



E.I. Sturdza Nippon Growth (UCITS) Fund

February 2019 Fund Commentary

MARKET DEVELOPMENT

On the 1st February, Japanese equities fell following a decline in China's manufacturing PMI. This said, solid US economic numbers relating to payroll data and the ISM Manufacturing Index were announced the same Friday, leading the Japanese market to recover the following week.

In early February, many Japanese companies announced Q3 earnings results, leading the market to sway accordingly. Forecasts were subject to material downgrades, but share buybacks and strong results, alongside a depreciating Yen against the US Dollar bolstered the market.

From mid-February onwards, US-China trade discussions took place almost every week. From the 18th onwards, the Japanese market surged for four consecutive days on signs that the US attempted to avert the closure of government agencies and make progress regarding trade talks with China.

A rise in Chinese equities also bolstered the domestic market. The Risk on market strengthened the US Dollar against the Yen, further aiding the Japanese market, which moved fairly steadily in late February.

Towards the end of the month, the Dow surpassed the 26,000 level, whilst the crude oil price exceeded 57 Dollars for the first time since last November. Geopolitical risks arose in India/Pakistan, leading the Yen to appreciate. On the last day of the month, the market declined on the back of Japan's weak industrial production index and China's manufacturing PMI.

The TOPIX closed the month at 1,607.7 (up 2.6% MoM), with the Nikkei 225 finishing at 21,385.2 (up 2.9% MoM). In terms of sector performance, 28 out of 33 sectors gained, with the five best performers being precision instruments, communication, pharmaceuticals, services and warehousing. The five worst performers were oil, miscellaneous manufacturing, marine transportation, banks and real estate.

In February, the Yen weakened against the US Dollar over confidence in global markets. The Yen started at 108.89 against the US Dollar, ending at 111.39. The yield on 10-year JGBs started at 0.005, temporarily dipping to -0.05 when BoJ's Governor Kuroda mentioned the possibility of additional easing, should the Yen become too strong. A rise in the equity market suppressed the increase in JGBs, which ended the month at -0.022.

The net asset value per unit for the Nippon Growth (UCITS) Fund on a Japanese Yen basis as of 28 February 2019 rose 0.2% compared with that of 31st January, while the TOPIX gained 2.6% during the same period. The Fund put no new names into the portfolio with five stocks (Shimadzu, SCSK, Kobe Steel, Toyota Motor and Mizuho Financial) sold out.

MARKET OUTLOOK

Uncertainty over trade talks between the US and China, the lack of direction on the Brexit deal, and the impact from a prolonged partial shutdown of the US government had a negative impact on Japanese economic data for the month of January. Industrial production declined 3.7% MoM, with the government estimating that it would rise 5.0% MoM in February and subsequently decline by 1.6% MoM in March. After a sound recovery



Yutaka Uda

PORTFOLIO MANAGER



Maiko Uda

ASSISTANT PORTFOLIO
MANAGER

INVESTMENT APPROACH

Access to Mr. Yutaka Uda's 40 years' investment experience in Japanese equities. Portfolio construction combines the long term macroeconomic view of the Investment Adviser with a bottom up perspective of stock research based on fundamental analysis.

INVESTMENT OBJECTIVE

To achieve long-term capital growth through active sector allocation and stock selection resulting from changes in economic conditions.

A sub-fund of E.I. Sturdza plc.
Registered in Ireland.

CONTACT

E.I. Sturdza Strategic
Management Limited

+44 1481 722 322
info@eisturdza.com
eisturdza.com



of +1.9% QoQ in Q4 2018, it is likely that industrial production will show negative QoQ growth in Q1 2019 according to the Investment Adviser. Core machinery orders declined 5.4% MoM in January, much worse than the market consensus of -1.5% MoM, although data tend to be volatile. It appears that the market has discounted short term uncertainty to a great extent. The Investment Adviser thinks that the turning point is approaching and that the world economy needs a new stimulus to stop a further slowdown.

In the National People's Congress in Beijing, which started on 5th March, China's Premier Li Keqiang announced that China would aim for economic growth of 6.0-6.5% in 2019, down from its target of 6.5% over the past two years. In order to keep the relatively high growth levels, China committed to easing its monetary policy and implementing aggressive fiscal stimulus. For instance, the quota for local governments to issue bonds to fund infrastructure projects will rise by RMB 800bn (USD 119bn), an increase of almost 60% YoY.

In the US, President Trump unveiled a record budget of USD 4.7tn for FY2020, constituting a ca. 5% increase over the previous year. The budget is designed to raise military spending and cater for the building of the Mexican border wall. Trump also proposed to spend USD 200bn on the country's infrastructure over a time frame of 10 years. People argue that the White House budget faces strong obstacles, as the Democrats now control the House of Representatives.

In Japan, the government is likely to pass an aggressive budget for FY2019, allocating JPY 101.5tn (up 3.8% YoY) in the Diet by the end of March 2019 in addition to two sizable supplementary budgets for FY2018. The team believe that the US and China will find meaningful solutions regarding the trade dispute within a couple of months, and that global infrastructure spending will help bolster the global economic recovery.

PORTFOLIO STRATEGY

Against the backdrop of Japan's vulnerability against natural disasters and sizable fiscal spending, which has been under discussion since November 2018, the Investment Adviser is increasing the weighting in the construction and real estate sectors. The Fund continues to be overweight with regards to economic sensitive sectors such as energy, trading companies, banking and machinery. At the same time, defensive sectors such as foods, pharmaceuticals and utilities continue to be avoided.

PERFORMANCE DATA As at end of February 2019

CUMULATIVE PERFORMANCE %*

	1M	1Y	3Y	5Y	10Y	15Y	Fund Inception	Strategy Inception
JPY A	0.17	-11.39	24.32	16.38	126.65	74.40	68.03	104.11
TOPIX PR JPY	2.56	-9.08	23.87	32.68	112.45	48.52	76.94	39.17
Nikkei 225 Average PR JPY	2.94	-3.10	33.43	44.09	182.56	93.67	108.29	89.67

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	2015	2014	Annualised Inception
JPY A	7.89	-20.67	20.85	-2.23	3.19	2.19	4.16
TOPIX PR JPY	7.60	-17.80	19.69	-1.85	9.93	8.08	1.91
Nikkei 225 Average PR JPY	6.85	-12.08	19.10	0.42	9.07	7.12	3.72

Past performance is not an indicator of future performance.

AWARDS



See Awards Disclaimer on last page.



* In 2001, the Nippon Growth Fund was authorised by the Guernsey Financial Services Commission as an open ended collective investment scheme using the same strategy as the Fund. Performance since the 22 October 2009 is that of the Nippon Growth (UCITS) Fund.

IMPORTANT INFORMATION

The views and statements contained herein are those of Evarich Asset Management in their capacity as Investment Advisers to the Funds as of 13/03/2019 and are based on internal research and modelling.

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 content of this document you should obtain independent professional advice.

AWARDS DISCLAIMER

E.I. Sturdza Nippon Growth (UCITS) Fund (JPY A Class) received a 2-star Overall Morningstar Rating™. Morningstar Rating as of 13/03/19.

© 2019 Morningstar: All Rights Reserved. The information contained herein where relative to Morningstar: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Source & Copyright:

Source & Copyright: Citywire. E.I. Sturdza Investment Funds are Platinum and Bronze rated in the Equity - Europe and Equity Global Sector respectively by Citywire for their rolling risk adjusted performance, across the sector, over the period 31/12/11 to 31/12/18.

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 presented. 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 Financial Conduct Authority. 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. 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. 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.