



E.I. Sturdza Family Fund

May 2019 Fund Commentary



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MARKET DEVELOPMENT

In May, the market had to digest several notable developments which led to a general increase in negative sentiment and desire for further accommodative measures, with disappointing news regarding global trade tensions alongside increased fears over Europe's short-to-medium-term outlook and the overall lower inflation expectations being the main catalysts.

As a result, the pressure on the US Central Bank to acknowledge the potential need for further accommodation through rate cuts continued to rise, contrasting Fed Chair Powell's recent decision to downplay low inflation readings as being due to transitory factors. Consequently, markets fell, further highlighting the need for a supportive stance from the Fed rather than a continuation of a patient "wait and see" approach.

At the end of May, the Fed's Vice Chair Clarida reiterated the Central Bank's opinion that the economy is still in a very good shape but acknowledged that the Committee would take into account if incoming data were to demonstrate a persistent shortfall to their base case, when reassessing the appropriate stance for monetary policy. This was clearly appreciated by the market, which started to recover. Further, the May employment report disappointed enough (even though hardly a disaster in the Investment Adviser's opinion) to support this continued shortfall of the Central Bank's base case, which consequently supported markets.

PORTFOLIO STRATEGY

In terms of top contributors to return by equity positions, Total System Services led the way followed by Centene and Services Corp International. On the other hand, Alibaba Group was the largest detractor followed by Constellation Brands and Netapp.

MARKET OUTLOOK

In light of the above developments, the Investment Adviser has continued to adopt a gradual, yet more defensive stance in terms of overall allocation but would caution against being overly defensive at this stage as the convergence of market sentiment and Central Banks' policies may provide additional upside to equity markets.

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.

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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 12/06/2019 and are based on internal research and modelling.

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