

FUND COMMENTARY

Following a difficult end to 2018, when equity markets were rattled and government bonds rallied, market participants were focused on Central Banks statements as other points of concern (i.e. growth slowdown in China, US-China trade negotiations, Brexit, Italy's deteriorating situation etc.) had to be digested with patience. After the sharp tightening of financial conditions following the FOMC's December meeting and Powell's initial dovish statement in Atlanta, the Fed's "refreshed" language left no room for doubt on its dovish/supportive stance. Data dependence has been the Central Bank's credo for a while, but the last meeting held in late January saw that stance evolve to a "show us" state of policy. Additional rate hikes now require situational justification, in contrast to the gradual, pre-defined path that has previously been in place. This move however, is not in response to a new perception or a more pessimistic evaluation of the economy's current state, but has been justified by negative changes in overall risk perception/potential. The Fed also added "sustaining the expansion" to its objectives as it upgraded a multitude of mainly pre-existing and known cyclical risks. Turning to the future path of the policy rate, 2019 still seems poised for a hike. In order for no rate hikes to occur, 15 FOMC participants must shift their "dot plot" by the end of the year. While



not impossible, this scenario seems most consistent with an adverse outcome which appears unlikely considering the current sentiment within the economy. In the absence of a strong negative scenario, the Investment Adviser expects more tightening this year, particularly if the labour market remains strong or produces any upside surprises. In addition, the shift in tone and perception was also adopted by other Central Banks, and coupled with

encouraging interim news on various geopolitical risks, helped equity markets rebound from their 2018 lows.

THE FUND

The Sturdza Family Fund was successfully launched on 14th December. The strategy has not been substantially modified before year end and January was the first "full month" of portfolio management. The Investment Adviser has gradually decreased the portfolio's allocation to equities in order to increase exposure to US Treasuries. The January rebound was deemed substantial in light of the many risks that are still lingering. The gradual switch is still an ongoing process and may change depending on various outcomes.

In terms of positive contributors to the Fund's return in January, Celgene was the largest followed by Facebook and Royal Caribbean Cruises whilst the largest detractors over the period were Kose followed by Shiseido and Medtronic.

THE OUTLOOK

The Investment Adviser's outlook hasn't changed significantly since December. The Team still expects an overall range-bound equity market with a small upside over the next year if matters move in the right direction. That said, this is not a bearish statement. Growth is still positive and companies that are able to surprise in terms of their earnings resiliency or growth outlook are expected to perform well in relative terms.

PORTFOLIO MANAGERS



Eric Sturdza's distinguished career in asset management and private banking spans more than four decades. He obtained his Master's Degree in Economics and Business Administration from the Uni-

versity of Lausanne and started in the AM division of Banque de l'Indochine, eventually holding senior leadership posts in various asset management firms including KIPECO (affiliated with Kidder Peabody) and Citibank.



Constantin Sturdza has been actively managing US equities for past 5 years. He previously trained at Clarkson's (London) as a broker in Deep Sea Tankers and thereafter worked in operations for Nereus Shipping. He holds a Bachelor's degree in Economics from Rollins College, where he co-founded the International Business Club.

INVESTMENT STRATEGY

The investment objective of the Fund is to achieve long-term capital appreciation in the value of assets. The Fund will invest primarily in equities and equity related instruments (including but not limited to common stock and other securities with equity characteristics, such as preferred stocks) all of which shall be listed or traded on a Recognised Exchange. While the primary focus of the Fund shall be in relation to such equities or equity related instruments which relate to companies incorporated or whose principal operations are based in the United States of America, depending upon prevailing market factors the Fund may also invest in the instruments described above on a global basis to a maximum of 20% of Net Asset Value of the Fund.

E.I. Sturdza Strategic Management Limited

Telephone +44 1481 722 322

Email info@eisturdza.com

Website eisturdza.com

The cycle is slowing, even though at different phases across major regions, but it is because earnings growth is still expected to be positive in 2019 and sentiment is not stretched, that the Investment Adviser maintains their grounded outlook. Some companies and/or sectors may see their growth accelerate as they reap the benefits from ongoing fundamental trends that are not

as directly correlated with the general state of the economy. In addition, one must not forget that during downturns, companies that enjoy strong moats or have superior offerings typically gain market share, and as such, tend to have stronger earnings resiliency than initially anticipated and are likely to rebound more quickly.

The views and statements contained herein are those of the Eric Sturza Group in their capacity as Investment Advisers to the Fund as of 18/02/19 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 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.

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. Copyright Morgan Stanley Capital International, Inc. 2019. All Rights Reserved. Unpublished. PROPRIETARY TO MORGAN STANLEY CAPITAL INTERNATIONAL INC.

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.