INDEPENDENT
CAPITAL GROUP

ENERGY
CHAMPIONS FUND





ECF Factsheet **November 2019**

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 $19m
Benchmark
MSCI World Energy Sector Net TR Index
Custodian
Credit Suisse (Luxembourg) S.A.

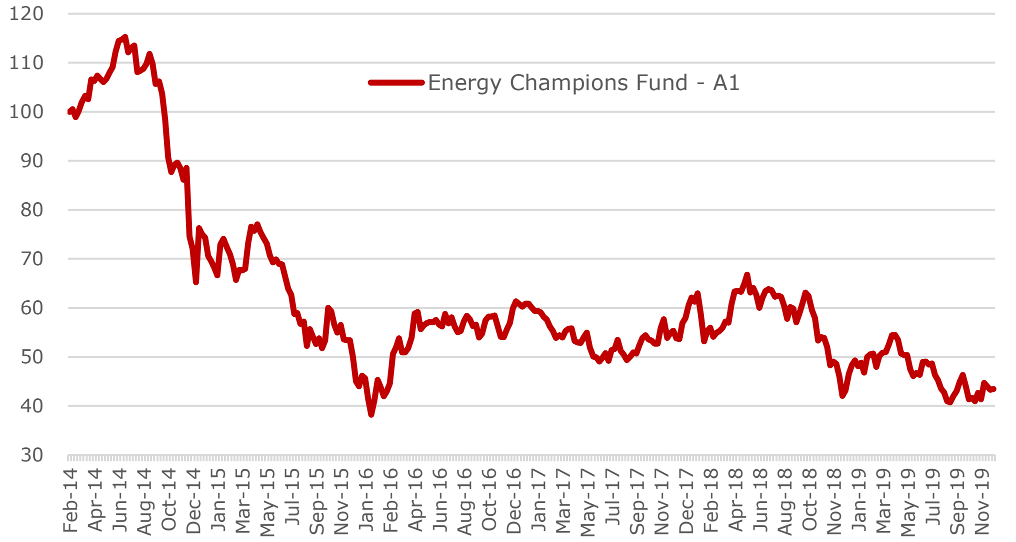
Codes

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 $10m
Trading frequency
Daily

Indexed performance



Cumulative net performance in USD

	NAV 29.11.2019	November 31.10.-29.11.2019	YTD	1 Year	3 Year	*Since Inception
Fund A1 Acc.	42.7	3.3%	-2.1%	-12.9%	-28.5%	-57.3%
Fund A2 Distr.	39.4	3.3%	-2.1%	-12.9%	-28.6%	-57.3%
Fund I2 Distr.	385.3	3.3%	-1.5%	-12.3%	-27.2%	

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

Monthly comment

For energy investors this week should be adventurous with the OPEC meeting in Vienna on Thursday and Friday that will likely provide some theatrics. According to most surveys market participants expect OPEC+ to extend the current supply pact (which expires at the end of March 2020), rather than make deeper reductions. Deeper cuts seem unlikely at present, but production would likely stay low if the group succeeds in convincing countries with weak compliance to implement their pledged cuts. While some oil ministers might propose deeper cuts as an option ahead of the meeting, negotiating them has always been cumbersome. Though the average OPEC+ compliance rate is currently 136% according to the IEA, the distribution among members is unequal: some OPEC+ members (e.g. Iraq and Nigeria) have raised their production (resulting in a negative compliance rate), while the de facto OPEC leader, Saudi Arabia, has cut more than twice what it pledged. Indeed, reports surfaced last week that Saudi Arabia is growing frustrated with other OPEC members cheating on their production quotas. This combined with comments from Russia that they favour wait until closer to April to decide whether to extend output cuts contributed to a 5% decline in crude oil last Friday. Even so, crude oil prices have risen during the month and ended slightly positive in November benefiting from positive trade headlines and falling oil inventories. Some analysts believe the world's supply and demand balance could be tighter than some expect. They see non-OPEC output growth falling short of forecasts while global demand increases could be higher than expected. Hardy from Vitol Group, the world's largest independent oil trader, recently said "The market's fear of a global recession has receded. There are problems here and there, but in general the music hasn't stopped and demand didn't follow the 2008 model". A steady decline in US drilling activity also raises the question if US oil supply growth for next year, could fall short of market expectations. Across the industry, oil traders and executives believe US production will grow less in 2020 than this year, and at a significant slower rate than in 2018. E.g. Vitol Group expects US production to increase by +0.7mboe/d in 2020 vs. IEA +1.2mboe/d, EIA +1.7/mboe/d. Apple is now worth more than all large-cap US energy stocks put together. This is astonishing, considering that the Oil Majors have the highest dividend yield, by far, of any major sector in the S&P (~5% yield vs. ~2% S&P average), with competitive growth, leverage, FCF, and have received almost no credit for significantly transforming the business/cost structure over the past 4 years to make that FCF sustainable and growing.

INDEPENDENT CAPITAL GROUP

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Financial statistics*

Number of holdings	25
Market cap	$22bn
P/B ratio	1.2x
P/cash flow	3.8x
EV/EBITDA 2020E	4.0x
FCF yield 2020E	8%
Dividend yield	3.0%
Net debt/equity	33%

Operating statistics in boe*

Production	200 kboe/d
Reserve life 1P	13 years
Cash costs	$15/boe
EV/1P reserves	$11/boe
Production CAGR 2018-22E	7%

Market cap. segmentation*

Small	< $3bn	28%
Mid	$3 - 30bn	41%
Large	> $30bn	31%

Top commodity exposure*

Crude & liquids	68%
Natural gas	32%

Top 5 country exposure (production)*

United States	35%
Canada	26%
Norway	8%
Russia	4%
China	3%

Top 5 holdings

Diamondback Energy	4.7%
Equinor	4.6%
EOG Resources	4.6%
Lukoil	4.6%
Concho Resources	4.5%

Contact

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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"

November 2019

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

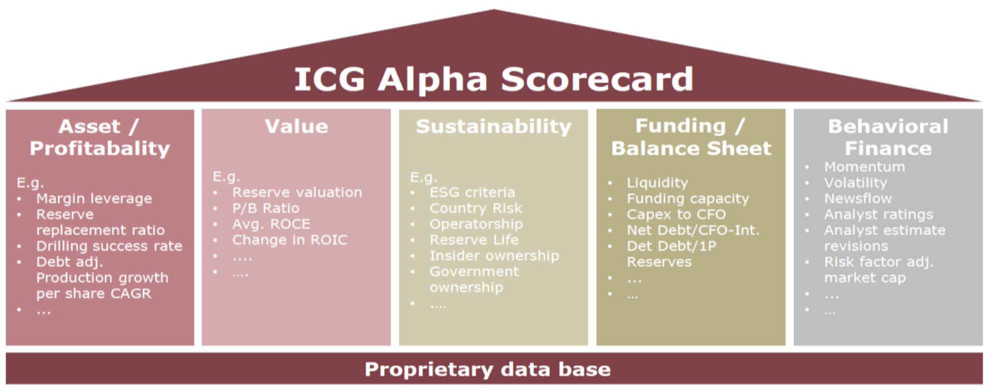
Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Energy Champions Fund offers 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 (>150'000 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 sub-sector 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). Our approach is to identify companies with a relative good track record in different key variables. The ICG Alpha Scorecard is based on a mix of financial and operational figures as well as soft criteria. The ICG Alpha Scorecard is mainly based on historical figures from the last fiscal year or based on a 3 year average. Only a small part is based on future estimates. However, some variables are dynamic to evaluate the current relative valuation and the relative risk of some key metrics. The Investment Management team selects the top 25 companies based on the ICG Alpha Scorecard ranking, return potential (DCF Model), company risk and portfolio fit (Mean Variance Optimization).



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