



Strategic European Smaller Companies Fund

January 2020 Fund Commentary

2020 started as 2019 ended, with sluggish economic growth, supported by resilient consumer spending and services. The manufacturing sector was slightly weak, although in general companies appear more optimistic than they have been for a long time, with some leading business cycle indicators turning green throughout the month.

Globally, equities experienced an abrupt halt during January due to concerns about the spread and impact of coronavirus, particularly in China. It is still unclear at this stage whether the impact will be temporary or contained, but some sectors, like luxury goods or airlines, are clearly at greater risk. The portfolio does not hold any stocks in these areas.

The Investment Adviser has undertaken a study on each of the individual positions in the portfolio to develop an understanding of the direct and indirect impact of a prolonged period of inactivity in China. As part of this study, the Team has spoken directly with each of the companies to also recognise how they quantify the risks. Given the uncertainty and the absence of visibility, a decision was taken to lessen risk by reducing the position sizes of companies that could be negatively affected if the worst-case scenario were to materialise in the coming weeks or months. In this context the Fund* declines 2.27% in January, although the loss was more than recovered by 07 February.

During January Albioma was the largest monthly contributor to performance, followed by Mauna Kea and Somfy.

Albioma's stock price increased by 15.8% through January, despite the market sell off, as two brokers upgraded their target price during the month. The stock was also included in several brokers' recommendation list at the beginning of the year.

Mauna Kea rebounded strongly in January for several reasons: a) the market finally understood the implications of Johnson & Johnson's equity investment (17% of the capital) that took place in December at a 27% premium, b) the company announced that a clinical trial published in a peer-reviewed journal demonstrates that the diagnostic yield from Cellvizio significantly exceeds standard of care and improves the overall clinical management related to pancreatic cystic lesions and c) it also announced that it has received 510(k) clearance from the FDA for Cellvizio for the additional indication of visualisation of blood flow when used in conjunction with a fluorescent dye, fluorescein, as a drug device combination. This marks the 17th U.S. FDA 510 (k) clearance of the Cellvizio platform.

Finally, Somfy posted Q4 sales in line with expectations, marking a year of tangible growth in almost all countries. In an uncertain economic environment, the group confirmed its strong resilience with 6.1% organic growth.

At the other end, Boozt, Befesa and Beneteau were the 3 main detractors.

Boozt was penalised in January by a broker note reducing its target price for the company on the back of profit warnings from local peers (Sportamore and Nelly), continued high promotional market activity and poor clothing statistics from Denmark and Sweden for Q4. Boozt confirmed its outlook in early December post the Black Friday weekend, where the company mentioned that expectations were met or exceeded in all areas of the business.

Befesa is in the process of building two recycling plants in China, and although it has no revenue for these plants at present, the stock sold off during January on the back of investor sentiment that the coronavirus would be an issue for the company, which the Team do not believe to be the case.

There was no specific negative news on Beneteau in the course of January, although it is worth mentioning that China exposure is anecdotal for the company. Beneteau is due to present a new strategic plan for the next 3-5 years at the end of April, post the appointment of a new CEO last June. This event is perceived as a clear catalyst for a sizeable rerating of the company's extremely cheap valuation multiples.

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



Bertrand Faure
PORTFOLIO MANAGER

INVESTMENT APPROACH

The Fund's competitive advantage and its key differentiator between it and its peers is the ability to focus on target companies from every angle and leverage the network of relationships and corporate access provided by a number of stakeholders, including founding partners to provide a real understanding of the market share and performance of the investee companies that results in the totality of the investment research being generated internally.

INVESTMENT OBJECTIVE

To outperform small and medium capitalisation firms in the European equity markets

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	2Y	3Y	Fund Inception
EUR	-2.27	4.43	15.45	-10.83	8.89	26.48
EUR I	-2.23	4.57	16.03	-9.92	10.37	28.20
STOXX Europe 600 NR EUR	-1.18	3.79	17.87	10.01	24.05	19.40

CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	2018	2017	2016	Annualised Inception
EUR	-2.27	24.41	-24.86	22.80	13.55	5.08
EUR I	-2.23	25.04	-24.48	23.17	13.55	5.38
STOXX Europe 600 NR EUR	-1.18	26.82	-10.77	10.58	1.73	3.81

Source: Morningstar.

Past performance is not an indicator of future performance.



IMPORTANT INFORMATION

The views and statements contained herein, including those pertaining to contribution analysis are those of Pascal Investment Advisers SA in their capacity as Investment Adviser to the Fund as of 11/02/2020 and are based on internal research and modelling.

Please contact info@eisturdza.com should you wish to have an update call with the investment team.

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