



E.I. Sturdza Nippon Growth (UCITS) Fund

April 2019 Fund Commentary



Yutaka Uda
PORTFOLIO MANAGER



Maiko Uda
ASSISTANT PORTFOLIO
MANAGER

MARKET DEVELOPMENT

At the beginning of April, Japanese equities largely followed the rally of the US and the Chinese markets on the back of positive March manufacturing data from both countries. Investor sentiment also improved on expectations regarding the US-China trade talks and a nearing final agreement, leading investors to buy economic sensitive stocks. This said, the TOPIX declined for 5 consecutive days towards the 12th of April, after concerns over US-EU trade frictions had arisen and lower-than-expected domestic machinery orders were announced for the month of February.

In mid-April, the Japanese market was lagging noticeably, but eventually rebounded. Chinese economic data indicated a recovery, leading China-related stocks as well as machinery stocks higher. The Nikkei 225 rallied for 5 consecutive days towards the 17th, which was mostly due to individual stocks such as Fast Retailing (9983) and Nintendo (7974). On 17th April, the TOPIX marked its highest YTD level so far, surpassing 1630.

In late April, movements in the Japanese market were limited due to investors taking a wait and see stance before the results season, the 10-day long weekend and the start of the new era 'Reiwa'. Profit taking took place with regards to foreign-oriented stocks, whilst domestic names remained solid. The SOX (Semiconductor) Index declined towards the end of the month on the back of falling semiconductor stocks.

The TOPIX closed the month at 1,617.9 (up 1.7% MoM), whilst the Nikkei 225 ended the month at 22,258.7 (up 5.0% MoM). In terms of sector performance, 21 out of 33 sectors gained, with the five best performers being marine transportation, miscellaneous manufacturing, machinery, electricals and transportation equipment. The five worst performers were utilities, fishery & agriculture, real estate, pharmaceuticals and air transportation.

The risk-on market returned after an apparent recovery in Chinese economic data, the rise in the crude oil price, an increase in the 10-year JGBs yield, and the depreciation of the yen against the US dollar. The crude oil price started the month at 60.14, rising to over 66 mid-month and ending the month at 63.91, whilst the JGB 10-year yield opened at -0.081, finishing at -0.04. The Yen started the month at 110.86 against the US dollar and depreciated to over 112 at one point, before settling at 111.42 at the end of the month.

MARKET OUTLOOK

With the US President having tweeted on 5th May that the US may increase tariffs on all Chinese imports to 25% due to China backtracking on its pledges to end the trade war between the two countries, the world economic outlook suddenly became gloomy, sending global equity markets lower.

The US-China trade war escalated on 13th May, when China raised tariffs on USD 60 billion worth of American goods after the US had imposed higher tariffs on Chinese goods worth USD 200 billion on 10th May. The world equity markets reacted negatively, with the Japanese stock market recording a 7 day consecutive decline till 14th May. Official negotiations have not been scheduled yet, although some US officials hinted that President Trump would meet President Xi in late June during the G20 meeting held in Osaka, Japan.

According to the Investment Adviser, the market may remain volatile for some time. The team would however like to reiterate that both presidents should be able to find meaningful solutions, hopefully by late June, as they will recognise that they eventually need to share economic and strategic responsibilities for the world.

In Japan, industrial production declined 0.9% MoM in March, lowering Q1 production down

INVESTMENT APPROACH

Access to Mr. Yutaka Uda's 40 years' investment experience in Japanese equities. Portfolio construction combines the long term macroeconomic view of the Investment Adviser with a bottom up perspective of stock research based on fundamental analysis.

INVESTMENT OBJECTIVE

To achieve long-term capital growth through active sector allocation and stock selection resulting from changes in economic conditions.

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

CONTACT

E.I. Sturdza Strategic
Management Limited
+44 1481 722 322
info@ericsturdza.com
ericsturdza.com



to 2.6% QoQ. The government estimates that industrial production will rise 2.7% MoM in April, and again by 3.6% MoM in May, with this estimate potentially being revised down in the future due to the ongoing trade dispute between the US and China.

The team would like to highlight one bright spot in the Japanese economy: According to the Ministry of Land, Infrastructure, Transport and Tourism, construction orders of the 50 largest constructors increased 36.9% YoY in Q1. It appears that the impact of the supplementary budget for FY2018 is starting to appear alongside a steady expansion from the private sector, leading to a sharp increase in orders. QoQ public works spending declined for six consecutive quarters until Q4 2018. This said, the team think that public works will act as leading engine for a sound economic expansion in both, FY2019 and FY2020.

According to the team, the Japanese market should rally once the trade disputes will be settled, as it is lagging other major markets and is comparatively cheap at the moment.

PORTFOLIO STRATEGY

The net asset value per unit for the Nippon Growth (UCITS) Fund on a Japanese yen basis as of 26th April 2019 rose 1.5% compared with that of 29th March, while the TOPIX gained 1.7% during the same period. The Fund put no new names into the portfolio with no stocks sold out.

The Fund has gradually reduced the number of holdings from 40 stocks at the end of 2018 to 32 stocks at the end of April 2019. The Fund continues to be overweight with regards to economic sensitive sectors such as energy, trading companies, machinery and banking. Construction and real estate sectors remain bullish against the background of aggressive fiscal spending. At the same time, defensive sectors such as foods, pharmaceuticals and utilities continue to be avoided.

AWARDS



See Awards Disclaimer on last page.

PERFORMANCE DATA As at end of April 2019

CUMULATIVE PERFORMANCE %*

	1M	1Y	3Y	5Y	10Y	15Y	Fund Inception	Strategy Inception
JPY A	1.48	-9.96	21.92	24.80	92.86	47.96	70.86	107.56
TOPIX PR JPY	1.65	-8.96	20.69	39.18	93.12	36.38	78.07	40.06
Nikkei 225 Average PR JPY	4.97	-0.93	33.56	55.61	152.13	89.25	116.80	97.42

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	2015	2014	Annualised Inception
JPY A	9.71	-20.67	20.85	-2.23	3.19	2.19	4.22
TOPIX PR JPY	8.29	-17.80	19.69	-1.85	9.93	8.08	1.92
Nikkei 225 Average PR JPY	11.21	-12.08	19.10	0.42	9.07	7.12	3.92

Past performance is not an indicator of future performance.



* In 2001, the Nippon Growth Fund was authorised by the Guernsey Financial Services Commission as an open ended collective investment scheme using the same strategy as the Fund. Performance since the 22 October 2009 is that of the Nippon Growth (UCITS) Fund.

IMPORTANT INFORMATION

The views and statements contained herein are those of Evarich Asset Management in their capacity as Investment Advisers to the Funds as of 15/05/2019 and are based on internal research and modelling.

© 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:

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

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.

TOPIX DISCLAIMER

The TOPIX Index Value and the TOPIX Trademarks are subject to the intellectual property rights owned by the Tokyo Stock Exchange, Inc. and the Tokyo Stock Exchange, Inc. owns all rights and know-how relating to the TOPIX Index such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Trademarks. The Tokyo Stock Exchange, Inc. shall reserve the rights to change the methods of calculation or publication, to cease the calculation or publication of the TOPIX Index Value or to change the TOPIX Trademarks or cease the use thereof. The Tokyo Stock Exchange, Inc. makes no warranty or representation whatsoever, either as to the results stemmed from the use of the TOPIX Index Value and the TOPIX Trademarks or as to the figure at which the TOPIX Index Value stands on any particular day. The Tokyo Stock Exchange, Inc. gives no assurance regarding accuracy or completeness of the TOPIX Index Value and data contained therein. Further, the Tokyo Stock Exchange, Inc. shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Index Value. The Licensed Products are not in any way sponsored, endorsed or promoted by the Tokyo Stock Exchange, Inc. The Tokyo Stock Exchange, Inc. shall not bear any obligation to give an explanation of the Products or an advice on investments to any purchaser of the Products or to the public. The Tokyo Stock Exchange, Inc. neither selects specific stocks or groups thereof nor takes into account any needs of the issuing company or any purchaser of the Products, for calculation of the TOPIX Value Index. Including but not limited to the foregoing, the Tokyo Stock Exchange, Inc. shall not be responsible for any damage resulting from the issue and sale of the Products.

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.