



# Strategic China Panda Fund

December 2019 Fund Commentary



**Lilian Co**  
PORTFOLIO MANAGER

China stocks soared off the back of the long-awaited announcement of the Sino US phase one trade deal. The MSCI China Total Return index and the CSI 300 index surged to 8.3% and 7.0% respectively in December, making the full year return 23.7% and 36.1% respectively, following the dismal performance of 2018. The Yuan strengthened further and broke through 7 to 1 against the US dollar. Sector wise, property and Macau gaming outperformed while sportswear underperformed during the month.

China and the US finally reached a partial trade deal. The US would suspend the tariffs that were originally effective in December and roll back the tariffs on USD 120bn worth of Chinese goods from 15% to 7.5%, which came in effect last September. In return, China would import US\$200bn worth of American agricultural, energy and manufactured products over the next two years. Now that the trade dispute that has haunted the Chinese market for over one and a half years is partially resolved, the MSCI China valuation is likely to play catch up with global markets. The MSCI China is trading at 12.6x 2020 P/E compared to the S&P 500's 18.6x. Macro data released in November also pointed to a stabilising economy, PMI was back to 50.2 from 49.3 in October. Industrial production growth and retail sales growth were both better than market expectations, the CPI reaching 4.5% YoY, way above the 3% official target due to soaring pork prices. The Investment Adviser expects that the CPI will remain at an elevated level for some time.

Share prices of property stocks were boosted by robust contract sales, strong yuan and accommodative property policy. The Chinese government relaxed household registration policies in cities with a population of less than 5m. This is a positive step for housing demand in third tier cities. The Macau gaming sector also outperformed following Chinese President Xi's visit to Macau on the 20th anniversary of its return to China. Xi's strong support for Macau boosted market confidence.

The fund jumped 9.7%\*, outperforming the benchmark by 1.4%. The fund was overweight in property and Macau gaming, which were the major contributors, adding 3.76% and 1.34% respectively to the NAV. The Investment Adviser trimmed the weighting in property stocks following the strong rally and switched positions to property management companies.

## 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

**E.I. Sturdza Strategic  
Management Limited**  
+44 1481 722 322  
info@ericsturdza.com  
ericsturdza.com

\* USD I Class. For detailed performance information based on complete 12-month periods since inception, please refer to page 2.



**PERFORMANCE DATA** As at end of December 2019

**CUMULATIVE PERFORMANCE %**

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
USD	9.67	20.12	28.58	64.79	58.40	82.10	259.36
USD I	9.70	20.26	29.20	67.50	63.15	84.74	264.57
MSCI China NR USD	8.33	14.71	23.46	54.31	43.51	68.26	144.70

**CALENDAR YEAR PERFORMANCE %**

	YTD 2019	2018	2017	2016	2015	2014	Annualised Inception
USD	28.58	-21.37	62.99	-2.43	-1.49	-11.51	12.05
USD I	29.20	-20.97	64.04	-1.94	-0.67	-12.84	12.20
MSCI China NR USD	23.46	-18.88	54.07	0.90	-7.82	7.96	8.29

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 16/01/2020 and are based on internal research and modelling.

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The Strategic China Panda Fund (USD I Class) received a 5-star Overall Morningstar Rating and a 5-star 5-year Morningstar Rating (USD I Class). Morningstar Ratings™ as of 31/12/2019.

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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 30th November 2019.

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