



Strategic China Panda Fund

January 2020 Fund Commentary



Lilian Co
PORTFOLIO MANAGER

January was a difficult month for Chinese equities, having started positively following the signing of the “phase 1” trade deal between the US and China, all gains and positive sentiment was eradicated by the outbreak of the coronavirus during the 2nd two weeks of the month. Against the backdrop of the coronavirus the MSCI China TR Index and CSI 300 Index lost 4.8% and 2.3% respectively, with Consumer Discretionary stocks, such as those in the retail, catering, Macau gaming and travel space, as well as the property sectors being the hardest hit. Consumer staples, internet and education related stocks were more resilient by comparison.

As the number of known cases of the coronavirus surged, comparisons were drawn to the spread of the SARS virus in 2003. The market reacted strongly following the panic caused when travel restrictions were introduced in Wuhan by the Chinese Government, which was compounded when the infection spread to other overseas countries, with associated travel bans to China introduced. At the end of January, the number of reported cases of the virus stood at 9,692, with the death toll reaching 170 and these numbers accelerated as we moved into February. In an attempt to slow the spread of the virus the Government extended the Chinese New Year holiday by a week, with many shopping malls and restaurants closed until further notice.

In light of the above, the Investment Adviser is not surprised to note that economic activity is being severely impacted and expects 1Q 2020 GDP growth to be down by over 1%. This said, the Team do not believe that the coronavirus will have a longer term impact on the Chinese economy, and expect the markets to stabilise in approximately 2 months, if the markets reaction to the SARS virus in 2003 is any guide. In addition, the Investment Adviser believes that the Government will take decisive action and introduce further stimulus measures to contain the economic impact.

The Fund underperformed the benchmark in January, with the portfolio’s overweight to Macau gaming and property stocks being the major culprits and the underweight exposure to the internet sector, which was resilient during the market sell off, also detracting. During the month, the Team took the opportunity to top up the portfolio’s exposure to select property management companies and tech stocks, whilst trimming retail positions.

Whilst there is no crystal ball which can provide clear guidance as to when the market will reach its bottom, the recent sell off has presented long term investors with a good buying opportunity to re-enter or increase exposure to the Chinese market. In this environment the Team are focused on identifying quality names that have come down in the recent market decline offering compelling entry points and risk / reward profiles as per the Team’s internal assessments.

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.

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PERFORMANCE DATA As at end of January 2020

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
USD	-8.49	3.10	7.78	38.84	42.09	83.52	228.84
USD I	-8.46	3.21	8.29	41.18	46.35	86.26	233.75
MSCI China NR USD	-4.80	4.97	5.82	37.56	33.59	75.32	132.95

CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	2018	2017	2016	2015	Annualised Inception
USD	-8.49	28.58	-21.37	62.99	-2.43	-1.49	11.08
USD I	-8.46	29.20	-20.97	64.04	-1.94	-0.67	11.23
MSCI China NR USD	-4.80	23.46	-18.88	54.07	0.90	-7.82	7.75

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 07/02/2020 and are based on internal research and modelling.

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