

STRATEGIC CHINA PANDA FUND

A SUB-FUND OF E.I.STURDZA FUNDS PLC. REGISTERED IN IRELAND



EI STURDZA
INVESTMENT FUNDS

NOVEMBER 2018 – MONTHLY COMMENTARY BY PORTFOLIO MANAGER LILIAN CO

FUND COMMENTARY

The MSCI China Total Return index rebounded strongly in November gaining 7.3% after five consecutive months of decline. All eyes were on the meeting between US President Trump and Chinese President Xi at the G20 summit on 30 November. Positive tweets from Donald Trump and easing concerns of an aggressive rate hike in the US triggered a risk-on mode once again. High beta sectors like China property, Macau Gaming and internet outperformed while healthcare, oil and education related stocks continued to underperform.

The US Fed gave a dovish tone regarding its interest rate outlook, stating rates were just below the neutral policy. This was a big boost to the equity market as the previous market consensus expected another three rate hikes in 2019, after a possible hike in December. Domestically, there are more signs of selective easing in the property sector, banks are said to have lowered mortgage rates in top tier cities which has sped up mortgage approvals. The China banking regulator has also urged banks to increase lending to the private sector, however the stock market did not approve as investors worried about the potential deterioration of the quality of loans, although the Investment Adviser doubts the willingness of banks to follow such guidance.

Macau Gaming revenue in November increased 8.5% YoY, outperforming market expectation following two months of disappointment. The opening of HK-Zhuhai-Macao Bridge has drawn more traffic to Macau, to the benefit of casino operators. Retailers in HK however did not benefit, as sales growth recorded by jewellery retailers like Luk Fook and Chow Tai Fook declined. Education stocks remained under pressure due to further regulatory change, as the State Council published opinion on regulating the development of pre-school education. Key terms included prohibiting private kindergartens from pursuing public listing and public listed companies from investing in for-profit kindergartens via financing.

The Fund rebounded 6.8% during November, slightly behind the benchmark. The Fund's overweight in real estate and Macau Gaming sectors added value, however the notable underweight with regards to internet stocks detracted from the relative performance. The Investment Adviser believes that the worst of the fears are now over and any breakthrough in trade talk may act as a re-rating catalyst for China stocks.

PORTFOLIO MANAGER



LILIAN CO

Lilian Co has more than 20 years' experience investing in Chinese and Asian equities. After a successful fund management career with Baring Asset Management, Lilian now continues her award-winning investment style with E.I. Sturdza Strategic Management Limited and the Strategic China Panda Fund. Lilian is a Chartered Financial Analyst (CFA), and holds a Bachelors of Commerce degree from the University of Alberta (Canada) and an MBA from the University of Nottingham (UK).

FUND OBJECTIVE

The objective of the Fund is to achieve long-term capital appreciation in the value of the assets by investing in China-related securities listed in, but not limited to the Greater China region.

CONTACT

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*For detailed performance information based on complete 12-month periods since inception, please refer to page 2.

The views and statements contained herein are those of LBN Advisers Limited in their capacity as Investment Adviser to the Fund as of 17/12/18 and are based on internal research and modeling.

AWARDS



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PERFORMANCE DATA* (as at the end of November 2018)

CUMULATIVE PERFORMANCE (%)

	November 2018	3 Months	1 Year	3 Years	5 Years	10 Years	Since Fund Inception
USD	6.76	-9.63	-18.78	27.85	12.33	176.93	184.33
MSCI China NR USD	7.33	-6.31	-12.00	32.48	29.00	160.16	110.98

PERFORMANCE BY CALENDAR YEAR (%)

	2018 YTD	2017	2016	2015	2014	2013	Annualised since inception
USD	-20.01	62.99	-2.43	-1.49	-11.51	31.46	10.84
MSCI China NR USD	-13.65	54.07	0.90	-7.82	7.96	3.64	7.63

*Please note, past performance is not indicative of future returns.

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