

NIPPON GROWTH (UCITS) FUND

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



ERIC STURDZA
INVESTMENT FUNDS

JANUARY 2019 – MONTHLY COMMENTARY BY PORTFOLIO MANAGER YUTAKA UDA

FUND COMMENTARY

January started with a dip in the Japanese market caused by a downgrade in Apple's sales guidance and the release of worse manufacturing data for December in both the US and China. This said, US jobs data, released on 4th January, exceeded market consensus. On the same day, the People's Bank of China announced that it would implement economic stimulus measures, whilst the Fed's Chairman Powell indicated a termination of the US rate hike.



Following this news, the US market gained substantially, with the Japanese market rallying for 3 consecutive days. In mid-January, Japanese companies announced cuts in forecasts associated with weakening demand for semiconductors and a decrease in Chinese demand. This said, expectations regarding progress being made in the US-China trade dispute outweighed, pushing the

market higher.

On 15th January, China's policy makers announced substantial tax cuts, leading China and Capex-related names to rally in Japan. The market struggled to take a clear direction in late January, following the resurfacing uncertainty around the US-China trade dispute, and persisting concerns over a global economic slowdown.

On 30th January, the Federal Open Market Committee indicated that the central bank will be patient in raising interest rates and would show some flexibility with regards to reducing its balance sheet. The Japanese market surged on the back of this news, with economic sensitive names being bought.

The TOPIX closed the month at 1,567.5 (up 4.9% MoM), while the Nikkei 225 finished at 20,773.5 (up 3.8% MoM).

In terms of sector performance, 32 of the 33 sectors gained, with the five best performers being glass & ceramics, pulp & paper, machinery, real estate and marine transportation. The five worst performers were retail, foods, chemicals, rubber, and air transportation.

The yield on 10-year JGBs opened the month at 0.003% and dropped to almost -0.05% on the 4th January following the decrease in the US 10 year treasury yield, which stemmed from a risk-off market, concerned about a global economic slowdown. The JGBs yield gained but kept at a low level due to the Fed's dovish stance, ending the month at 0.005%.

The Yen started the month at 109.69 against the US Dollar and appreciated to 104 on the 3rd, after Chinese and US data releases indicated an economic slowdown. This said, the Yen depreciated when favourable US employment data was announced. The possibility of a pause in interest rate rises in the US kept the Dollar low, which at the same time led to a higher Yen, ending the month at 108.89.

The net asset value per unit for the Nippon Growth (UCITS) Fund on a Japanese yen basis as of 31st January 2019 gained 7.7% compared with that of 28th December 2018, while the TOPIX rose 4.9% during the same period. The Fund put no new names into the portfolio, with no stocks sold out.

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

PORTFOLIO MANAGER



YUTAKA UDA

Yutaka Uda, the Founder, CIO and President of Tokyo-based Evarich Asset Management acts as Portfolio Manager to the Nippon Growth (UCITS) Fund on behalf of E.I. Sturdza Strategic Management Limited. Uda was previously Managing Director and CIO of Nikko Asset Management and also enjoyed 15 years managing funds for Baring Asset Management in London and Tokyo. He started out as an analyst at Nikko Securities in 1971 after graduating from Tokyo University.

ASSISTANT PORTFOLIO MANAGER



MAIKO UDA

Maiko joined Evarich Asset Management in July 2009. From 2005 until 2009 Maiko worked for Fidelity Investment as a Research Analyst covering the automobiles and real estate sectors. Maiko is a graduate from Keio University and holds an MBA from Stanford University. Prior to her study in Stanford, Maiko also worked as an announcer in New York and Tokyo, as well as being a sports caster and news anchor for the Fuji Television Network, Inc.

FUND OBJECTIVE

The investment objective of the Fund is to achieve long-term capital growth through active sector allocation and stock selection resulting from changes in economic conditions.

CONTACT

E.I. Sturdza Strategic Management Limited

Telephone +44 1481 722 322

Email info@eisturdza.com

Website eisturdza.com

According to financial market consensus the global economy is weakening faster than expected. On 21st January, the IMF revised its 2018 growth forecast for the global economy from 3.9% down to 3.7% and from 3.7% down to 3.5% in 2019 due to trade wars and financial market volatility. China's GDP growth dropped from 6.8% YoY in 2017 to 6.6% YoY in 2018, the lowest since 1990, but still above the 6.5% set out by the government in early 2018. China is trying to support its economy by utilising various policy measures such as financial easing, tax cuts, infrastructure spending and consumption subsidies, targeting 6.0-6.5% GDP growth in 2019.

In Japan, the government passed the second supplementary budget for FY2019 in the Diet on 7th February, with JPY 1.1 trillion out of JPY 2.7 trillion allocated to public works spending. The government proposed an aggressive budget plan for FY2019, with JPY 101.5 trillion (up 3.8% YoY) allocated to secure sound growth in FY2019, trying to offset the potentially negative impact from the consumption tax hike scheduled for the 1st October 2019. The budget is very likely to be legalised by the end of March 2019. The Investment Adviser believes that the public works spending will lead the economic expansion in Japan for FY2019 and FY2020.

Corporate profits are deteriorating somewhat, with Nomura's large cap stocks (303 companies excl. financials) showing a 2.7% YoY decline in operating profits for Q3 2018, following an increase of +4.8% YoY in Q2 and +11.3% YoY in Q1. Global markets are

watching the developments of the US-China trade talks and the progress regarding another US government shut down.

The Investment Adviser hopes that the US President Donald Trump and China's President Xi Jinping will be able to find some meaningful solutions by 1st March 2019 as they will both recognise that they eventually need to share economic and strategic responsibilities for the world. Once these issues are safely resolved, the Japanese economy has the opportunity to regain strong momentum on the back of the government's fiscal stimulus, with corporate profits entering a recovery phase. The team strongly believe that the Japanese stock market should recover in 2019, with the Nikkei 225 superseding the 25,000 level by year end.

Against the backdrop of Japan's vulnerability against natural disasters and anticipated fiscal spending, the team are increasing the Fund's exposure to the construction and real estate sector. The Fund continues to be overweight with regards to economic sensitive sectors such as energy, trading companies, banking and machinery stocks. At the same time, defensive sectors such as foods, pharmaceuticals and utilities continue to be avoided.

Going forward, the team will reduce the number of stocks from current levels of around 40 stocks to approximately 30 over the next couple of months, concentrating the portfolio and including higher conviction stocks, similar to the strategy implemented in 2003.

The views and statements contained herein are those of Evarich Asset Management in their capacity as Investment Advisers to the Funds as of 07/02/2019 and are based on internal research and modelling.

AWARDS (NIPPON GROWTH UCITS FUND)



© 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. For more detailed information about Morningstar Rating, including its methodology, please go to: <http://corporate.morningstar.com>

PERFORMANCE DATA* (as at the end of January 2019)

CUMULATIVE PERFORMANCE %

	1M	1Y	3Y	5Y	10Y	15Y	Fund Inception	Strategy Inception
JPY A	7.70	-16.03	11.65	12.21	105.02	76.87	67.74	103.76
TOPIX PR JPY	4.91	-14.66	9.46	28.42	97.41	49.64	72.52	35.69
Nikkei 225 Average PR JPY	3.79	-10.06	18.58	39.28	159.86	92.64	102.33	84.24

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

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

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	2015	2014	Annualised Inception
JPY A	7.70	-20.67	20.85	-2.23	3.19	2.19	4.17
TOPIX PR JPY	4.91	-17.80	19.69	-1.85	9.93	8.08	1.77
Nikkei 225 Average PR JPY	3.79	-12.08	19.10	0.42	9.07	7.12	3.57

CONTINUED OVERLEAF

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 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. 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.