



E.I. Sturdza Strategic European Smaller Companies Fund

June 2019 Fund Commentary



Bertrand Faure
PORTFOLIO MANAGER

In June and following May's sell-off, European equity markets rebounded, predominantly on the back of changes in monetary policy expectations. The Fed's FOMC meeting guided towards a possible rate cut in July, whilst the ECB guided the market towards monetary policy easing over the coming months.

More generally and across the globe, central bank communication contains a more dovish bias. The perception of greater central bank activism provided a degree of confidence to the market after a sustained period of deterioration in macro data triggered by trade war-related uncertainties.

The Fund posted a strong +4.76%* in June, resulting in a year to date return at the end of the first half of +17.47%.

The main contributors to the first half performance were Barco (+2.79%), Spie (+2.65%) and Albioma (+1.85%). The Investment Adviser feels that Barco is getting closer to its fair value, so that exposure to the stock was trimmed on the way up. Spie and Albioma however are deemed to have a long way to go, so the position sizes were allowed to grow as the stocks performed through the course of H1.

During June, Albioma was the largest monthly performance contributor, followed by Gränges and Mersen. Albioma, the Fund's largest position, traded at €23.30 at the end of June, translating into a 48% gain from its low point at €15.70 on the 11th December 2018, with the Company having paid a €0.65 dividend during the period. Towards the end of the month, a sell side broker upgraded its recommendation on the stock with a €29 target price, a level the Investment Adviser still considers to be substantially below the Company's intrinsic value. The November 2018 newsletter covered this position in detail, particularly the issue of the market not fully recognising the Company's value from news flow.

During the month, Gränges and Mersen benefited from the general market rally of cyclicals and industrials names.

There was little impact in terms of detractors during the month, with only five positions posting nominal negative returns. Ipsos was the largest monthly detractor, followed by Boozt and Metall Zug.

The Investment Adviser was surprised by Ipsos' evolution during the month. According to the Financial Times**, Bain Capital has entered into exclusive talks to acquire a majority stake in Kantar, WPP's market research subsidiary and one of Ipsos' direct competitors. WPP has been looking to sell a majority stake in Kantar for several months in an attempt to reduce its leverage, with the stake being valued between 3 and 3.5bn GBP and the indicated transaction price translating into a 10-12x EV/EBIT. Ipsos currently trades below 8x for the current fiscal year, while consistently outperforming Kantar in terms of organic growth over the past years.

As discussed in last month's commentary, the cyclical share of the portfolio was reduced during the month, to further concentrate on investments more resilient and less sensitive to short term GDP fluctuations through the Q2 reporting period.

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

* For detailed performance information based on complete 12-month periods since inception, please refer to page 2.
** Financial Times, July 2019, Source: <https://www.ft.com/content/88c27022-9c09-11e9-9c06-a4640c9feebb>



PERFORMANCE DATA As at end of June 2019

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	2Y	3Y	Fund Inception
EUR	4.76	5.52	-4.38	-7.85	26.76	22.20
STOXX Europe 600 NR EUR	4.47	3.05	4.28	7.35	26.86	10.95

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	Annualised Inception
EUR	17.47	-24.86	22.80	13.55	4.95
STOXX Europe 600 NR EUR	16.46	-10.77	10.58	1.73	2.53

Past performance is not an indicator of future performance.



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 11/07/2019 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

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.

MORNINGSTAR DISCLAIMER

© 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.

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.

STOXX DISCLAIMER

STOXX Limited ("STOXX") is the source of STOXX Europe 600 NR EUR and the data comprised therein. STOXX has not been involved in any way in the creation of any reported information and does not give any warranty and excludes any liability whatsoever (whether in negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in STOXX Europe 600 NR EUR or its data. Any dissemination or further distribution of any such information pertaining to STOXX is prohibited.

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.