



Sturdza Family Fund

December 2019 Fund Commentary



Eric I. Sturdza
PORTFOLIO MANAGER



Constantin Sturdza
PORTFOLIO MANAGER

MARKET DEVELOPMENT

Equity markets continued to gain through December. The MSCI World Net Total Return Index increased by approximately 3%, similar to US equities, which saw the SPX Index increase by approximately the same percentage. The Dollar decreased (DXY Index dropped by approx. 1.92%) and erased most of the gains achieved during the calendar year. The generic US Government 10 year yield started at 1.78 and closed the month at 1.92. Over the same period, volatility as proxied by the VIX Index, saw a couple of spikes above 16 but remained muted relatively speaking.

PORTFOLIO DEVELOPMENT

As equities continued to perform, the fund's largest contributor to performance was the equity book. Specifically, the top contributors were Royal Caribbean Cruises, Apple Inc. and Booking Holdings. On the other hand, Nidec Corp., Asahi Group, and Kose Corp. were the largest detractors.

Royal Caribbean's stock price has been range bound for most of 2019, as investor concerns over the sector's historical cyclicity outweighed the competitive edge cruise operators have been able to build over the past few years. Indeed, weakness in consumer spending led by a downturn, could affect the sector, alongside volatility in input prices. However, the global cruise market is increasingly difficult to enter and should offer the opportunity for the "big three" cruise carriers to maintain or increase their market share and lead to more control over pricing. Additionally, the Investment Adviser believes that the newer and more cost-efficient ships deployed should result in improved free cash flow and shareholder capital returns going forward. In that sense, the latest results were encouraging and helped push the stock price close to its upper range. Consumer demand bodes well, there is no sign of weakness, every market is up compared to last year and favorable trends in booking/pricing have accelerated. As a result, management expects positive yields throughout 2020 on a lengthening booking window. Furthermore, the Investment Adviser also believes that Royal's customer base is underpenetrated and has the potential to grow. Domestically, the baby boomer demographic should translate into more business as this population cohort reaches retirement age. Abroad, the company's dedication to source cruisers from international markets like Asia and Europe (with lower penetration) provides yet another future source of significant demand potential. Finally, the high satisfaction rates and percentage of repeat clients underline the importance of capturing these underserved markets for Royal's customer demand growth to remain healthy over the long term. As such, the Investment Adviser perceives a solid risk/reward at current levels and expects the stock price to move in tandem with continued growth and good execution.

Nidec failed to meet consensus expectations when it's last quarterly results were reported. Nonetheless, the Investment Adviser is still confident in the position of the business and future growth prospects. Management explained that the shortfall was the result of an unexpected increase in upfront investment costs for their traction motor (the main motor for electronic vehicles) due to increased demand. This is actually a positive development as it suggests that the company's new business line is poised to grow faster than expected. Nonetheless, the stock price has been under pressure since its November highs, a stagnation that seems more related to fundamental uncertainty, such as how the Chinese,

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



European and U.S. economies will fare, rather than a company specific issue. For the stock itself, investors appear to have a “wait and see” mind set. Going forward, a lot of the stock price’s movement will depend on how management’s mid-term plan unfolds alongside underlying fundamental trends. Looking onward, the Investment Adviser believes that the company is well positioned to capture the increasing demand for efficient motors in many different industries and applications.

OUTLOOK

In 2019, some of the most important overarching themes were trade tensions, the Fed turning accommodative, a general slowdown in global manufacturing, a strong US consumer and the yield curve inversion and reversion. Nonetheless, the fundamental market drivers over the year were seemingly linked to trade and central bank activity. The year began with optimism on both subjects, then as markets increased, trade tensions intensified and global growth concerns followed. This said, those fears were somewhat abated by the Fed’s accommodative stance and/or volatile yet constructive news flow on trade tensions. Therefore, SPX Index returns were apparently for the most part, a function of general sentiment rather than EPS growth. As such, the Investment Adviser expects earnings growth to be of greater importance for the upcoming year as long as the overall landscape does not deteriorate.

In light of the above, signs of stabilisation in macroeconomic activity and geopolitical risks are allowing investors to anticipate continued upside with higher probability in 2020. While many risks are still lurking, or in certain instances increasing, as the global cycle is prolonged, the technical backdrop for equities remains positive especially in the form of a lack of alternatives, underinvestment and momentum. As such, the Investment Adviser is progressively increasing the Fund’s equity exposure whilst maintaining an overall cautious stance.

PERFORMANCE DATA As at end of December 2019

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	Fund Inception
USD I	1.00	3.95	18.02	14.80
Composite Benchmark	1.97	5.34	18.73	15.77

CALENDAR YEAR PERFORMANCE %

	YTD 2019	Annualised Inception
USD I	18.02	14.07
Composite Benchmark	18.73	14.99

Past performance is not an indicator of future performance.



IMPORTANT INFORMATION

The views and statements contained herein are those of the Eric Sturza Group in their capacity as Investment Advisers to the Funds as of 16/01/2020 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. Sturza 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. Sturza 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. Sturza 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. Sturza 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. Sturza Strategic Management Limited, 3rd Floor, Frances House, Sir William Place, St Peter Port, Guernsey GY1 1GX. Part of the Eric Sturza Banking Group. Company Registration Number: 35985.

DISCLAIMER - SWISS DOMICILED RECIPIENTS

E.I. Sturza 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 Sturza 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. Sturza Funds Plc can be obtained, free of charge, at the seat of the Swiss representative, Banque Eric Sturza 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.