



Sturdza Family Fund

May 2020 Fund Commentary

MARKET DEVELOPMENT

In May, equity markets continued their ascent on the back of April's strong rebound. As mentioned previously, it is likely that investors gained additional confidence in terms of their fundamental scenarios following the first quarterly earnings publications post-COVID, and whilst the impact remains highly heterogeneous and uncertainty over the coming quarters remains high, complete obscurity has been replaced by low visibility, improving enough for many investors to return to the markets. The shift in market focus from COVID-19 to the gradual reopening of economies was supported by better-than-expected numbers. Apart from specific regions, such as S. America, better-than-anticipated employment figures coupled with strong Central Bank accommodation and improving prospects regarding the virus have been sufficient reasons for investors to regain some confidence in terms of perceived directionality. This said, in absolute terms, global economic data is still far from rosy, but the market clearly trades in relative, forward-looking terms. Given the lack of obvious investment alternatives, it is therefore not surprising to see continued demand for Equities. The MSCI World index rose by approx. +6% with Europe the strongest performer, the Stoxx 600 NR returning +3.4%. The dollar (DXY Index) depreciated by approx. -0.7% and the 10yr UST yield remained stable following the large move seen in April.

PORTFOLIO DEVELOPMENT

During May, the Fund returned +4.41% (SI class). In total return terms, the equity book appreciated by approx. +7.55% whilst the Fixed Income book was largely flat (approx. -0.14%).

In terms of contribution, VMware was the largest positive contributor (approx. +0.31%), followed by Tractor Supply (approx. +0.25%) and Dollar Tree (approx. +0.25%). On the other hand, the largest detractors to return were Cognizant (approx. -0.11%), followed by Becton Dickinson (approx. -0.03%) and HCA Healthcare (approx. -0.03%). For the Fixed Income book the 30 year UST was the largest mover and detractor over the period while other maturity instruments remained largely flat.

The Fund's overall asset allocation remained stable during the period with Equity exposure hovering around 65% and the remainder in treasuries. Given the substantial implied volatility priced by the market, the Fund stepped-up call overwriting on select names having experienced significant rebounds. To a lesser extent, certain put options were also sold on select names with attractive valuations and high implied volatility.

OUTLOOK

The Investment Adviser's outlook has not significantly changed since the last report. The Team remains focused on strong businesses with the ability to withstand the current economic downcycle and thrive in the longer term, supported by secular tailwinds and competitive strength. The slight overweight in equities is likely to persist for some time and new opportunities for capital deployment will be heavily dependent on individual opportunities. The macroeconomic and societal implications of COVID-19 will also continue to give guidance to the Investment Adviser's appreciation for longer-term growth potential. This said, the Investment Adviser believes that the speed and extent of the rebound still raises the prospect of more consolidation ahead, leading to a number of options/derivatives being taken on individual positions that appear to have limited upside or downside to capture this perspective.



Eric I. Sturdza
PORTFOLIO MANAGER



Constantin Sturdza
PORTFOLIO MANAGER

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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PERFORMANCE DATA As at end of May 2020

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	Fund Inception
USD I	4.35	5.50	9.27	15.87
USD S I	4.41	5.65	10.49	18.21
Composite Benchmark	3.03	1.72	7.43	12.16

CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	Annualised Inception
USD I	0.93	18.02	10.58
USD S I	1.13	20.16	12.10
Composite Benchmark	-2.93	18.50	8.15

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 08/06/2020 and are based on internal research and modelling.

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