



# E.I. Sturdza Strategic European Smaller Companies Fund

February 2019 Fund Commentary



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PORTFOLIO MANAGER

The Fund gained +4.77% in February, outperforming its benchmark by 0.62%. February saw European markets continue their upward trend, although similarly to January, with relatively low trading volumes. It's been said time and again that European stocks are cheap. Investors are still waiting for a trade deal between the US and China, but at this point a compromise appears to be priced in. Brexit remains in the doldrums, for now.

Late in the month, data showed that the Eurozone Manufacturing PMI fell below 50 amid concerns over growth in the region. This phenomenon was confirmed by the ECB, which pushed back rate hikes as Mario Draghi warned of a slowing economy, while reducing the bank's Eurozone growth forecast for 2019 from 1.7% to 1.1%.

In the Investment Adviser's view, these issues reveal the importance of stock picking in an environment that has become more volatile and subject to reduced visibility.

Barco was the largest monthly performance contributor, followed by Ipsos and Takeaway.com. Akwel, Panalpina and Albioma were the three largest detractors.

Barco had a very strong performance in February, with a +25.7% monthly stock return after the release of its 2018 annual results. The Company has now already achieved its 2020 target (12-14%) two years early. Management has guided for a 100-150bp expected EBITDA margin improvement on top of the better-than-forecasted 12.1% EBITDA margin achieved in FY 2018, leading to numerous upgrades in brokers' expectations. The Company's forward P/E stands at 15x, despite a current net cash balance that represents ca. 20% of the market cap, which the Investment Adviser feel remains too low for such an attractive story.

Ipsos also performed strongly during February (+14.4% stock return) after it released its annual results on 28th February. Sales and EBIT were in line with expectations. This said, the Company reported a better than expected Free Cash Flow generation of approximately 10%. Ipsos is guiding for reported sales growth of over 10%, fueled by the full-year consolidation of the GFK operations acquired in October 2018. The Company is targeting organic growth of between 2% and 4% (vs. +0.7% in 2018), with the operating margin expected to improve slightly. In spite of the rebound, the stock still trades at very attractive valuation levels: 7.7x P/E Ratio and 11.3% Free Cash Flow Yield for 2019.

Takeaway.com was the third largest contributor with a 16.3% monthly return. Annual results were in line and the stock rebounded post its relative weakness in January, following the share placement that took place in order to finance the acquisition of Delivery Hero's operations in Germany which was announced in December 2018. As a reminder, Takeaway.com's stock price was up 28.3% on the day of the announcement (21st December), gaining 25.5% during the month of December; a month during which European markets were generally down.

On the detractors' side, there is very little to be reported with no news and an extremely limited performance impact. The three largest detractors had a combined negative contribution of 69 basis points.

## INVESTMENT APPROACH

Competitive advantage and the key differentiator between the Fund and its peers is the ability to focus on the target company from every angle and leverage the network of relationships and corporate access provided by a number of stakeholders, including founding partners to provide a real understanding of the market share and performance of the investee companies that results in the totality of the investment research being generated internally.

## INVESTMENT OBJECTIVE

To outperform small and medium capitalisation firms in the European equity markets

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

## CONTACT

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**PERFORMANCE DATA** As at end of February 2019

**CUMULATIVE PERFORMANCE %**

	1M	3M	1Y	2Y	3Y	Fund Inception
EUR	4.77	4.62	-16.33	-3.33	24.76	14.78
STOXX Europe 600 NR EUR	4.15	4.70	1.05	6.36	21.40	5.50

**CALENDAR YEAR PERFORMANCE %**

	YTD 2019	2018	2017	2016	Annualised Inception
EUR	10.34	-24.86	22.80	13.55	3.68
STOXX Europe 600 NR EUR	10.74	-10.77	10.58	1.73	1.41

Past performance is not an indicator of future performance.

**AWARDS**



See Awards Disclaimer on last page.



## IMPORTANT INFORMATION

The views and statements contained herein are those of Pascal Investment Advisers SA in their capacity as Investment Adviser to the Fund as of 13/03/2019 and are based on internal research and modelling.

Please contact [info@eisturdza.com](mailto:info@eisturdza.com) should you wish to have an update call with the investment team.

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## AWARDS DISCLAIMER

Strategic Smaller Companies Fund (EUR Instl Class) received a 4-star Overall Morningstar Rating™. Morningstar Rating as of 28/02/19. Strategic Smaller Companies Fund (EUR Class) received a 3-star Overall Morningstar Rating™. Morningstar Rating as of 28/02/19.

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