

# STRATEGIC CHINA PANDA FUND

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



**ERIC STURDZA**  
INVESTMENT FUNDS

JANUARY 2019 – MONTHLY COMMENTARY BY PORTFOLIO MANAGER LILIAN CO

## FUND COMMENTARY

China equities started 2019 with a bang. The MSCI China Total Return index and CSI 300 index rallied 11.3% and 6.3% respectively. A long overdue rebound materialised as the Chinese government stepped up stimulus measures and positive progress was made on trade talks. The Renminbi gained 2.7% against the US dollar, reversing the depreciation trend of 2018. The US Fed's benign outlook on interest rates and easing concerns on trade war both contributed to the strengthening of the currency. Sector wise, property, internet, healthcare and auto all performed well.

2018 GDP growth slowed to 6.6% from 6.8% the year before, meaning 4th quarter GDP growth was only 6.4%. December PMI also dipped below 50 to 49.4, which was lower than expected. China auto sales volume decreased 6% in 2018, the first time in over 20 years, while handset sales volume detracted 16%. Given the weakening macro trend, the government introduced more countercyclical measures to counter the growth slowdown. The People's Bank of China (PBOC) announced a reserve requirement ratio (RRR) cut of 100 basis point to all banks. The Bank of China issued China's first perpetual bond with the support of PBOC. This should have a positive impact on other banks seeking new channels to raise capital. The National Development and Reform Commission (NDRC) also indicated a subsidy plan in home appliance and auto industries to boost consumption, and in addition, the government unveiled tax cuts to SMEs. It was estimated that this could save SMEs Rmb200bn in tax a year.

The Investment Team continues to see progress in the US - China trade talks. After China officials met with a US delegation in early January, China's Vice Premier Liu He headed to the US for another two-days of trade talks at the end of the month. Although no deal was concluded, the rhetoric from both sides was positive. The Team are hopeful that a trade deal will eventually be reached.

The Fund gained 9.2% in January, underperforming the benchmark by 1.9%. The large underweight in the internet sector, particularly the zero weighting in Alibaba, detracted from the overall performance. The Fund's exposure to property, Macau gaming, banks and insurance were the top contributors during the month.

## 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 13/02/19 and are based on internal research and modeling.

## AWARDS



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

### CUMULATIVE PERFORMANCE %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
USD	9.17	14.56	-21.55	54.94	22.61	178.15	205.10
MSCI China NR USD	11.06	11.98	-19.91	60.46	49.38	167.90	120.13

### CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	2015	2014	Annualised Inception
USD	9.17	-21.37	62.99	-2.43	-1.49	-11.51	11.41
MSCI China NR USD	11.06	-18.88	54.07	0.90	-7.82	7.96	7.94

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



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