



E.I. Sturdza Strategic China Panda Fund

March 2019 Fund Commentary



Lilian Co
PORTFOLIO MANAGER

During the month, sentiment regarding Chinese stocks remained buoyant following progress in the US-China trade talks. The MSCI China Index gained 2.4% in March, ending the first quarter with a strong gain of 17.7%. Chinese onshore stocks once again outperformed Chinese offshore stocks, with the CSI 300 Index returning 5.5% in March and 28% over the first quarter thanks to MSCI's announcement of an increase of the A share weighting in the MSCI Indices. Sector wise, property, insurance, oilfield services and pharmaceuticals outperformed, while telcos, Macau gaming and banks underperformed.

The Fund gained 5.8%* in March, outperforming its benchmark by 3.4 percentage points, with the Fund's overweight in property and consumer discretionary being the biggest contributors to performance, 3.8% and 0.95% respectively. This said, the Fund's overweight in Macau gaming detracted 0.19% from the NAV as the sector was under pressure during the month.

March's result season acted as a re-rating catalyst for the market as results were generally respectable despite the economic slowdown. In particular, property and sportswear stocks re-rated following positive 2019 growth guidance. Surprisingly, the results were even a non-event for companies that reported bad results, as investors were willing to look ahead and towards a better 2019, which was the case for technology stocks in the Investment Adviser's opinion.

INVESTMENT APPROACH

Access to the Chinese growth story through one of the leading Portfolio Managers in the region. Stock selection and net exposure are adjusted to take advantage of an insider's view of the Chinese business cycle. Invested predominantly in China stocks listed in major markets like HK, China (A/B shares) and U.S. (ADRs), offering investors greater liquidity and transparency over other forms of investments in China.

INVESTMENT OBJECTIVE

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.

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

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During the month, the MSCI announced an increase of the A share inclusion factor from 5% to 20% in the MSCI Indices, which is to be implemented in three stages, scheduled to begin May and end in November. The A share weighting in the MSCI EM Index will be raised from 0.8% to 3.3%, which in the Investment

Adviser's opinion will be conducive to the long term re-rating of A shares.

In March, the government announced more supportive policies to relieve corporates' financial burden. First, the value-added tax rate for manufacturing companies was cut from 16% to 13% with effect from the first of April, with the cut being equivalent to Rmb600 bn in tax savings or 0.6% of GDP. Second, corporate pension contributions to employees' salaries were reduced from 20% to 16%, coming into effect on the first of May. Overall, companies are believed to save Rmb2 trillion from both, the VAT cut and social insurance payment reduction, likely to provide upside to corporate earnings in 2019.

During the month, the government set the 2019 GDP growth target at 6 to 6.5%, in line with market expectations. Further and against the backdrop of the fiscal stimulus measures, it also raised the deficit-to-GDP ratio target from 2.6% in 2018 to 2.8% in 2019. In the Investment Adviser's opinion, February macro data remains lacklustre. This said, the team expect a turnaround over the coming months as the stimulus measures' effects materialise.

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



PERFORMANCE DATA As at end of March 2019

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
USD	5.79	19.07	-8.59	62.45	34.66	191.86	232.77
MSCI China NR USD	2.44	17.69	-6.23	55.90	56.90	156.90	133.27

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	2015	2014	Annualised Inception
USD	19.07	-21.37	62.99	-2.43	-1.49	-11.51	12.15
MSCI China NR USD	17.69	-18.88	54.07	0.90	-7.82	7.96	8.41

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 LBN Advisers Limited in their capacity as Investment Adviser to the Fund as of 15/04/19 and are based on internal research and modeling.

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 Strategic China Panda Fund (USD Class) received a 5-star 10-year Morningstar Rating™ and a 4-star Overall Morningstar Rating™. Morningstar Ratings as of 29/03/2019.

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Source & Copyright: Citywire. E.I. Sturdza Investment Funds are Platinum and Bronze rated in the Equity Europe Sector 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. Lilian Co is A rated by Citywire for her rolling 3 year risk-adjusted performance, for the period to 31st March 2019.

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