



Strategic China Panda Fund

May 2020 Fund Commentary



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PORTFOLIO MANAGER

May was a choppy month for Chinese equities as investor sentiment was swayed by a mixture of positive and negative news. The market initially welcomed the re-opening of the US economy and the announcement that ADRs would be eligible for secondary listing in HK, only to be spooked by the imposing of national security laws in HK by the Chinese government and the re-emergence of US-China tensions. The MSCI China Total Return index ended the month with a slight loss of 0.5% while CSI 300 was down 1.2%. Needless to say, HK centric sectors such as property and retail were hardest hit although the Fund had limited exposure to this space.

China held its National People's Congress meeting during the month. No specific GDP growth target was set for the year due to the uncertain macro caused by COVID-19, rather China set a target of creating 9 million urban jobs and a CPI of 3.5% for 2020. Clearly, job protection is currently the priority over economic growth.

Hong Kong is caught up in the escalating Sino-US tension. China passed the national security bill, sparking concerns in Hong Kong of a "one country, two systems" framework. In response, the US stated it would consider a range of sanctions targeting China. The US Senate also passed a bill to delist Chinese ADRs that do not adhere to US security laws and auditing regulations. Further, the US tightened the export rules relating to hi-tech equipment shipments to China and ordered Federal pension funds to cease investment in Chinese equities. The new hi-tech export ban is meant to slow down Huawei's progress in the 5G race. This will negatively impact supply chains, with component stocks hit during the month off the back of the news.

Discretionary consumption, such as home appliance, sportswear and liquors has recovered quickly post COVID-19. Monthly home appliance retail sales data showed that the range of the drop for different products narrowed from a 40-70% plunge in March to 10-30% in April. Channel check in the sportswear sector also indicated that retail sales through of the major local brands turned positive in May from a drop of 20-25% yoy in the first quarter. Property sales in China maintained their positive trajectory in May, with average sales growth of 14%. Demand in tier-1 and tier-2 cities was particularly robust. The Team believes that the high savings rate in China is a major reason behind resilient domestic consumption amidst macro headwinds such as COVID-19 and the US-China trade war.

The Fund was up 0.2%, outperforming the underlying benchmark by 0.7% in May. The overweight in property management sector was up 2.3%, contributing the most to the Fund's return. The Investment Adviser remains hopeful of a second half recovery, although believes volatility will persist.

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.

CONTACT

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* USD Instl Class. For detailed performance information based on complete 12-month periods since inception, please refer to page 2. Past performance is not an indicator of future performance.



PERFORMANCE DATA As at end of May 2020

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
USD	0.11	-2.41	9.04	20.12	21.26	92.60	226.44
USD I	0.15	-2.28	9.55	22.18	24.86	95.80	231.86
MSCI China NR USD	-0.49	-1.19	12.14	20.08	12.21	72.36	132.42

CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	2018	2017	2016	2015	Annualised Inception
USD	-9.16	28.58	-21.37	62.99	-2.43	-1.49	10.68
USD I	-8.97	29.20	-20.97	64.04	-1.94	-0.67	10.84
MSCI China NR USD	-5.02	23.46	-18.88	54.07	0.90	-7.82	7.50

Past performance is not an indicator of future performance.

AWARDS



Morningstar Sustainability Rating as at 30/04/2020. Out of 1,570 Greater China Equity funds as of 30/04/20. Based on 85.97% of AUM.



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 16/06/2020 and are based on internal research and modelling.

WARNING

The contents of this document have neither been reviewed nor endorsed by the Central Bank of Ireland or any other regulatory authority. If you are in any doubt about any of the content of this document you should obtain independent professional advice.

AWARDS DISCLAIMER

The Strategic China Panda Fund (USD I Class) received a 4-star Overall Morningstar Rating and a 5-star 10-year Morningstar Rating (USD I Class). Morningstar Ratings™ as of 31/05/2020.

The Strategic China Panda fund received a 5 Globe Morningstar Sustainability Award. Out of 1,570 Greater China Equity funds as of 30/04/2020. Based on 85.97% of AUM. Data is based on long positions only.

Historical Sustainability Score as of 30/04/2020. Sustainability Rating as of 30/04/2020. Sustainability provides company-level analysis

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Source & Copyright: Citywire. Lilian Co is A rated by Citywire for her rolling 3 year risk-adjusted performance, for the period to 31/03/2020.

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