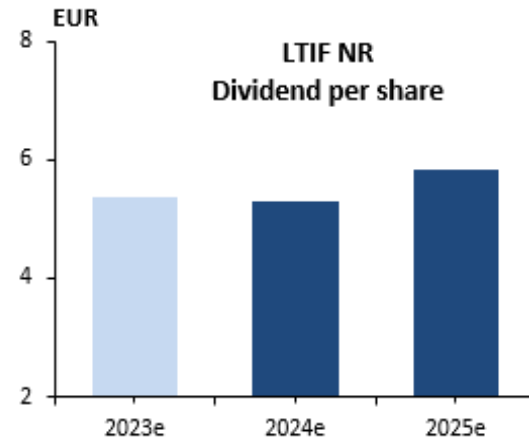
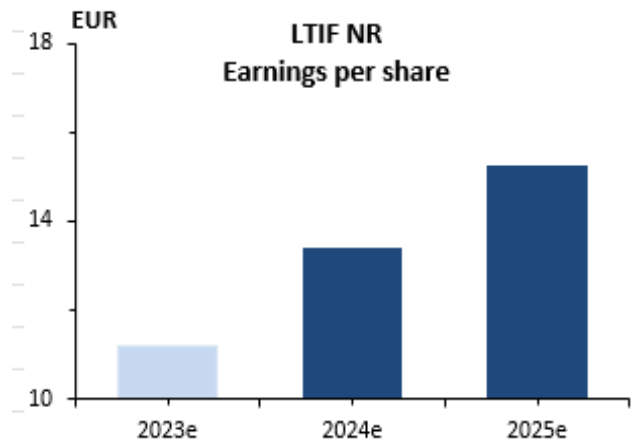
| Date | NAV | % |
|------------|-------|-------|
| 31.12.2020 | 87.1 | |
| 31.12.2021 | 122.5 | 40.7% |
| 31.12.2022 | 138.4 | 12.9% |
| 31.12.2023 | 150.3 | 8.6% |

Reporting LTIF NR as of 31.12.2023 (aggregated data in EUR)

| Year | EPS | % | P/E | EPS yield |
|-------|------|-----|------|-----------|
| 2023e | 11.2 | | 13.4 | 7.4% |
| 2024e | 13.4 | 20% | 11.2 | 8.9% |
| 2025e | 15.2 | 14% | 9.9 | 10.1% |

| Year | DPS | % | Div. Yield |
|-------|-----|-----|------------|
| 2023e | 5.4 | | 3.6% |
| 2024e | 5.3 | -2% | 3.5% |
| 2025e | 5.8 | 10% | 3.9% |

| Year | BPS | % | P/B |
|-------|-------|-----|-----|
| 2023e | 84.4 | | 1.8 |
| 2024e | 93.0 | 10% | 1.6 |
| 2025e | 102.0 | 10% | 1.5 |



Source: SIA Group / Bloomberg

LTIF NR a good instrument in a bull market



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**



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