

STRATEGIC JAPAN OPPORTUNITIES FUND

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



EI STURDZA
INVESTMENT FUNDS

DECEMBER 2018 – MONTHLY COMMENTARY BY PORTFOLIO MANAGER MITSUHIRO YUASA

FUND COMMENTARY

The Strategic Japan Opportunities Fund NAV declined by 14% in December, the largest monthly loss since the Fund launched in March 2017. The Japanese market sunk following the news that Meng Wanzhou, CFO of Huawei, was arrested in Canada at the request of the US.

The UK Prime Minister survived the vote of no confidence, but investors did not react to this. During the month, investors increased their defensive stance selling illiquid small cap stocks which had added alpha to their portfolio's, but more recently those quality small cap stocks declined significantly. The Global market continued to deteriorate under Trump's shutdown and his uneasy comments regarding Mnuchin and the FRB.



The unsuccessful listing of Softbank at the Tokyo Stock Exchange dampened the interest of individual domestic investors as they shied away from the market. Sizeable redemptions inevitably forced fund managers to sell their core stocks, creating a further drag on the market. Foreign investors sold out of Japanese cash and future markets during December, resulting in total outflows of approximately \$110 billion in 2018, which was the largest net redemption

from these markets in the last decade. The major buyers were the Bank of Japan and domestic corporations, whilst individuals were net sellers.

Don Quijote Holdings (7532), which operates discount stores selling consumer electronics, daily necessities, groceries, watches, sporting goods and many other items enjoyed by international tourists, purchased a 40% stake of Familymart Uny holdings (8028) which has 200 Uny stores. With the additional 60% that Don Quijote purchased in October, Don Quijote will utilize the 200 Uny outlets as new shops when the transition is complete. Familymart Uny in turn, has purchased 20% of Don Quijote as a result of the recent cross-shareholdings between Don Quijote and Familymart Uny. Don Quijote has also announced that they will change the company name to Pan Pacific International Holdings to increase familiarity with international customers and investors. Don Quijote was founded by Mr. Yasuda, aged 69, who owns 23% of the company. Mr. Yasuda stepped down as Chairman and CEO in 2015, and was likely looking for a partnership with a well financed and relatively large organisation such as Familymart Uny and eventually, Itochu Corporation (8001) that owns 41% of Familymart Uny. The Investment Adviser believes that Don Quijote's unique retail business model can expand faster now, by using Familymart Uny's assets and the financial power of the Itochu Corporation. P/E 25x, PBR 3.4x, ROE 14.2%.

The Investment Adviser has experienced different degrees of market decline in various Japanese portfolios over the years, the largest of which occurred during the Lehman Shock in 2008. It is important to note that the quality companies whose share price "bombed" the most, also, in the Investment Adviser's experience recovered the most, as market conditions returned to normal. The Team will remain fully invested, regardless of the external environment and will continue to remove "slumped" companies from the portfolio, and retain exposure to companies they consider to be high quality. The Team has great confidence in the Fund's current portfolio, and believe in maintaining the existing positions, even during difficult market conditions. The US and China trade talks which took place in early January, and robust US December Non-Farm Payroll numbers should support the global market for a while. There will be a new Japanese Era Name in April, prior to the Emperor enthronement ceremony which will commence in May.

PORTFOLIO MANAGER



MITSUHIRO YUASA

Mitsuhiro has over 28 years investment experience and co-founded Rheos in 2003 following a career at Rothschild Asset Management and Gartmore Asset Management. He has extensive experience managing foreign institutional and domestic pension clients. Further Mitsuhiro has superior analytical, knowledge and management skills in relation to emerging growth stock portfolios and equity strategies, with a deep understanding of the Japanese and global asset management industry.

FUND OBJECTIVE

The investment objective of the Fund is to out-perform the broad Japanese equity market over the long-term.

CONTACT

E.I. Sturdza Strategic Management Limited

Telephone +44 1481 722 322

Email info@eisturdza.com

Website eisturdza.com

CONTINUED OVERLEAF

STRATEGIC JAPAN OPPORTUNITIES FUND



EI STURDZA
INVESTMENT FUNDS

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

DECEMBER 2018 – MONTHLY COMMENTARY BY PORTFOLIO MANAGER MITSUHIRO YUASA

In June, Japan will host the G20 summit in Osaka. Prime Minister Abe's Government remains stable and the next important milestone for him and the LDP will be the election of the House of Councillors in July. The Team believe that the Prime Minister is capable of managing these events without incident and investors will view this positively. Key factors for the domestic economy

continue to be the negative sentiment of corporate executives from last year and individual consumers who will face consumption tax hikes next October. The Investment Adviser continues to watch both trends carefully and will construct the portfolio to benefit from a possible turn around in the economy in the near future.

The views and statements contained herein are those of Rheos Capital Works Inc in their capacity as Investment Adviser to the Fund as of 12/01/19 and are based on internal research and modelling.

STRATEGIC JAPAN OPPORTUNITIES FUND

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



EI STURDZA
INVESTMENT FUNDS

DECEMBER 2018 – MONTHLY COMMENTARY BY PORTFOLIO MANAGER MITSUHIRO YUASA

WARNING

The contents of this document have neither been reviewed nor endorsed by the Central Bank of Ireland or any other regulatory authority. If you are in any doubt about any of the contents of this document you should obtain independent professional advice.

BLOOMBERG DISCLAIMER

Data presented herein is obtained via Bloomberg PORT where stated. Any such data is subject to change from the date of production of this document. Such changes may impact upon comparative data between the investment and benchmark present. Such information therefore is provided for reference purposes only, is subject to change and should not be relied upon for an investment decision.

TOPIX DISCLAIMER

The TOPIX Index Value and the TOPIX Trademarks are subject to the intellectual property rights owned by the Tokyo Stock Exchange, Inc. and the Tokyo Stock Exchange, Inc. owns all rights and know-how relating to the TOPIX Index such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Trademarks. The Tokyo Stock Exchange, Inc. shall reserve the rights to change the methods of calculation or publication, to cease the calculation or publication of the TOPIX Index Value or to change the TOPIX Trademarks or cease the use thereof. The Tokyo Stock Exchange, Inc. makes no warranty or representation whatsoever, either as to the results stemmed from the use of the TOPIX Index Value and the TOPIX Trademarks or as to the figure at which the TOPIX Index Value stands on any particular day. The Tokyo Stock Exchange, Inc. gives no assurance regarding accuracy or completeness of the TOPIX Index Value and data contained therein. Further, the Tokyo Stock Exchange, Inc. shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Index Value. The Licensed Products are not in any way sponsored, endorsed or promoted by the Tokyo Stock Exchange, Inc. The Tokyo Stock Exchange, Inc. shall not bear any obligation to give an explanation of the Products or an advice on investments to any purchaser of the Products or to the public. The Tokyo Stock Exchange, Inc. neither selects specific stocks or groups thereof nor takes into account any needs of the issuing company or any purchaser of the Products, for calculation of the TOPIX Value Index. Including but not limited to the foregoing, the Tokyo Stock Exchange, Inc. shall not be responsible for any damage resulting from the issue and sale of the Products.

GENERAL DISCLAIMER - APPLICABLE TO UK DOMICILED RECIPIENTS

This communication is issued in Guernsey by E.I. Sturdza Strategic Management Limited which is regulated by the Guernsey Financial Services Commission. Any investments or investment services mentioned in this communication are not intended for retail customers. Consequently, this communication is only made available to professional investors and eligible counterparties and should not be relied upon by any person that does not possess professional experience in relation to investments. If you are in any doubt as to whether you possess suitable experience in relation to investments please consult your financial adviser. Past performance is no guarantee of future results. Under no circumstances should this document be forwarded to anyone in the United Kingdom who is not a professional client or eligible counterparty as defined by the FCA. For the purpose of distribution in the United Kingdom this material has been issued by E.I. Sturdza Investments Limited, Claridge House, 32 Davies Street, London, W1K 4ND which is an appointed representative of Mirabella Advisers LLP which is authorised and regulated by the Financial Conduct Authority. Further this communication is not an offer or an invitation to purchase financial instruments but intended as information. Further the information contained in this communication does not represent a research report. E.I. Sturdza Strategic Management Limited has not considered the suitability of investment against your individual needs and risk tolerance. Shares in the Fund should only be purchased by persons with professional experience and investors should refer to the Fund Prospectus and/or KIID for detailed information about potential risks involved in investing in financial instruments as well as the latest half-yearly report and unaudited accounts and/or annual report and audited accounts. The information contained herein is estimated, unaudited, may be subject to change and reflects the performance of the relevant fund offered by E.I. Sturdza Strategic Management Limited during the period indicated. Any opinions or estimates expressed herein are at the date of preparation and are subject to change without notice; however no such opinions or estimates constitute legal, investment, tax, or other advice. Individual performance of the Fund may vary and historical data is not an indication of future results. The value of the Fund and the income which may be generated from it can go down as well as up and therefore investors must be able to bear the risk of a substantial impairment or loss of their entire investment. The Swiss Representative and Swiss Paying Agent is Banque Eric Sturdza SA, Rue du Rhône 112, P.O. Box 3024, CH-1211 Geneva 3. Copies of the Prospectus, KIID, articles of association, annual and semi-annual reports may be obtained free of charge at the seat of the Swiss representative. This document is intended for information purposes only and is not intended as an offer or recommendation to buy, sell or otherwise apply for shares in the Fund. E.I. Sturdza Strategic Management Limited, 3rd Floor, Frances House, Sir William Place, St Peter Port, Guernsey GY1 1GX. Part of the Eric Sturdza Banking Group. Company Registration Number: 35985.

DISCLAIMER - SWISS DOMICILED RECIPIENTS

E.I. Sturdza Funds Plc and its sub-funds are Irish funds authorized by the Irish Central Bank. They are approved for distribution in Switzerland by FINMA. The Swiss representative and paying agent is Banque Eric Sturdza SA, rue du Rhône 112, 1204 Geneva / Switzerland. Investors should refer to the fund prospectus and/or KIIDs for detailed information about potential risks associated with investments in financial instruments as well as the latest half yearly report and unaudited accounts and/or annual report and audited accounts. The prospectus, KIIDs, Articles of association, semi-annual and annual reports of E.I Sturdza Funds Plc can be obtained, free of charge, at the seat of the Swiss representative, Banque Eric Sturdza SA. The information contained herein is estimated, unaudited, may be subject to change and reflect the performance of the relevant funds during the period indicated. Any opinions or estimates expressed herein are at the date of preparation and are subject to change without notice. No such opinions or estimates constitute legal, investment, tax or other advice. Individual performance of the funds may vary and historical data is not an indication of future results. The value of the funds and the income which may be generated from it can go down as well as up and therefore investors must be able to bear the risks of a substantial impairment or loss of their entire investments. Past performance is no guarantee of future results. Performance data do not take into consideration commissions and costs charged at the time of issuance and/or redemption of the shares. This document is intended for information purposes only and is not intended as an offer or recommendation to buy, sell, or otherwise apply for shares in the funds.