INDEPENDENT
CAPITAL GROUP

ENERGY
CHAMPIONS FUND





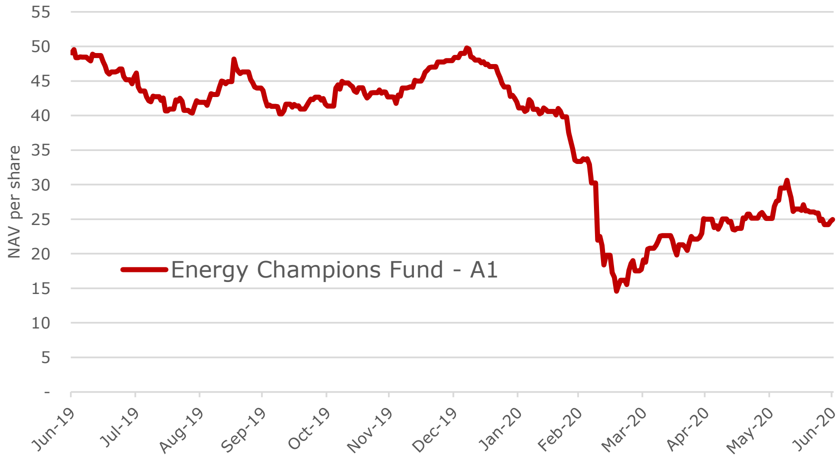
ECF Factsheet **June 2020**

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

Fund facts
Investment manager
Independent Capital Group AG
Fund name
White Fleet II Energy Champions Fund
Legal status
Luxembourg SICAV with UCITS IV status
Base currency
USD
NAV calculation
Daily
Inception date
March 2014
Fund size
USD $9.3m
Benchmark
MSCI World Energy Sector Net TR Index
Custodian
Credit Suisse (Luxembourg) S.A.

Codes
Share classes
A1 Accumulating
A2 Distributing
I2 Distributing
Bloomberg ticker
A1 WFECHA1 LX Equity
A2 WFECHA2 LX Equity
I2 WFECI2D LX Equity
ISIN
A1 LU1018863792
A2 LU1018863875
I2 LU1092313045
Valor-Number
A1 23322792
A2 23322921
I2 25025474

Dealing & prices
Mgmt fee p.a.
A1 1.25%
A2 1.25%
I2 0.65%
Min Subscription
A1 1 share
A2 1 share
I2 $2m
Trading frequency
Daily

Performance over 1 year


Cumulative net performance in USD

	NAV 30.06.2020	June 31.05. - 30.06.2020	YTD	CY2019	3 Year	Since Inception
Fund A1 Acc.	24.9	-0.7%	-48.5%	11.0%	-50.9%	-75%*
Fund A2 Distr.	22.5	-0.7%	-48.5%	11.0%	-50.8%	-75%*
Fund I2 Distr.	221.2	-0.6%	-48.3%	11.7%	-49.9%	-75%**

**Indicative Total Return calculations / Inception date: Fund A1/A2 28.2.2014, **Fund I2 12.9.2014*

Monthly comment
The oil market has avoided Armageddon and oil demand is clearly recovering from the historic pandemic lows. The IEA and EIA both made significant upgrades to their 2Q20 demand estimates, with the IEA noting recoveries in China and India and upgrades to a number of OECD markets on improving mobility statistics. In the US, gasoline demand has increased the most, with individuals using their private cars to commute to work instead of using public transport. Therefore, the gap between demand and supply is narrowing, but inventories are still rising. However, from January to May, visible oil inventories increased less than expected. Voluntary production cuts by OPEC and its allies and involuntary cuts in North America triggered a steep drop in oil production in recent months. The US oil rig count has fallen to 188, the lowest since 2005. Most analysts expect oil markets to be in deficit from 2H20 on and throughout 2021. Some analysts even expect oil markets to fall into a large and sustained deficit past 2022. Most analyst agree that this crisis will have significant impact on global oil supply, potentially setting up a supply crunch even if demand was not even to reach 2019 level of 100Mb/d. Low oil prices have resulted in underinvestment in the exploration and development of new oil supply since the oil price downturn began in 2014. Reality shows that companies are moving away from investing in liquid hydrocarbon development and this has accelerated, exacerbated by extreme oil price volatility, climate change and ESG pressures. JP Morgan analysis reveals that cumulative underspend in oil projects, on track to reach $1tn by 2030, means the industry is at a point of no return with supply to peak at 102mboe/d in 2022. Companies' capex is already constrained by greater shareholder pressure on free cash flows and total shareholder return focus. Oil & Gas companies are re-engineering their portfolios towards barrels that sit at the low end of the cost curve. But projects with a breakeven price that matches the current market price is simply insufficient. Even with project breakeven that have fallen quickly over the past 5 years, well over 50% of potential FIDs over the next 5 years are out of the money at crude prices of $50/bl. Additionally, for an ever increasing proportion of investors, holding the lowest-cost barrels is simply not enough, and the companies are facing calls to outline steps to show progress in reducing emissions and CO2 intensity. Further to that, applying a "low carbon" "low breakeven" overlay to global proven (1P) reserves, implies a near halving of the reserve life down to just 25 years, below that seen in 1980. To quote JP Morgan "The world is set to be short oil much sooner than it no longer needs oil". We are persuaded that if oil prices do not rise sufficiently to stimulate additional supply, this risk will only be greater. However, the surviving Oil & Gas companies will certainly disproportionate profit from all this.

INDEPENDENT
CAPITAL GROUP

ECF Factsheet

June 2020

Financial statistics*

Number of holdings	25
Market cap	$23bn
P/B ratio	1.1x
P/cash flow	3.1x
EV/EBITDA 2021E	5.1x
FCF yield 2020E	5.9%
Dividend yield	4.5%
Net debt/equity	30%

Operating statistics in boe*

Production	285 kboe/d
Reserve life 1P	12 years
Cash costs	$13/boe
EV/1P proven reserves	$10/boe
Production CAGR 2019-23E	2%

Market cap. segmentation*

Small	< $3bn	34%
Mid	$3 - 30br	42%
Large	> $30bn	24%

Top commodity exposure*

Crude & liquids	63%
Natural gas	37%

Top 5 country exposure (production)*

United States	43%
Canada	9%
Russia	6%
Colombia	4%
Brazil	4%

Top 5 holdings

Continental Resources	5.7%
PTT Explor & Prod	5.2%
Lukoil	5.1%
Canadian Natural Resources	5.0%
Parsley Energy	4.8%

ESG transparency	ECF	Universe
CO2/mboe	15	38
GHG/mboe	24	50
Waste/mboe	1.0	2.2
Gas flaring/mmboe	0.8	5.8
Spills/mboe	5.9	8.1
Fatalities/th.empl.	0.02	0.15
%Women on baord	20%	13%
Board independence	72%	66%
Insider ownership	10%	5%

Transparent Investment
Climate Impact

The ECF is the first fund in Switzerland and the first energy fund globally to have received South Pole Carbon's label as a "Climate Impact Transparent Investment"

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 Energy Champions Fund

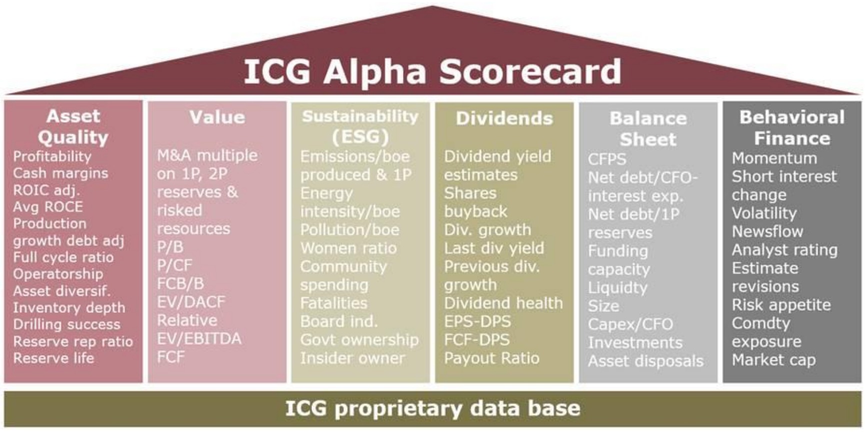
Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Energy Champions Fund offers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



Contact

Independent Capital Group AG
Gottfried-Keller-Strasse 5
8001 Zurich
+41 44 256 16 16
http://www.independent-capital.com

Investment Manager

The Energy 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 barrels of oil equivalent (boe) numbers