



E.I. Sturdza Strategic European Smaller Companies Fund

April 2019 Fund Commentary



Bertrand Faure
PORTFOLIO MANAGER

The Fund posted strong absolute performance of +7.41% in April, resulting in a year to date return of +19.58%, representing a relative outperformance of its benchmark of 2.31%.

The Investment Adviser is very satisfied with the Fund's performance, given that the team is right in the middle of the Q1 reporting season and now able to quantify the potential impact of a slowing economy on the portfolio's companies.

Some positions have experienced sizeable returns this year such as Boozt (+77%), Barco (+60%), Spie (+50%), Valmet (+40%), Mersen (+38%), Alten (+34%), Brembo (+32%) and Takeaway.com (+31%). As stressed in March's letter, 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. Consequently, some positions, especially in the more cyclical part of the portfolio were capped or trimmed post the strong returns year-to-date. As a result cash represented 16% of NAV at the end of April.

Akwel was the largest monthly performance contributor, followed by Ipsos and Boozt.

Akwel rebounded strongly following the publication of their annual results, which was complemented by the Q1 release in May. Adjusted for a negative currency effect of €5.6m, sales posted an organic growth of 6.6%, probably one of the best, if not the best performance within the sector in Q1 2019 according to the team. This said, the comparative effect was not particularly easy (+3.6% in Q1 2018, +9.5% in organic terms). Akwel thus outperforms automotive production by about 13.5pts and still trades at extremely attractive valuation multiples of 5.7x EV/EBIT, 6.5x PE and 0.85x Book Value for 2019. In the Investment Adviser's opinion and as detailed in the July and September newsletters this stock has been unfairly impacted by the overreaction to macro concerns in the automotive sector and the impact of global trade wars. This year's result demonstrates that the fundamentals compared to the market and the concerns were unfounded. This said, and as indicated by the valuation multiples, the market has not fully appreciated the fast growth of the Company's margins, which are well above industry standards, remaining a very attractive position to hold.

Ipsos is back on track to deliver organic growth in Q1 (+2.4%) despite a relatively demanding comparison base, with the Company's large, traditional markets, i.e. the US, the UK and France, being its main drivers. Also worth noting is a sharp acceleration of growth in the Asia-Pacific region, which generated the strongest quarterly organic growth in its history (+9.9%). Accordingly, the Company reiterated its 2019 like for like growth target of 2-4%, along with its guidance calling for a slight operating margin improvement. Despite delivering +25% in 2019, Ipsos still trades at 8.6x EV/EBIT for 2019, 8.5x PE and more than 10% Free Cash Flow Yield.

There is nothing specific to mention regarding Boozt during April. This stock is so far the portfolio's best performing stock (+77% return year to date as of 30th April), with the stock price returning to August 2018 levels. The stock's momentum has continued since it published great FY 18 results in January, and the additional stock coverage initiated by Nordea in March.

On the detractor side, only two positions dragged on the Fund's performance during the month, namely Norma and FerroNordic Machines, the impact being nominal however (-0.05% and -0.03% respectively).

INVESTMENT APPROACH

The Fund's competitive advantage and its key differentiator between it and its peers is the ability to focus on target companies 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@ericsturdza.com
ericsturdza.com



PERFORMANCE DATA As at end of April 2019

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	2Y	3Y	Fund Inception
EUR	7.41	13.55	-5.56	-4.24	28.69	24.39
STOXX Europe 600 NR EUR	3.76	10.29	4.49	6.90	24.60	11.72

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	Annualised Inception
EUR	19.58	-24.86	22.80	13.55	5.63
STOXX Europe 600 NR EUR	17.27	-10.77	10.58	1.73	2.82

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 10/05/2019 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

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The Strategic Smaller Companies Fund (EUR I Class and EUR Class) received a 4-star and 3-star Overall Morningstar Rating™ respectively. Morningstar Ratings as of 30/04/19.

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