



# Strategic European Smaller Companies Fund

September 2019 Fund Commentary



**Bertrand Faure**  
PORTFOLIO MANAGER

The Fund gained +1.90%\* during September, taking its year to date performance to +15.48%. During the month, central banks briefly succeeded in pleasing markets by taking the center stage and confirming their renewed dovish stance on both sides of the Atlantic. As anticipated, additional rate cuts and a revival of quantitative easing in Europe were announced, whilst the Federal Reserve at the same time reiterated that the US economy remains in a favorable place in spite of significant risks.

Despite weakness in the manufacturing sector, consumption remains healthy, backed by low unemployment, rising wages and high savings in the household sectors. This said, the Investment Adviser believes that profit growth is likely to remain modest as margins moderate and revenue growth remains subdued.

The surprisingly strong sector rotation in early September was short-lived. Investors appear to be spooked by various triggers such as disappointing macro data and political turmoil and therefore moved towards safe haven companies with past outperformance, more specifically quality, low-volatility and momentum shares. As a result, defensive sectors are trading near a record premium. According to the Investment Adviser, there is currently no bubble in the market as a whole, but certainly a bubble in some names, with the team continuing to avoid the latter as it considers the current prices to be very high, leading to extreme risks.

Spie was the largest monthly contributor, followed by Boozt and Ipsos. SAF Holland, Trigano and Mauna Kea were the three largest detractors.

Spie enjoyed positive performance in September after a sell-side event that took place in London early in the month. Management sounded upbeat on current trading and subsequent broker's comments were very positive.

Boozt benefited from its key competitor Zalando's comments during conferences in Germany, which indicated a good run in Q3 19, benefitting from a poor trend in Q3 18.

Ipsos reacted positively to BNP Paribas Exane's recommendation upgrade on the back of heightened confidence in the Company's midterm targets set for 2021 after organic growth accelerated to 3% in H1 19.

Two weeks ago, SAF-HOLLAND shocked the market with a profit warning, guiding for a c15% cut to consensus-adjusted EBIT for 2019, whilst withdrawing its 2020 guidance. The Investment Adviser believes that the share price reaction (-29% since the announcement at the time of writing) is overstated and thinks that the market appears to be missing that c25% of the adjusted EBIT guidance cut is related to impairments following the Company's (admittedly) unclear communication. The stock is now trading on a >10% FCF yield 2020, despite a significant share of earnings being exposed to recurring revenues from spare parts and maintenance. The share price correction was followed by insider buying, with CEO, CFO and COO buying shares on the day of the announcement.

The market also reacted negatively to Trigano's Q4 sales report (fiscal year end on August 31st), with the Company missing its top line guidance. This was largely due to the impact from reduced production in two factories that are being re-organised in order to improve productivity. The second disruption came from suppliers failing to deliver the new EURO6D chassis in a timely manner, which led to days of production stoppages in several factories. The situation has been resolved in early September, while productivity issues in the above mentioned factories should be fully fixed by the end

## 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.



of November. As the Investment Adviser considers these to be one off events, the position size was increased sizably during the month, with the Company trading at 5.5x EV/EBIT and 7.5X PE on the basis of August 2020's expectations.

Finally, Mauna Kea suffered from a global sell off in medtech/biotech names across the European markets in September.

The recent shifts in markets have created great opportunities to resize some of the Fund's positions, which the team is hopeful will continue to produce solid returns through the last quarter of 2019 and into 2020.

## PERFORMANCE DATA As at end of September 2019

### CUMULATIVE PERFORMANCE %

	1M	3M	1Y	2Y	3Y	Fund Inception
EUR	1.90	-1.70	-2.84	-12.55	13.06	20.13
STOXX Europe 600 NR EUR	3.70	2.62	5.68	7.25	24.71	13.85

### CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	Annualised Inception
EUR	15.48	-24.86	22.80	13.55	4.25
STOXX Europe 600 NR EUR	19.51	-10.77	10.58	1.73	2.99

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 08/10/2019 and are based on internal research and modelling.

Please contact [info@eisturdza.com](mailto: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.