

Ohne Metalle keine Energiewende

OFI Financial Investment - Energy Strategic Metals



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OFI Group **in brief**

A French leading asset manager

Solid, committed, innovative

A specialist in **Responsible Finance** for 25 years

Servicing professional clients' needs for 50 years:
allocation constraints, tactical management strategies,
regulatory requirements with a tailor-made approach

A specialist in **providing innovative investment solutions
in listed and unlisted assets**

OFI Group key figures

70
Mds€*

300
collaborateurs



25 years
of SRI expertise



A French mutual insurance companies
Shareholder base

€66Bn
owned by an institutional clientele

€4Bn
owned by a private clientele

of which **€628M** owned by an international clientele
€8.9Bn in unlisted assets



*AUM as of end December 2021

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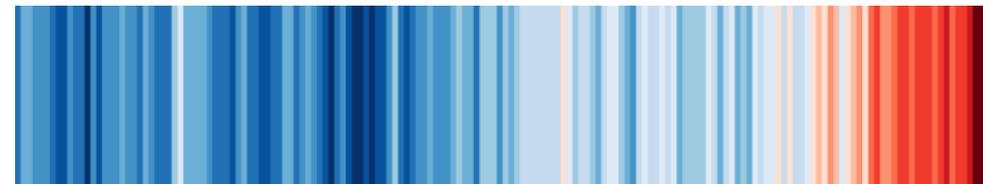
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Climate change: a visible reality

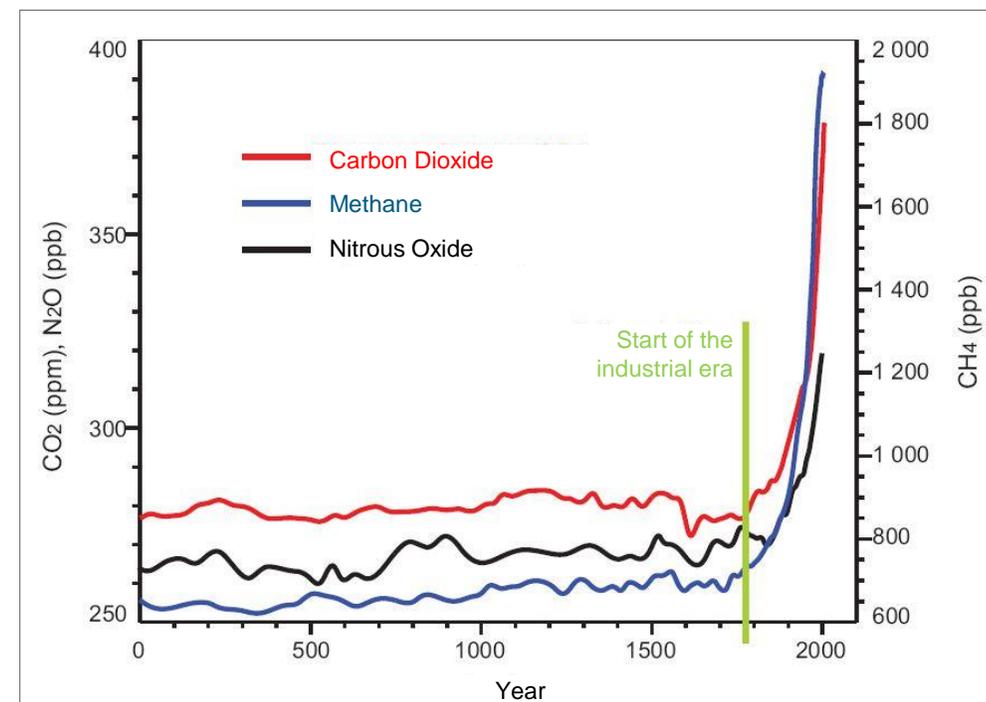
Climate has been warming up since the **start of the industrial era** (1760). The greenhouse gas effects have been known for about 200 years.

The human origin of global warming and the role of fossil fuel combustion are consensus points amongst the scientific community.

The increase in the carbon 12 content of the atmosphere proves that the fossil fuels combustion is responsible for the increase in the CO₂ concentration in the atmosphere



Visual representation developed by climatologist Ed Hawkins of the global warming seen between 1850 and 2019 (around +1°C compared with 1850-1900) at the surface of the oceans and continents, based on the HadCRUT 4 dataset (Morice et al. 2012). Each bar represents a year, and the colour code goes from blue to red over a range of -0.7°C to +0.7°C. The average value for the years 1971-2000 is used for the transition from blue to red.

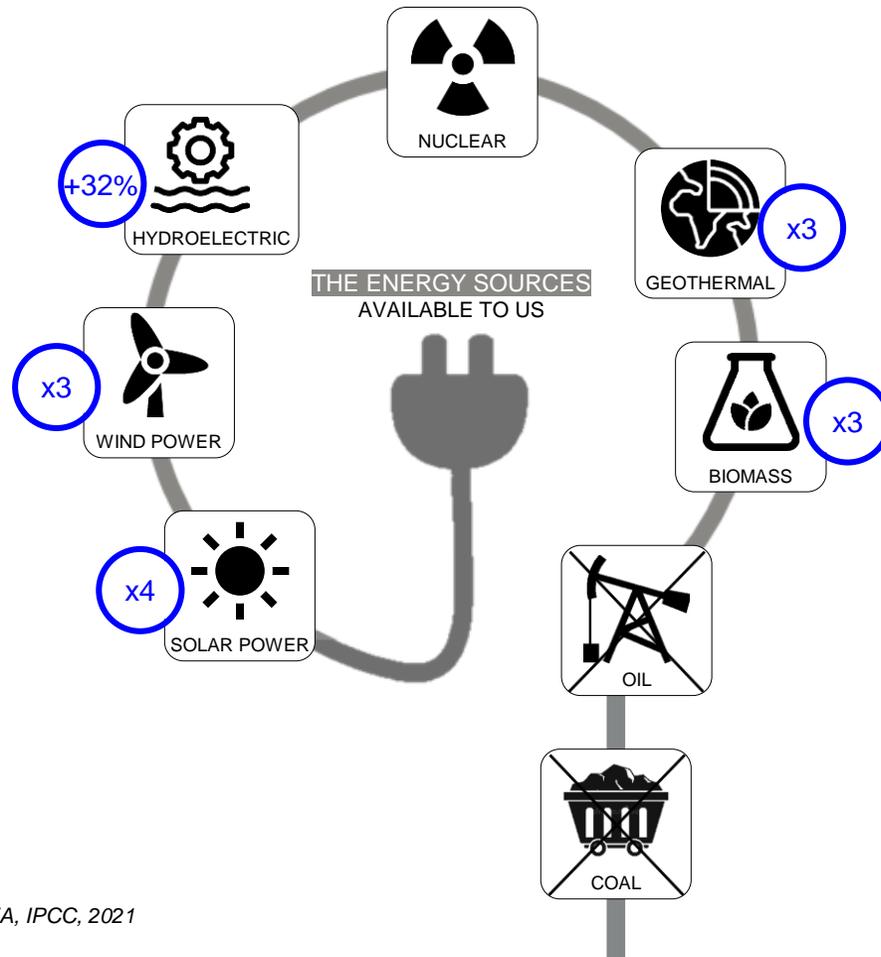


Source: <https://www.researchgate.net>, 2014

How can climate change be contained?



According to the International Energy Agency, in its *Sustainable Development Scenario (SDS)*, the following targets must be met by 2030...



Source: IEA, IPCC, 2021



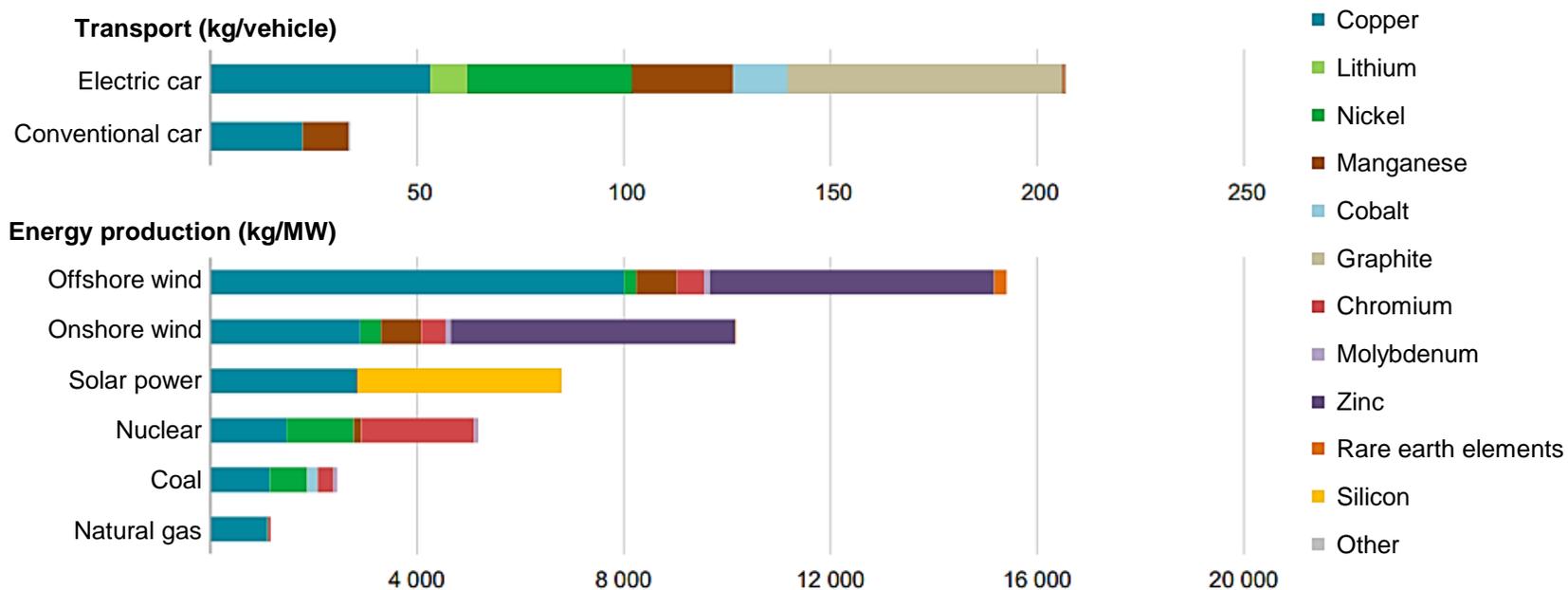
According to the IPCC (Intergovernmental Panel on Climate Change)

- By 2030, 50% of electricity should be produced from renewable energy sources
- The share of renewables (excluding biomass) in primary energy consumption should be multiplied by 3 to 4 by 2030 and by 8 to 13 by 2050

A future and cleaner economy will need much more metals

Metal intensity by clean energy technology

Critical metals > according to IFP Energies nouvelles, a raw material is critical if it is used in numerous industrial sectors, a substitute for it cannot easily be found in the short term, it has many industrial applications, it has a high economic value, and its reserves and production are concentrated geographically.

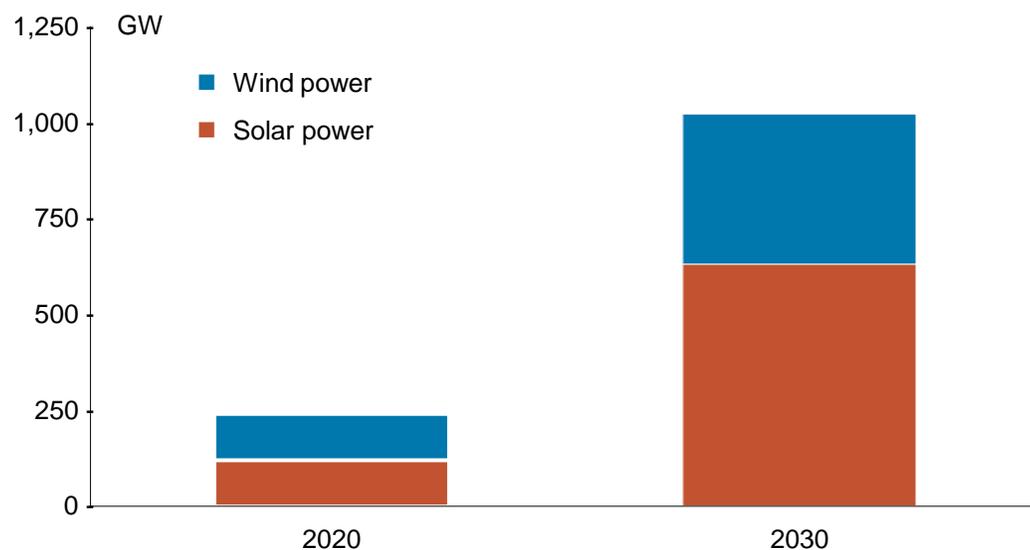


Source: *The Role of Critical Minerals in Clean Energy Transitions, World Energy Outlook Special Report, IAE, May 2021.*

Notes: kg = kilogram; MW = megawatt. The values for vehicles are for the entire vehicle, including batteries, motors and glider. The intensities for an electric car are based on a 75 kWh NMC (nickel, manganese, cobalt) 622 cathode and graphite-based anode. The values for offshore wind and onshore wind are based on the direct-drive permanent magnet synchronous generator system (including array cables) and the doubly-fed induction generator system respectively. The values for coal and natural gas are based on ultra-supercritical plants and combined-cycle gas turbines. Actual consumption can vary by project depending on technology choice, project size and installation environment.

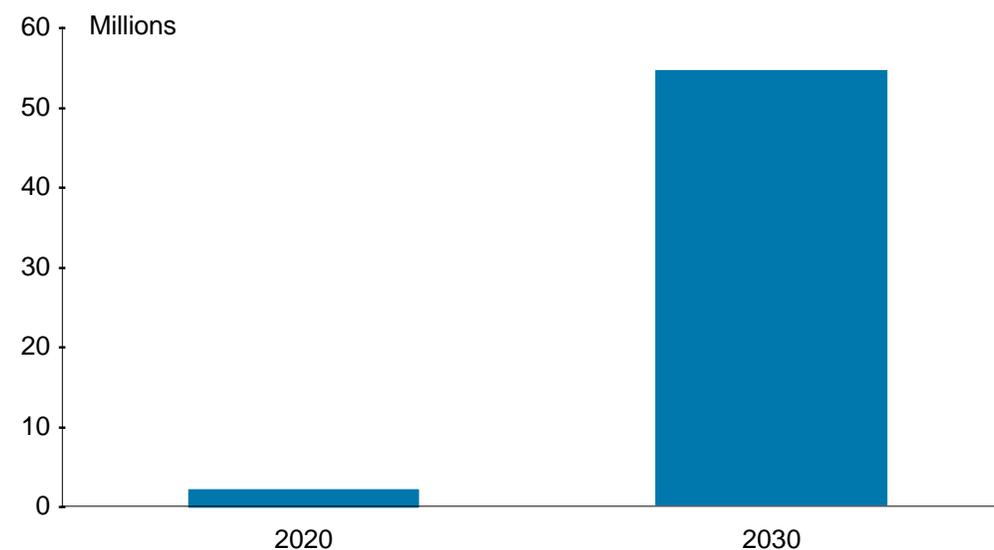
As deployment of green technologies accelerates...

Solar and wind power capacity to be installed each year between now and 2030 in a net-zero trajectory



Source: IEA, 2021

Sales of electrified cars in a Net-Zero by 2030 trajectory

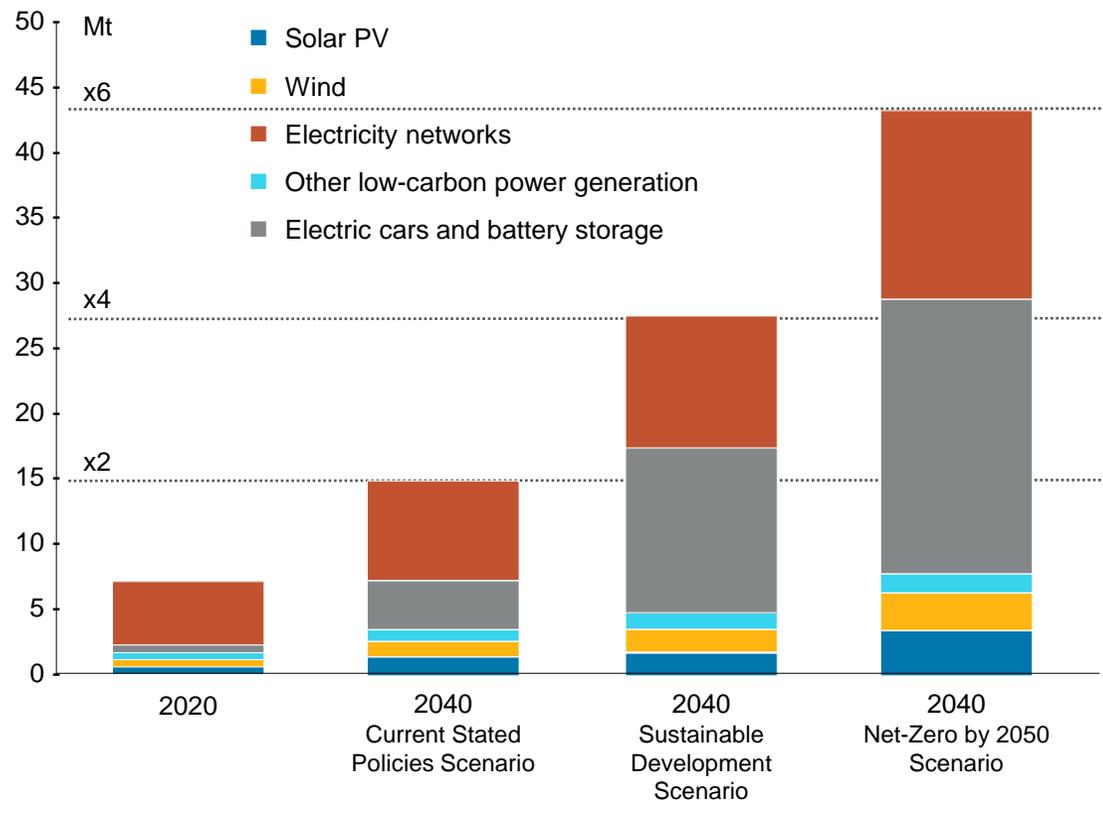


Source: IEA, 2021

- **To contain global warming under 2°, we need to install each year 4 times the 2020 record capacity on photovoltaic (130 GW) and 3 times more on wind power**
- **The transportation sector must decarbonize electrified vehicles must represent 60% of car sales by 2030, vs 5% in 2021**
- **Investments on clean technologies in the energy sector must triple to 4,3 trn\$ per year, starting today**

... metals' demand will massively increase

Future mineral demand for clean energy technologies by scenario, 2020 vs 2040

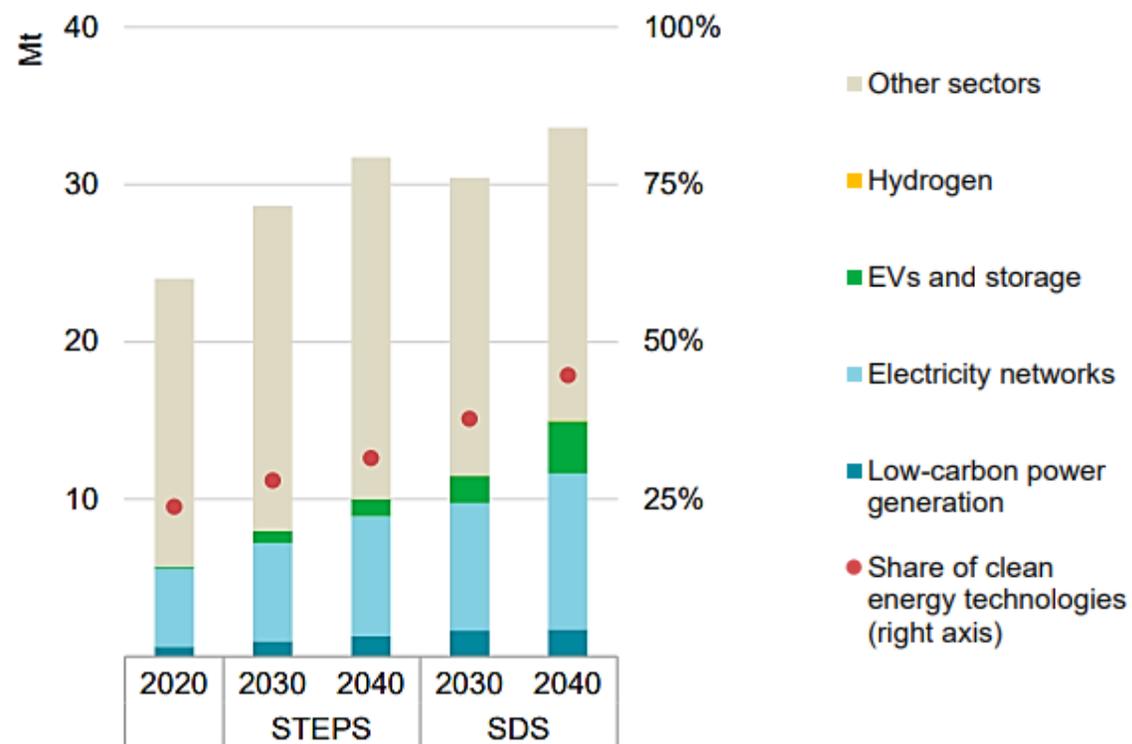


- Under its sustainable development scenario, the IEA sees metal demand in 2040 4 times the 2020 demand
- Under its targeted Net Zero by 2050 Scenario (global warming limited to 1.5°C - in line with the Paris Agreement), demand for minerals increasing 6-fold within the next 18 years

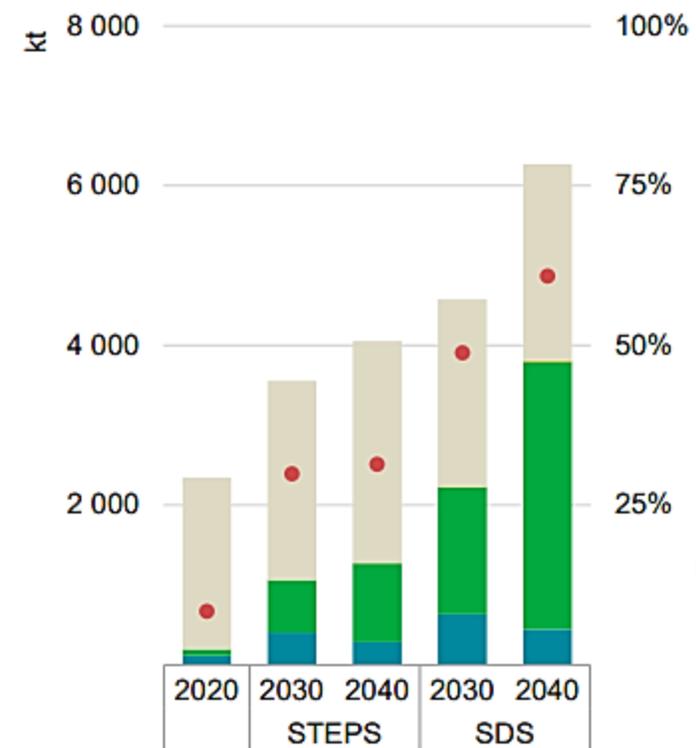
Close-up on copper and nickel

In a scenario where the Paris Agreement's goals are met, the share of clean energy technologies in total demand will increase considerably over the next two decades, to more than 40% for copper and 60% to 70% for nickel.

Copper demand by sector



Nickel demand by sector



Source: *The Role of Critical Minerals in Clean Energy Transitions, World Energy Outlook Special Report, IAE, May 2021.*

Demand does not include the volume reused in a semi-fabricated form.

STEPS: Stated Policies Scenario: scenario based on today's policies and policy announcements

SDS: Sustainable Development Scenario: scenario based on the achievement of the Paris Agreement's goals

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Our approach

- The portfolio consists in **an investment in precious and industrial metals** via a swaps basket, **without any exposure to mining equities**, thus offering a pure exposure to the underlying assets
- The portfolio is exposed to **9 different metals considered as strategic** by the management team because of:
 - their wide use in today's economy
 - their role in the incoming energy transition,
 - their high level of liquidity on quoted and regulated markets
- **The portfolio allocation is reviewed on an annual basis** by an experts' committee to reflect the potential evolution in technologies, the metals utilisation and the supply and demand
- The fund is **UCITS V compliant** and offers **a daily liquidity**

A selection of 9 metals widely used and strategic for the future energy transition

Chemical symbol/ name of element		Cu Copper	Ag Silver	Ni Nickel	Pd Palladium	Pt Platinum	Au Gold	Al Aluminium	Zn Zinc	Pb Lead	Total
Energy	Solar power	■	■	□	□	□	■	■	■	■	6
	Wind power	■	□	■	□	□	□	■	■	■	5
	Hydrogen	■	□	□	■	■	□	□	□	□	3
	Electric	■	□	■	□	□	□	■	□	□	3
Transport	Electric car	■	■	■	■	■	□	■	■	□	7
	Conventional car	■	■	■	■	■	□	■	■	■	8
Construction & building		■	□	□	□	□	■	■	■	□	4
Machines		■	□	■	□	□	□	■	■	□	4
Telecommunications		■	□	■	□	□	■	■	□	□	4
Jewellery		□	■	□	■	■	■	□	□	□	4
Total		9	4	6	4	4	3	8	6	3	

Source: OFI AM, 2021

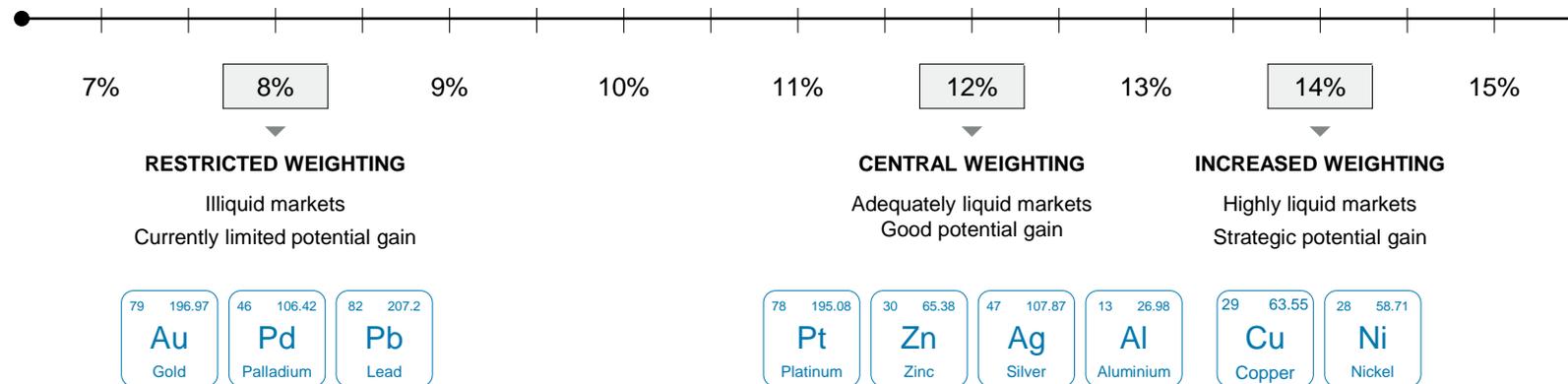
Portfolio construction process

Metals selection and weight allocation

Metals selection in line with a two-fold objective

- Offer an exposure to the highest potential metals, in link with energy issues
- Ensure adequate liquidity conditions: only metals quoted on a listed market have been selected. Cobalt and Lithium have been ruled out due to these liquidity constrains

3 weight categories



- **Yearly review of the allocation by an expert committee** including commodities portfolio managers, risk and compliance departments, and external experts

Reasons to invest

- 1 | **Capture the mega trend of energy transition and its potentially massive impact on future metals demand**
- 2 | **Play differently** the climate change and green technologies themes, offer **diversification and decorrelation via real assets** without any exposure to the equity markets
- 3 | **Invest in a UCITS V compliant portfolio with a transparent investment process**
- 4 | **Benefit from the experience of a recognized commodities management** team with over 15 years of track record

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Administrative characteristics

Legal form	▶ Sub-fund of a French SICAV (open-ended investment company)
ISIN codes	▶ XL Share: FR0014005WK6 • I Unit: FR0014008NM5 • RF Unit: FR0014008NO1
Inception	▶ 27 January 2022
Recommended investment horizon	▶ 5 years
Currency	▶ Euro
NAV	▶ Daily
Investment manager	▶ OFI Asset Management
Custodian	▶ Société Générale
Valuation agent	▶ Société Générale Securities Services Net Asset Value
Earnings distribution	▶ Capitalisation
Financial fees	▶ XL Unit: 0.55% max • I Unit : 0.93% max • RF Unit : 1.03% max
Subscription/redemption	▶ Cut-off at midday each working day not including holidays (D) • Orders placed at day D NAV (calculated D+1) Settled D+1
Subscription fee (Max/Real)	▶ 2% / None
Subscription Minimum	▶ XL Unit: €15 000 000€ • I Unit : €1,000,000 • RF Unit : None
Exit fee	▶ None
Main risks	<ul style="list-style-type: none"> ▶ • Capital loss • Investment in commodities futures • Counterparty • Interest rate • Sustainability risk • Foreign exchange risk • Liquidity <p>Details of the various risks are given in the fund prospectus which is free to download from the OFI AM website or available on request from the company.</p>

SRRI



It is not certain that the risk and reward category posted will remain unchanged, the classification of your Sub-Fund then being likely to change over time. The lowest category is not synonymous with risk-free investment.

ARTICLE 8 SFDR

According to the SFDR (Sustainable Finance Disclosure Regulation), this product promotes environmental or social characteristics but does not aim at sustainable investment.

Investors should be aware and prepared to accept that, for those Funds which have a sustainable management process, this process is based on the use of a proprietary model to determine the ESG score. There is a risk that this model may not be efficient. The performance of these Funds may therefore be below the management objective.

The KIID must be given to subscribers prior to subscription.

The operating rules, the risk and return profile and the fees relating to investment in a fund are described in the fund's KIID.

- 1 Capital risk**

The risk that the capital invested is not returned in full is inherent in this type of management, since it does not include any capital guarantee.
- 2 Risk associated with the investment in Futures Instruments on commodities**

The Sub-Fund is exposed to the price of commodities through commodities index swaps. It should be noted that a drop in the commodities markets and in exogenous conditions (storage conditions, weather conditions, etc.) may result in a drop in the net asset value of the Sub-Fund. In fact, the evolution in the price of a futures contract on commodities is closely associated with the level of current and future production of the underlying product, even the level of estimated natural reserves in the case of energy sector products. Climate and geopolitical factors can also alter the levels of supply and demand of the underlying product in question, and therefore modify the expected rarity of that product on the market.
- 3 Counterparty risk**

The counterparty risk is associated with swaps and other derivative instruments contracted by the Sub-Fund. The Sub-Fund is exposed to the risk that credit establishments are unable to honour their commitments in respect of these instruments. This risk may take concrete form in a drop in the net asset value of the Sub-Fund.
- 4 Interest rate risk**

The Sub-Fund, through the index, directly or through monetary UCIs selected in order to remunerate the cash position, may be invested in futures contracts on interest rates and/or on fixed-rate debt securities. In general, the price of these instruments falls when rates rise.
- 5 Foreign exchange risk**

Swaps are denominated in euros and covered against the foreign exchange risk. The Sub-Fund is however, exposed to a residual foreign exchange risk, since the currency hedging transaction in the index is completed just once a day.

- 5 Liquidity risk**

The portfolio's liquidity risk is based on the liquidity of the investment vehicles used: this liquidity risk in the Sub-Fund mainly exists due to positions on metals, as some events can result in share trading or listing being suspended on the markets on which they are traded. Lack of liquidity in a security may increase the cost of liquidating a position and, as a result, cause a drop in the net asset value of the Sub-Fund or lead to liquidation being delayed should an underlying market be suspended.
- 6 Sustainability risk**

Sustainability risks are primarily related to climate events resulting from climate change (known as physical risks), the ability of companies to respond to climate change (known as transition risks) and which may result in unanticipated losses affecting the mutual fund's investments and financial performance. Social events (inequalities, labour relations, investment in human capital, accident prevention, changes in consumer behaviour, etc.) or governance gaps (recurrent and significant breach of international agreements, corruption, product quality and safety and sales practices) can also translate into sustainability risks

Main characteristics

Investment philosophy

The fund's objective is to provide simplified access to the diversifying base metal and precious metal sector without investing in sector shares.

Investment strategy

Offering synthetic exposure to the "Energy Strategic Metals Basket"* strategic index developed by the fund's management team and independently quoted by Solactive.

Fund Managers

* The index calculation methodology is available on www.ofi-am.fr

Current management team, which may change. Find out more at www.ofi-am.fr



Benjamin Louvet
Commodity
Fund Manager

Experiences

2015 >	OFI AM
2002 Founding Partner	PRIM FINANCE
1998 Quantitative Fund Manager	BNP PARIBAS AM
1995 Equity Derivative Sales Trader	DU BOUZET SA

Post-graduate degree in Finance & Taxation
(La Sorbonne University)



Olivier Daguin
Commodity
Fund Manager

Experiences

2015 >	OFI AM
2008 Portfolio Manager	PRIM FINANCE

Masters in Currency, Banking, Finance & Insurance
(Paris X University)



Marion Balestier
Commodity
Fund Manager

Experiences

2011 Portfolio Manager	OFI AM
2009 PM Assistant and Analyst	OFI AM

HEC Paris – ICCF
Master in Financial Markets (Paris X University)

Allocation process



PORTFOLIO
ALLOCATION

Negotiable debt security allocation

Index allocation (100% exposure)

Performance swap for the “Basket Energy Strategic Metals” Index

NOTE

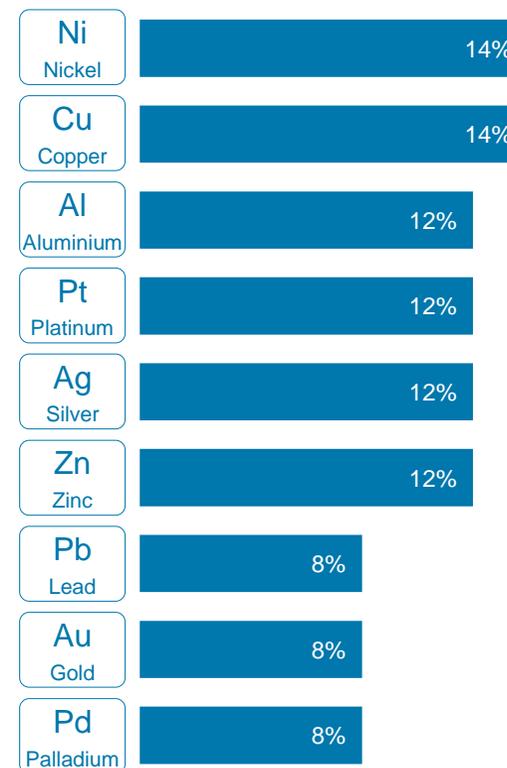
- Fixed allocation. Basket reviewed once a year by a committee
- The index is rebalanced between these various components quarterly
- The fund is based on an EUR index and may offer units in EUR and USD
- Index allocation and weightings reviewed during an investment committee meeting held once a year

French Treasury bills

(or the equivalent) maturing in less than 3 months

Cash (<10%)

Money market fund (<10%)



Source: OFI AM, June 2022

Functioning of the committee

- **The UCITS requirements that apply to funds linked to a commodity index make very active management difficult (publication of investment rules and possibility for investors to recalculate the index at any time)**
- **The fund will allow the weightings of each underlying asset to change freely to benefit from short-term trends, and will rebalance the portfolio each quarter**
- **Once a year, in November, the fund will hold an investment and environmental constraint management committee (CIGCE) meeting**
- **The CIGCE is composed of the members of the management team, at least one person from the SRI team, and a person from the risk management team. It may also call on experts from outside OFI AM whose expertise is useful to its deliberations**
- **This committee will assess the development of low-carbon technologies, to consider whether the abandoning or emergence of certain of these technologies warrants the selling or buying and/or a change in the weighting of the metals in the portfolio**
- **The committee will publish all of its conclusions by December at the latest**
- **The changes made will be implemented at the end of December**

Functioning of the swap

Swap

- To gain exposure to the commodity markets, OFI Financial Investment - Energy Strategic Metals has entered into a financial swap agreement.
- This swap agreement consists in exchanging a fixed fee for the performance of a financial index. The index is independently quoted by Solactive. Solactive is an index provider based in Germany, which operates globally and develops bespoke index-linked investment products with the world's main investment banks and asset managers.

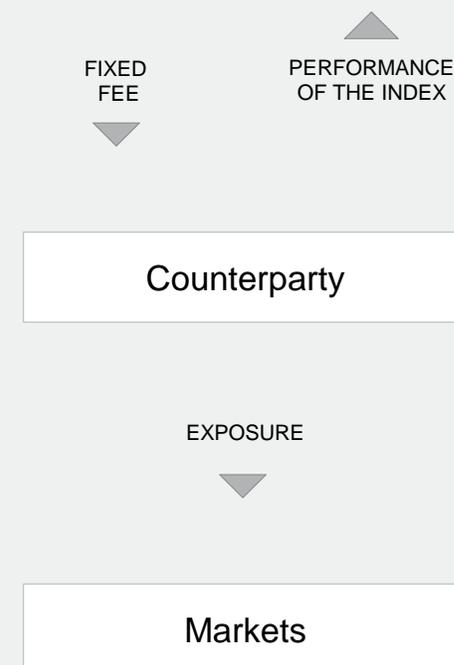
Swap counterparties

- UBS, BNP Paribas, JP Morgan, Bank of America and Société Générale are some of the counterparties selected (possibility of structuring with other counterparties).

Collateral and limiting of risk with the counterparty

- No collateral: the fund is mainly invested in French Treasury bills, with a residual balance held by the custodian, Société Générale.
- The commitment limit is set at the index's performance over one day, with a payment made systematically if the performance swap's balance is above €250,000 on either side of the swap.

OFI Financial Investment – Energy Strategic Metals



OFI ASSET MANAGEMENT - 22 RUE VERNIER. 75017 PARIS - TEL. : + 33 (0) 1 40 68 17 17 - www.ofi-am.fr
Portfolio-management company - Public limited company (*Société anonyme*) with a Board of Directors and share capital of 42.000.000 euros
Registered in the Paris Trade and Companies Register under number 384 940 342 - Accreditation no. GP 92-12.

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