# Sturdza Family Fund

## November 2019 Fund Commentary

### MARKET DEVELOPMENT

Equity markets continued their ascent during November. The MSCI World Net Total Return Index increased by approximately 2.8%, less than US equities which was approximately +3.4% for the S&P 500.

The Dollar increased approx. +0.94% (DXY Index) and the US generic Government 10 year yield went up nearly 2%, finishing the month at approximately 1.78%. Over the same period, volatility at the index level drifted slightly lower as general sentiment improved.

### PORTFOLIO DEVELOPMENT

The Fund's performance was driven by the equity book in November, the largest contributors being Alibaba and Takeda followed closely by Centene and UnitedHealth. On the other hand, Dollar Tree, Booking, and Shiseido were the largest detractors.

### OUTLOOK

Global stocks, as represented by the MSCI World Net Return Index, are on track for their best showing since 2013. Such a scenario would have been difficult to support not long ago, when markets were rattled by fears of a European Union collapse, the U.S.- China trade dispute, and the Federal Reserve stance at odds with market sentiment. That said, the Federal Reserve's decision to backtrack alongside continued support by other Central Banks was seemingly sufficient to support equity markets and expand valuations, particularly in the US, despite a tense geopolitical and macroeconomic backdrop. Yet again, Central Bank intervention was significant enough to add liquidity to the system, reduce interest rates paid by companies, and demonstrate their ability to intervene and stabilise markets. As a result, investors were given enough confidence to adopt a "wait and see" approach. Hence, at the index level, 2019's performance has come almost exclusively from more optimistic expectations (valuations) rather than from a clear improvement in current fundamentals. Cyclical strength has yet to formally materialise, even if green shoots have started to lure some value investors into the most beaten down regions alongside cyclical stocks.

Whilst hard fundamentals remain uninspiring – global growth decelerating, manufacturing in retreat, flat corporate profits – the improving geopolitical landscape via an apparent "phase one" Sino-US agreement and a clear mandate for Boris Johnson, offers further support to investor confidence by abating short-term uncertainty. Simultaneously, outflows from equities have started to reverse, ample corporate liquidities allow for further consolidation alongside buybacks, Central Banks remain very accommodative, and indices breaking their highs provide strong momentum signals and a "fear of missing out". It would therefore not be surprising to see further upside for stocks, particularly in Europe and Emerging Markets, where a strong technical setup and low valuations could provide upside so long as evidence of stabilising fundamentals continue to surface. In a global context where the search for yield is constant but success is scarce, investors will likely jump at the equity opportunity provided by decreasing macroeconomic and geopolitical risks.

While 2019 has proven to be a strong year for equities, this number has to be tempered by the base effect, i.e. the sharp drawdown of Q4 2018. Looking out to 2020, signs of

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#### 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.

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stabilisation in macroeconomic activity and geopolitical risks are allowing investors to anticipate a rebound with higher probability. 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 lack of alternatives, underinvestment and momentum. As such, a cautious yet optimistic stance is still warranted in the Investment Advisor's opinion.

## 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 18/12/2019 and are based on internal research and modelling.

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