The Rare Earth Elements Fund (CHF)

Metals of the Future – Vitamin of Modern Industry

FACT SHEET as of end of February 2023

Fund Description

The Rare Earth Elements Fund (CHF) is a sub-fund of the Rare Earth Elements Fund, which is a niche fund under Swiss law that invests worldwide in companies with activity in mining, refining, and manufacturing, recycling and trading of Rare Earth Elements. By respecting a Mine to Market concept, the fund promises to benefit from the whole value chain.

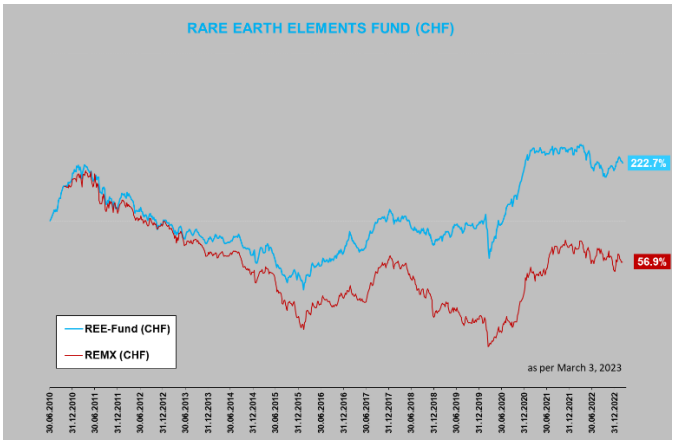
General Fund Information

Investor Profile	Public
Fund Name	Rare Earth Elements Fund (CHF)
Fund Type	Swiss contractual umbrella fund, classified as "other traditional investment fund"
Domicile	Switzerland
Tax Transparency	In Germany and Austria
Asset Manager	Dolefin SA, CH-Nyon
Custodian	Banque Cantonale Vaudoise, CH-Lausanne
Fund Mgmt Company	CACEIS (Switzerland) SA, CH-Nyon
Auditor	KPMG, CH-Geneva
Inception Date	July 2, 2010
Financial Year	1 January – 31 December
Subscription	Weekly, cut-off Wednesday 17h00
Redemption	Weekly, cut-off Wednesday 17h00+1week
ISIN	CH0111943673

Additional Information

Nominal per Unit	CHF 100
Management Fees	1.50% p.a.
Hurdle Rate	10% p.a, cumulative
Performance Fees	20% of the outperformance realized above the Hurdle Rate with principle of High Watermark
High Watermark	Yes
Max. Admin. Fees	0.45% p.a.
Load-up Fees	Maximum 2%
Redemption Fees	0.50% (goes to the Fund)
TER	2.25% p.a. (expected)
Initial NAV	CHF 100
Dividends	Paid to Investors
Publication of NAV	Agefi, Geneva Swiss Fund Data AG www.caceis.ch

Performance Graph

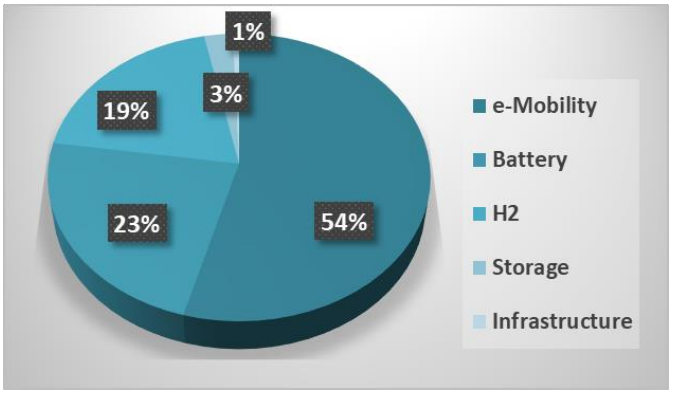


Portfolio Structure

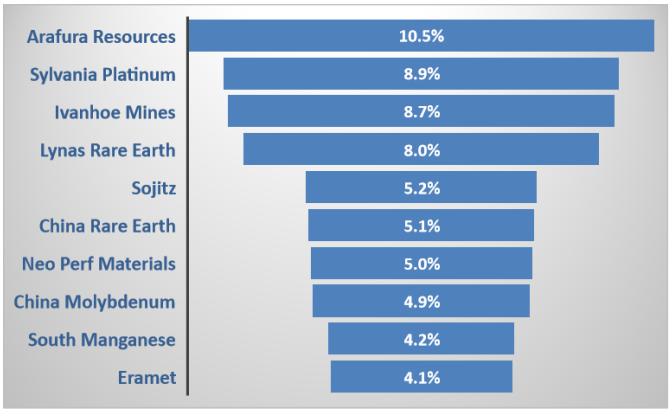
Country Allocation

Australia	26.3%
Canada	26.0%
China/Hongkong	15.6%
Europe	12.8%
Japan	7.8%
UK	11.5%

Sub-Sector Themes



10 Top Holdings



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Manager Report as of end of February 2023

Performance & Risks

NAV as of 03.03.2023	CHF 222.70
Fund since inception	122.70%
Fund (ytd)	7.95%
MSCI-World in CHF since inception	153.21%
MSCI-World in CHF (ytd)	8.05%
Units in circulation	236'545
Fund size	CHF 52'680'945

Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2010	-	-	-	-	-	-	11.20	3.96	27.16	9.73	3.78	15.59	93.50
2011	2.02	5.42	-1.30	2.63	-5.27	-8.46	0.16	-14.15	-20.29	9.02	-4.47	-9.58	-39.02
2012	19.92	-0.71	3.35	-8.61	-13.11	-0.95	-5.52	-6.58	4.46	-3.22	-8.64	3.22	-18.56
2013	1.66	-2.87	-6.11	-5.72	6.79	-12.93	13.96	-8.20	8.81	-9.00	-4.94	-1.56	-21.23
2014	1.98	6.99	-4.24	-2.15	-4.65	1.36	7.09	0.00	-9.86	-4.85	-0.58	-7.32	-16.38
2015	-11.53	23.21	-6.81	11.04	-4.48	-18.04	-7.69	-8.14	-10.13	7.98	10.65	-3.93	-22.75
2016	-10.02	-2.73	8.18	17.93	-0.55	-0.92	5.76	0.00	3.51	5.09	3.55	0.00	31.08
2017	18.88	6.43	-9.62	-7.09	-2.06	5.85	16.86	8.61	8.82	5.23	-0.10	8.29	73.17
2018	-4.14	-6.30	-0.50	4.13	-3.10	-8.69	-3.83	-0.68	0.11	0.57	-5.80	11.84	-34.23
2019	6.71	4.11	2.47	0.60	10.53	2.38	-6.03	-2.02	10.10	-1.88	-4.68	8.47	33.29
2020	-1.54	-4.70	-27.82	22.31	14.76	4.76	13.21	14.31	3.27	4.02	26.65	23.15	115.93
2021	10.19	13.78	-1.40	1.89	-2.80	-1.32	5.75	2.20	-7.80	9.33	-5.64	3.83	28.94
2022	-7.94	4.85	10.13	-10.00	-1.12	-18.45	5.26	-6.09	-10.07	1.61	13.77	-3.96	-23.85
2023	17.64	-8.24											7.95

Forex Exposure (net in %)

AUD	CAD	DKK	EUR	GBP	HKD	JPY	NOK	Ref-ccy CHF
33.6	25.5	1.3	6.7	4.8	10.2	9.3	4.5	4.1

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Manager Report as of end of February 2023

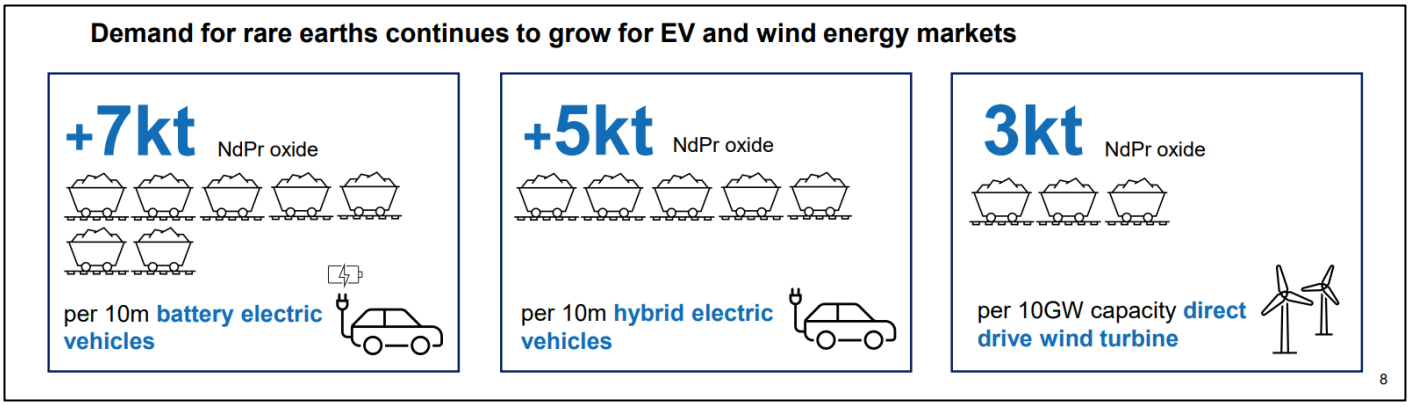
Investment Strategy

The reporting period saw some profit taking after a strong start into 2023. Especially last week, some rare earth element names (REE) got pounded after Wednesday's live presentation of Tesla. The company announced that their future generation power trains (e-motors) will no longer use REEs…

As a reminder: the two most prominent elements, NdPr (Neodymium and Praseodymium) are among the key materials in the global energy transition (see picture below from latest Lynas presentation).

Related to the e-car industry, these two elements are found in the so-called permanent magnets in the power train. Dysprosium and Terbium are added as to avoid the overheating and loss of its magnetic properties.

As per Lynas Corp, each increment of 10mio e-cars, an additional 7'000tonnes of NdPr are needed in a market that is currently well-balanced (estimated 65'000tonnes, worldwide).



We took the time and listened to the whole Tesla presentation (4hrs) as to understand their plans, firsthand. Here the key sentence that seems to be at the origin of last week's sell-off: *"…as the world transitions to clean energy, the demand for rare earth is really increasing dramatically…we have designed our next drive unit that uses a permanent magnet motor that does not use any rare earth material at all…".* Link here (1:18:00)

In this respect, we raise three key questions:

- How does Tesla guarantee that their permanent magnets will not lose the magnetic properties through overheating?
- Will the energy recuperation (i.e., through deceleration or breaking) still be possible?
- When will the next generation power trains be used in their e-motors?

Related to our last question, we quote Morgan Stanley that published a note on the following day: *Based on conversations with expert engineers and developers in early 2021, we have been of the view that any significant risks associated with rare earth-free permanent magnets are at least 5-10 years out given the lead times required for OEMs to fully adopt new technologies.*

As long as we do not get clear answers to the questions above, we consider last week's harsh correction as overdone. Industrial experts and investors are likely realizing that in the foreseeable future, Tesla will continue using REE-based permanent magnets. Announcement of REE-free permanent magnet have been published in the past but never came through.

Older Tesla models had basic induction motors in the past but changed to permanent magnet power drives because of higher power density, higher energy conversion efficiency, and low energy consumption. In this respect, we wonder how Tesla values

the trade-off between potential lower performance versus higher operating margins – we estimate that a doubling in price of NdPr, Dysprosium and Terbium yields in less than USD 300 per car.

In a different context during the presentation, Elon Musk also admitted that new inventions that pass the test on a laboratory basis do not always find their way into mass production – the real world often unveils challenges that cannot be modeled.

Despite all the above, we nevertheless highly recommend Tesla's presentation. Next to the discussed REE-free power train announcement, our interest was in the company's vision on the importance of future energy storage and the role EVs play therein.