

Sturdza Family Fund: An Introduction

What do historical observations tell us about investing in general?



Eric Sturdza

Portfolio Manager

[Biography](#)

I am Eric Sturdza and I started my career in Private Banking and Asset Management nearly 50 years ago. To make this brief, I got my Masters Degree in Economics & Business Administration from the University of Lausanne.

I then began my career working in the asset management division of Banque de l'Indochine and eventually held senior leadership positions in various asset management firms, including KIPECO and Citibank and in 1984, I was approached by Baring Brothers to create what is now known as Banque Eric Sturdza, of which I became the sole owner in 2005.

Based on my observations and personal experience, and it actually spans over a couple of decades. If you look at the past 100 to 120 years, returns above inflation have been the most significant via equities and by a margin when compared to any other asset class, and most significant of which were U.S. equities.

It actually makes a lot of sense when you think about it, because companies are what grow and generate more wealth in an economy over time. Also, if you look at the wealthiest people and ask yourself "how have they achieved this status?" Well, you realize that in general, they basically are very long-term stockholders in one way or another. Now what I mean by this is that in general the wealthiest people have created a business or other and have held on to it rather than sell or actively trade their shares if you see what I mean.

So, the most optimal way to generate superior returns over time is by holding a constant exposure through equities while utilizing periods of negative stock market reaction, or in other words "end of the world" moments such as 2008, 2000, 1987, etc. to average down one's entry price; thereby not only minimizing the impact of timing but also enjoying the continuous upside a stock market offers over time.

Additionally, you must also be aware of the direct correlation between a company's underlying earnings growth rate and its stock price. As such, if you are able to find companies that have been enjoying a superior and more stable growth rate than that of the average of a stock market's long-term growth rate and that are in a position to continue to do so which is important; well logically-speaking your returns will, over time, be greater than that of the markets, which by the way, as just mentioned, equates to superior returns above inflation.

Now, as with many of, if not most things in life, this is easier said than done, as a crucial set of challenges arise:

The first is **volatility**. In my experience and generally speaking of course, clients or investors if you will, often confuse a stock price's volatility with what they perceive as risk in absolute terms. One must not forget that as long as a position isn't sold, a perceived loss isn't actually crystallized.

The second "main" challenge that I have often seen impact an investment is **timing**. The best way to portray this is by imagining if someone bought a tech stock in late 2000 and looking at how many years would that person have had to wait in order to breakeven again.

And finally, the third challenge is being able to always have the **ability to average down one's entry price** – especially when extreme movements or recessions occur – as those by experience are the moments where timing becomes "easier" if you believe that the "end of the world" moments are actually huge opportunities.

So, how can you best attempt to solve these challenges? Well, first of all you need experience and must be extremely disciplined versus being emotional. Then you must be able to select best-in-class companies and always have a way to use any recession or on the contrary "bubble" to either take profits or average down your entry price. And in a nutshell, this is what the Sturdza Family Fund seeks to offer.

Why and for who was the Sturdza Family Fund created?



Constantin Sturdza

Portfolio Manager

[Biography](#)

So, it's quite simple actually but let me first take a quick step back as there is a more "philosophical" aspect to highlight before answering this question which I believe is important to mention.

We, as a family, strongly believe that in order to be financially successful a person or family must not only work extremely hard but also be lucky, at least to a certain degree. When both are combined, a family or an individual can create something that we believe is unique. Basically, it provides the opportunity to be in a position where money works for you and not the other way around.

As a family we've been lucky enough to put ourselves in such a position. As such, we had to face a question that most, if not all successful individuals or families must face. *How do you preserve or grow all, or a portion, of your gained wealth over long periods of time?*

We believe that there is only one way to do so. Which is why we created an investment vehicle that then again, in our opinion best answers the problem. The Sturdza Family Fund is a global long-only equity fund and includes, relatively-speaking, let's say a de-correlated asset class – Fixed Income. By doing so, we reduce the overall volatility profile of the vehicle, ease the timing aspect of our investors, and we also inherently position ourselves to use moments that we consider are extreme to make movements that will preserve and also grow our wealth in the most efficient and yet risk-averse manner.

I think the "why?" has been answered, and to make it crystal clear the Fund was created because we, as a family, needed an investment vehicle that would preserve and grow our accumulated capital over long periods of time.

Now in a way this also answers "the for who" part of the question. But to be clear, **the Fund is for anyone who has a portion of wealth that can be invested over the long term.** But maybe then another question arises which is *why would we offer this to others and not keep it for ourselves?*

Well, it's simple again, because we work out of passion and to share our knowledge and beliefs with others simply enhances our own and our investors' returns. It also provides investors with a "peace of mind" that we believe not many others can offer.

Why so? Well again, pretty simply because it enables individuals or families to park a portion of their wealth in a vehicle that is not only fully-aligned with its managers, but also that those managers are actually managing it out of passion rather than out of short-term financial obligation, and therefore it should remove the constant feeling of having to check one's investments. By doing so, we remove the three main pitfalls previously mentioned by my father, which we have seen occur over and over again. In other words, we attempt to remove investors from reacting on investments with emotion and in particular the worst of all which is fear.

We initially created this Fund for ourselves and believe that by doing so we also created it for the best interest of our investors.

What type of investor is this product suitable for? Again, I would say that it is for anyone who has a portion, whether it be large or small, of their fortune which can be invested for the long-term and let it grow in a relatively speaking risk averse manner.

- END OF VIDEO TRANSCRIPT -

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