



Sturdza Family Fund

August 2019 Fund Commentary

MARKET DEVELOPMENT

In August, equity markets reversed their recent ascent, reaching their mid-June levels again. The MSCI World Net Total Return Index fell by -2.1% alongside US equities (approximately -1.8%), whilst the Dollar (DXY Index) gained +0.40%.

During the month, volatility increased at the index level, as investors seemingly took profits following a generally positive quarterly earnings report and await further positive news for the near future.

Similar to July, forward-looking global growth estimates remain somewhat uncertain as ambiguity with regards to the overall landscape continues to linger. In the Investment Adviser's opinion the equity market's reaction was therefore not surprising. This said, the team believe that one must keep in mind that the relative strength of US economic data, coupled with either positive developments concerning geopolitical tensions and/or the Federal Reserve's future decisions, could impact equity markets positively in the short-to-medium term.

PORTFOLIO DEVELOPMENT

The Fund's performance was mainly driven by the fixed income book this month. On the equity side, Dollar General and Unilever were amongst the leading contributors, whilst Ulta Beauty and Netapp were the main detractors.

Dollar General reported its earnings with a +10.5% EPS surprise over estimates, alongside a 1.3% positive surprise on its sales, resulting in a year-over-year EPS growth rate of approximately +14%. As a result, the stock price increased 16.5% during the month.

On the other hand, Unilever reported its earnings before August, with generally lower-than-expected volume/mix growth for the quarter. However, the reiteration of management's guidance coupled with an upbeat tone for near-term EM growth and interim signs of underlying improvements in three of the Company's geographical EM revenue exposures, propelled the Company's stock price to new highs.

Ulta Beauty reported its quarterly earnings with a surprising year-end guidance reduction. The main reason identified was the continued and recently accentuated slowdown in the Company's cosmetics category. Management justified the slowdown and resulting reduced guidance with a lack of meaningful newness, which the Investment Adviser believes is hard for the market to digest and does not explain such an abrupt slowdown, as the lack of newness has been going on for 2 years within the market segment.

This said, the Investment Adviser continues to have confidence in the Company's overall business model and despite the short-term disappointment still believes in the solid long-term growth story that currently appears to be pricing in an exaggerated risk/reward profile. The team believe that their view was reinforced by the market's immediate re-rating and the fact that management highlighted continued market share gains in other categories and overall offerings despite the sharp deterioration.

Netapp, a leading provider of enterprise storage and data management solutions, recently re-rated due to macroeconomic headwinds combined with poor execution in sales and marketing. In August, the Company published its quarterly results largely in-line with



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, between 51-81% 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



expectations. Despite its sharp year-over-year revenue decline, the Company stated its confidence regarding maintaining its margin improvements and was able to deliver on that statement in its recent publication with a non-GAAP gross margin improvement of 100 basis points. The Company's recent performance triggered skepticism on its ability to return to a sustainable high growth regime especially amid the competitive environment it operates in. As such, the Investment Adviser decided to profit from the Company's increased implied volatility and to mitigate the recent downfall with an option strategy, thereby positioning investors to potentially profit from the Company's still compelling risk/reward profile over the medium term.

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 09/09/2019 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.

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.