



Strategic China Panda Fund

August 2019 Fund Commentary



Lilian Co
PORTFOLIO MANAGER

In August, Chinese shares plunged following President Trump's unexpected announcement to increase tariffs. The inversion of the Treasury yield curve and the resulting market fears over a US recession added to the sell-off. During the month, the MSCI China Index fell 4.2%, while the CSI 300 Index dropped 0.9%, with the Investment Adviser believing that the underperformance versus the CSI 300 Index was due to Hong Kong's market being depressed against the backdrop of escalating social unrest. Utilities, healthcare, sportswear and liquor outperformed in August, while HK-centric sectors like property, retail and Macau gaming underperformed.

At the beginning of August, Donald Trump unexpectedly announced a 10% import tariff on the remaining USD 300bn worth of Chinese imports, which are to be levied in two tranches. During the month, the US also labelled China as a currency manipulator for the first time since 1994. In return, China raised existing tariffs on US\$75 billion worth of US goods of between 5% and 10%. The Chinese government also let the Renminbi weaken past the level of 7 against the US Dollar, ending the month at 7.16. With a nearly 4% currency depreciation in one month, part of the pressure resulting from the tariff increase was therefore offset.

Both sportswear and high-end liquor companies continued to deliver robust earnings growth with positive guidance in the interim results season. According to the Investment Adviser, it was proven again that domestic consumption has fared quite well despite a macro slowdown. This said and following the protracted protests, Hong Kong's property and retail sales sectors were under pressure against declining retail sales and tourist arrivals. Gross gaming revenue in Macau fell, worse than expected, declining nearly 9% in August.

According to the team, markets anticipate a policy relaxation in the healthcare sector. Many pharmaceutical companies expect the upcoming centralised procurement act to lead to multiple winners gaining a larger market share in contrast to a single winner previously, thereby decreasing pricing pressure. The Investment Adviser believes the worst of the policy risk should have been priced in.

The Fund lost 8.2%* in August, with the biggest drag on performance being the overweight in Chinese properties and HK-centric players like Macau gaming and retailing. The Investment Adviser starts to see value emerging again on cheap valuations and attractive yields across the board. During the month, the portfolio's exposure to health care was increased.

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 August 2019

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
USD	-8.23	-0.37	-5.21	32.11	18.95	105.42	198.26
MSCI China NR USD	-4.19	2.95	-5.25	28.19	25.55	68.20	113.37

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	2015	2014	Annualised Inception
USD	6.72	-21.37	62.99	-2.43	-1.49	-11.51	10.54
MSCI China NR USD	7.65	-18.88	54.07	0.90	-7.82	7.96	7.20

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 14/08/19 and are based on internal research and modeling.

WARNING

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AWARDS DISCLAIMER

Strategic China Panda Fund (USD Class) received a 4-star Overall Morningstar Rating and a 5-star 10-year Morningstar Rating (USD Class). Morningstar Ratings™ as of 31/08/2019.

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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 July 2019.

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