



# Sturdza Family Fund

January 2020 Fund Commentary



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## MARKET DEVELOPMENT

Equity markets as proxied by the MSCI world were interrupted in their steady ascent by the news of coronavirus spreading. The MSCI World Net Total Return Index decreased by -0.6% with a regional advantage to the US as the large index contributors published good earnings. The Dollar increased (DXY Index approx. +1%) while the 10y Treasury yield finished the month at 1.5%, down from 1.9%. Meanwhile, the Sturdza Family Fund (Inst-USD) was flat at 0.02%.

## PORTFOLIO DEVELOPMENT

This month was heavily impacted by the coronavirus epidemic and the uncertainty around its human and economic impact. At the time of writing, it can be said that equity markets have for now taken the optimistic route, especially as US equities only sold off a few percentage points at the end of the month, still very much flirting with the historical highs reached in the middle of the January.

Given the uncertainty and the wide variance in potential outcomes, the Investment Adviser remains prudent in the current positioning. The current working scenario is for a contained epidemic with a sharp, but one-time impact on commerce, particularly in China and the surrounding economies. While the economic impact could be more harmful than expected given the drastic measures taken by the Chinese government, from where the Investment Adviser stands today, the Team expect, and hope for, limited long-term impacts. In any case, the uncertainty is high and the Team will continue to monitor the situation closely.

Given its diversified structure and composition, the fund performed relatively well during this bout of volatility. Rather obviously, the most heavily exposed companies are the Japanese businesses exposed to Chinese middle-class emergence and travel, such as Shiseido, Kose and Nitori. US-listed Estée Lauder, counting Asian travel as a significant growth driver, also suffered in the January correction, although it has since regained most of its value in February. Royal Caribbean remains under pressure given the potential for a slowdown in bookings. On the positive side of the ledger however, the fixed-income positions along the US treasuries curve, as well as the fund's long USD bias, has once again contributed positively given the flight to quality.

Furthermore, January also saw the beginning of the Q4 earnings reports, and while expectations were the subject of much debate in recent months, results have generally been positive so far.

In terms of direct interests of the fund, the large tech companies have printed strong numbers (e.g. Apple, Microsoft and Facebook). SAP also enjoyed a rather good quarter although the longer-term evolution of the business and the risks to its competitive advantages remain somewhat in question as cloud bookings disappointed. UnitedHealth also came out with strong numbers once again, an important market as the US prepare for the democratic primaries with potential for posturing on the US health system. Sherwin-Williams, one of the fund's strong performers since inception, disappointed slightly, as the international business slowed and guidance for 2020 landed below wall street expectations. All things considered, it remains an impressive company which achieved EPS growth of 10% in 2020 versus 14% in 2019.

## 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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## OUTLOOK

The next few months are likely to be heavily influenced by the capacity to control the spread and impact of coronavirus. Interestingly, fixed-income markets have started to price in more central bank support in light of the likely economic impact in coming quarters, which was possibly a factor supporting equities in early February. Given the fund's mandate, the Team will focus on trying to understand the mid to long-term implications of this epidemic on individual companies, both in and outside of the portfolio, and adjust if necessary to protect and/or seize opportunities as they materialise.

## PERFORMANCE DATA As at end of January 2020

### CUMULATIVE PERFORMANCE %

	1M	3M	1Y	Fund Inception
USD I	0.02	2.27	11.49	14.82
Composite Benchmark	0.13	3.60	13.12	15.70

### CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	Annualised Inception
USD I	0.02	18.02	12.96
Composite Benchmark	0.13	18.50	13.73

**Past performance is not an indicator of future performance.**



## IMPORTANT INFORMATION

The views and statements contained herein are those of Banque Eric Sturdza SA in their capacity as Investment Advisers to the Funds as of 14/02/2020 and are based on internal research and modelling.

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