



Strategic Europe Quality Fund

Strategic Global Quality Fund

October 2019 Fund Commentary



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PORTFOLIO MANAGER

The Strategic Europe Quality Fund returned -0.10%* in October underperforming its index by 1%. The largest detractor to return was the Consumer Staples sector mostly due to the Funds relative overweight. This is not surprising given the market rotation. Information Technology was a large contributor to return, driven by stock selection, and in particular Sophos which was bid for during the month. The best performing sectors for the index over the month were Real Estate, Consumer Discretionary, and Industrials; while Consumer Staples, Energy and Communication Services were the worst performing sectors.

At a single stock level the best performing stock for the Strategic Europe Quality Fund was Sophos, which was bid for by Thoma Bravo during the month. The worst performer was AB InBev which had disappointing results due to various factors which are being investigated by the Investment Adviser.

The Strategic Global Quality Fund returned 0.02%** in October, underperforming its benchmark by 2.52%. Similar to the European Fund, Consumer Staples was the largest detractor to alpha due to both the Fund's relative overweight to the sector and stock selection therein. The Investment Adviser has not changed positioning as a result of the rotation. The best performing sectors for the index over the month were Health Care, Information Technology, and Industrials; while Energy, Consumer Staples, and Utilities were the worst performing sectors.

The best performing stocks for the Strategic Global Quality Fund were SAP and Kao Corp; while the worst performing stock was AB InBev as noted above.

The complexity of the world is increasing, not just from an economic point of view but also from a political perspective. It seems that the stars are aligning for a difficult period given that it has now become more likely that we are facing a global and synchronised economic slowdown. This has been clear in the Far East and Europe for some time while the United States seemed to continue to be robust. However, many of the warning signs for the United States economy are now flashing red. The bond market, which tends to be better informed from a macro perspective compared with the equity market, is telling us this loud and clear.

Given this macro and political backdrop, the Investment Adviser will maintain their preference for defensive portfolio positioning into the end of the year.

INVESTMENT APPROACH

A valuation driven investment approach aiming to buy high-quality businesses at discounted prices. Quality being defined as companies which are market leaders, benefit from long-term structural growth, have high margins and low capital intensity. The Fund has a structural bias towards consumer, healthcare, IT and generally avoids high cost of capital sectors such as insurers, utilities and the oil and gas majors.

INVESTMENT OBJECTIVE

To achieve long term capital growth.

A sub-fund of E.I. Sturdza plc.
Registered in Ireland.

CONTACT

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* EUR Instl Class. For detailed performance information based on complete 12-month periods since inception, please refer to page 2. Past performance is not an indicator of future performance.

** USD Inst Class. For detailed performance information based on complete 12-month periods since inception, please refer to page 2. Past performance is not an indicator of future performance.

PERFORMANCE DATA As at end of October 2019

Strategic Europe Quality Fund

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	2Y	3Y	5Y	Fund Inception ¹
EUR	-0.15	0.86	14.88	13.77	27.40	52.87	150.86
EUR I	-0.10	0.93	15.82	15.57	30.19	61.50	168.26
MSCI Europe NR EUR	0.86	3.14	12.63	6.14	26.86	33.88	88.51

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	2015	2014	Annualised Inception ¹
EUR	21.48	-6.63	13.09	-7.85	23.74	12.02	10.75
EUR I	22.29	-5.86	13.73	-6.94	26.25	13.36	11.58
MSCI Europe NR EUR	20.26	-10.57	10.24	2.58	8.22	6.84	7.29

Strategic Global Quality Fund

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	2Y	3Y	Fund Inception
USD I	0.02	1.01	16.72	18.12	42.62	60.25
MSCI World NR USD	2.54	2.58	12.69	14.00	39.96	41.79

CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	2015	Annualised Inception
USD I	21.42	-6.24	29.74	-5.30	15.54	10.24
MSCI World NR USD	20.60	-8.71	22.40	7.51	-0.87	7.48

Source: Morningstar. Past performance is not an indicator of future performance.

AWARDS



See Awards Disclaimer on last page.

¹ EUR Instl Share Class performance includes an extended track from Fund inception on 29 October 2010.

IMPORTANT INFORMATION

The views and statements contained herein are those of Lofoten Asset Management in their capacity as Investment Adviser to the funds as of 12/11/2019 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.

AWARDS DISCLAIMER

The Strategic Europe Quality Fund (EUR and EUR I Class) received a 4-star Overall Morningstar Rating™ and a 4-star 5-Year Morningstar Rating™. The Strategic Global Quality Fund (USD I Class) received a 5-star Overall Morningstar Rating™ and a 5-star 3-Year Morningstar Rating™. Morningstar Ratings as of 31/10/19.

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