



E.I. Sturdza Strategic China Panda Fund

May 2019 Fund Commentary



Lilian Co
PORTFOLIO MANAGER

The MSCI China Index decreased 13.1% in May following the sudden breakdown of the US-Sino trade negotiations. After having been up as much as 23% YTD at the beginning of April, the market quickly erased most of the YTD gain, ending the first five months of this year with a 4.6% return. The Renminbi fell by 2.5% in May, reaching 6.905 against the USD at the end of the month and hitting the lower end of the trading range since the trade war erupted last year. During the month, high beta stocks like technology and Macau gaming were hit, while defensive stocks like telcos and Hong Kong utilities outperformed.

In May, the US-Sino relationship took a sharp U-turn. President Donald Trump unexpectedly announced an increase of punitive tariffs from 10% to 25% on USD 200 billion worth of Chinese imports, taking effect on 1st June, catching the market off guard as he had been tweeting about a likely trade deal all along. China retaliated with import tariffs on USD 60 billion worth of US imports. The stand-off escalated when the US put Huawei on a security blacklist, preventing US companies from doing further business with Huawei. In retaliation, China was looking to restrict rare earth exports to the US and drew up a list of so called "unreliable entities" that damage the interests of Chinese companies.

The technology sector is a clear victim of the latest round of trade tensions. Stocks along the technology supply chain plunged on the news surrounding Huawei. Even Apple's stock was not immune, as investors feared China would target Apple as a means to retaliate, given that China is the biggest overseas market for Apple. During the month, Renminbi-sensitive themes like properties, domestic consumption and airlines were also under significant selling pressure.

The Fund lost -10.5%* in May, outperforming its benchmark by 2.6%. The Investment Adviser was quick to reduce risk and raise cash levels to 10% early in the month, with the team starting to put the money back to work on a retreating market. The Fund increased its exposure to property names against the backdrop of deep value and an attractive dividend yield.

In the Investment Adviser's opinion, investors are currently bracing themselves for the worst. The team thinks that a full blown trade war would lower GDP growth by 1-2%, which the government is likely to meet with increased stimuli. In conclusion, the Investment Adviser believes that the Chinese economy will slow down, but not melt down. With the Chinese market trading at 11.7x 2019 P/E, the team believes that downside risk is limited.

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.

CONTACT

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



PERFORMANCE DATA As at end of May 2019

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
USD	-10.47	-4.83	-19.13	47.05	25.99	128.27	199.37
MSCI China NR USD	-13.09	-8.99	-18.17	39.84	36.30	75.22	107.26

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	2015	2014	Annualised Inception
USD	7.12	-21.37	62.99	-2.43	-1.49	-11.51	10.84
MSCI China NR USD	4.57	-18.88	54.07	0.90	-7.82	7.96	7.08

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 15/05/19 and are based on internal research and modeling.

WARNING

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AWARDS DISCLAIMER

E.I. Sturdza Strategic China Panda Fund (USD I Class) received a 5-star Overall Morningstar Rating™. Morningstar Rating as of 31/05/2019.

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Source & Copyright: Citywire. Lilian Co is A rated by Citywire for her rolling 3 year risk-adjusted performance, for the period to 31st May 2019.

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