



E.I. Sturdza Strategic European Smaller Companies Fund

March 2019 Fund Commentary



Bertrand Faure
PORTFOLIO MANAGER

The Fund gained +0.89% during March, taking the year to date performance to +11.32%. Following the shock of Q4 18, the past three months delivered some of the best returns for a long time. From a broader point of view, one of the stories that characterised 2018 was the total absence of positive returns in any major asset class. So far, 2019 has been the polar opposite, with healthy returns in commodities, stocks, credit markets and government bonds.

This phenomenon may appear counter intuitive in the context of continued uncertainties around Brexit, global trade agreements and a relentless slowdown in global manufacturing data driving down EPS expectations globally. According to the Investment Adviser, all of this was overshadowed by the change of tone from the major central banks.

As noted in the February newsletter, and already voiced by several market participants and observers, reduced volatility and the absence of discrimination may not last for the entire year. As a consequence, the Investment Adviser firmly believes that discipline around entry and exit prices is of paramount importance in a market environment that could become more volatile at any time.

Spie was the largest monthly performance contributor, followed by Albioma and Boozt. Jacquet Metal, Mauna Kea and Metall Zug were the three largest detractors.

Spie released FY 2018 numbers on the 12th March, significantly beating market expectations, particularly with regards to free cash flow generation. Even after returning +36% during the quarter, Spie still trades at an 11% free cash flow yield for 2019 with high visibility given that 85% of the year was already secured on 1st January, thanks to the installation backlog and the maintenance share of revenues.

Albioma has been discussed in detail in previous letters, especially during the last quarter of 2018. On the 8th March, the Company released 2018 numbers and unveiled a 2019 EBITDA guidance in line with expectations. In addition, the Company also released a €200M EBITDA target for 2020, significantly exceeding the €185M consensus expectations at that point in time, with the stock price rebounding accordingly.

There is nothing specific to mention regarding Boozt except for an initiation note by Nordea on the 14th March with a Buy rating and a SEK 84 target price. The stock closed on the 5th April at SEK 69.5.

In terms of detractors, Jacquet Metal was penalised as a result of low volumes in Q4; however, management appeared relatively confident about 2019 during the roadshow that followed the full year release and record profitability in 2018. With the bolstering of competence during the year (purchasing, financial, legal), the group is structured to integrate new acquisitions and is still looking for targets. The management's track record of value creation in that field is one of the key pillars of the investment thesis. In addition, the strong rebound of nickel prices since the beginning of the year should gradually translate into the group's earnings during the year.

Mauna Kea was penalised by the absence of concrete news flow regarding refinancing options during the 2018 conference call. The Investment Adviser believes this issue is likely to be addressed properly by the Company during the coming months.

Finally, Metall Zug published numbers that overshadowed the major announcement of the release: the Company's decision to break up the business. Given that Metall Zug trades at 10x EV/EBIT 2019 and the Investment Adviser's view that each individual part is worth more than such a multiple, the realisation of the break up should unveil significant value in the quarters to come.

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

E.I. Sturdza Strategic
Management Limited

+44 1481 722 322
info@eisturdza.com
eisturdza.com



PERFORMANCE DATA As at end of March 2019

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	2Y	3Y	Fund Inception
EUR	0.89	11.32	-11.48	-7.08	20.13	15.80
STOXX Europe 600 NR EUR	2.06	13.02	5.22	5.06	22.19	7.67

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	Annualised Inception
EUR	11.32	-24.86	22.80	13.55	3.83
STOXX Europe 600 NR EUR	13.02	-10.77	10.58	1.73	1.91

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 08/04/2019 and are based on internal research and modelling.

Please contact info@eisturdza.com should you wish to have an update call with the investment team.

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

The Strategic Smaller Companies Fund (EUR Class) received a 3-star Overall Morningstar Rating™. Morningstar Rating as of 31/03/19.

© 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.

Source & Copyright: Citywire. E.I. Sturdza Investment Funds are Platinum and Bronze rated in the Equity - Europe 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.

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 presented. Such information therefore is provided for reference purposes only, is subject to change and should not be relied upon for an investment decision.

STOXX DISCLAIMER

STOXX Limited ("STOXX") is the source of STOXX Europe 600 NR EUR and the data comprised therein. STOXX has not been involved in any way in the creation of any reported information and does not give any warranty and excludes any liability whatsoever (whether in negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in STOXX Europe 600 NR EUR or its data. Any dissemination or further distribution of any such information pertaining to STOXX is prohibited.

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. 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. 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.