E.I. Sturdza Family Fund

April 2019 Fund Commentary

MARKET DEVELOPMENT

Up to the 1st of May, the environment was supportive for risk assets. The release of the Q1 GDP growth rate at 3.2% QoQ annualised beat expectations. This number was however tainted by rising inventories whose effect is largely expected to abate going forward. At the same time, the rest of the world is showing signs of "green shoots" of economic recovery. China continued on its path of credit expansion, whose knock-on effects are seemingly starting to appear in Europe, Japan, and some Emerging Markets via potential bottoms forming in recent manufacturing PMI releases.

Simultaneously, the market began to price in a rate cut by the end of this year. The recent publication of U.S. inflation data disappointed and further fueled the debate and subsequent risk around monetary policy.

In Europe, worries over Mario Draghi's successor intensified. In the Investment Adviser's opinion these developments and fears highlight the extent to which the overall market's outlook is now tied to a continued pace of central bank accommodation. According to the team this risk however seems distant, with the ECB about to launch its targeted longer-term refinancing operations (TLTRO) program, fueling further expectations of negative rates, while other central banks have re-emphasised monetary caution (i.e. Fed, the Bank of Japan, PBoC).

In turn, this partly explains why long term rates remain so low, whilst equities are close to all-time highs. The downward pressure on the 10-year UST came from a sharp drop in the term premium, highlighting the knock-on effects of a sluggish growth outlook for other Developed Markets.

Another aspect worth highlighting is money flows. Clearly, investors who favoured treasuries at the end of 2018 still have a pessimistic outlook and maintain their cautious stance as evidenced by the continued relative subscription strength seen in mutual bond funds versus equity mutual funds.

PORTFOLIO STRATEGY

The Fund returned 2.27% (USD Institutional Class) over the month of April. In terms of positive equity contributors by sector, Information Technology took the lead, followed by Communication Services, and Financials. In terms of positive performance contributors at the stock-level, Walt Disney contributed the most, followed by Constellation Brands, and Facebook. On the other hand, Takeda Pharmaceuticals was the largest detractor, followed by Nitori Holdings and UnitedHealth Group.

MARKET OUTLOOK

As highlighted above, major central banks have in the past been able to address various issues with additional accommodation. This said, a pause is not the same as a policy reversal, which the market is currently expecting.

To put this in context: 2018 saw 4 Fed rate hikes given the falling unemployment rate, whilst its gap to the neutral rate grew and associated policies remained easy. Then, by the end of the year, markets declined rapidly as further planned hikes were perceived as a policy error. Consequently, financial conditions tightened and the Fed adjusted its stance by upgrading

Eric I. Sturdza
PORTFOLIO MANAGER

Constantin Sturdza
PORTFOLIO MANAGER

INVESTMENT APPROACH

An active and flexible investment process, managing a mixed asset investment portfolio predominantly comprised of equities and fixed income investments. Investing directly or indirectly, up to 80% and a minimum of 51%, in global equities or equity related instruments and between 20-49% in fixed income instruments. Focusing on strong growth companies that the Investment Adviser deem to be underappreciated by the market, whilst fixed income investments will be selected based on global macro economic analysis and evaluation of central banks' policies.

INVESTMENT OBJECTIVE

To achieve capital appreciation over the long term.

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

the risks related to external factors and below-target inflation. Ever since, the equity market has regained and surpassed the level that initially triggered the Central Bank's stance, the unemployment rate has continued along the same path, and the external environment (e.g. China) has improved. This leaves us with inflation, which has recently shown transitory weakness.

Despite these developments, the narrative for cutting rates in the U.S. has continuously gained traction. The market is applying pressure via its stance to the Fed's fund futures, with President Trump and vice-President Pence also having expressed a desire to see rates move down, and some policy makers (i.e. Chicago's Fed president Evans) raising the prospect of cuts.

This said, the Investment Adviser still believes that the base case does not warrant a rate cut and that such a move would be very hard to manage. Growth fears outside of the base case could be a reason (particularly if intensified by tighter financial conditions), which the Fed would need to see materialise. Tighter financial conditions, a key part of what facilitated the policy shift in December, could inspire policy easing but would need to be combined with growth or concerns regarding inflation gaining traction.

Nonetheless, monetary policies have eased globally and there are many ways a cut could be justified (depending on how things unfold). In the Investment Adviser's opinion, a cut is thus more plausible today than fundamentals indicate. This said, given the Fed's current view that inflation weakness is transitory, any cut would require one of the above arguments to mature and consolidate. Consequently, an additional shift from the Fed might be perceived differently this time around and could have various negative effects.

In light of these developments, the Investment Adviser has continued to adopt a gradual yet more defensive stance in order to capture any short term opportunity an unsubstantiated drawdown may offer, whilst at the same time still adopting a more risk-adjusted stance over the medium term.

AWARDS

CITYWIRE PLATINUM

CITYWIRE BRONZE

See Awards Disclaimer on last page.

IMPORTANT INFORMATION

The views and statements contained herein are those of the Eric Sturdza Group in their capacity as Investment Advisers to the Funds as of 13/05/2019 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 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

Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

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.

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.