



Strategic China Panda Fund

June 2020 Fund Commentary



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PORTFOLIO MANAGER

In June, Chinese stocks continued their upward trend after a mixed May, with the MSCI China Total Return index and the CSI 300 index increasing 9.0% and 7.7% respectively during the month. Thanks to June's rally, both indices recouped losses from the first quarter and ended the first six months with gains of 3.5% and 1.6% respectively. The secondary listing of JD and Netease in HK, and an announcement by the Hang Seng Index Company stating that companies with weighted voting rights and secondary listing structure will be eligible for inclusion in local indices excited investors. Even a second wave of COVID-19 outbreak in Beijing and a threat from the US to revoke Hong Kong's preferential trading status did not impact market optimism. Industry wise, internet was clearly the outperformer, with the property sector also outperforming the market, thanks to robust property sales in May.

Macro data released last month continued to point to an economic recovery post COVID-19. May's PMI remained above 50, the threshold representing economic activity expansion. Retail sales declined further, however the pace slowed from -7.5% in April to -2.8% in May. On the political front, Sino-US relations were tense once again. In response to the introduction of the national security law in Hong Kong, the US proposed sanctions targeting Chinese officials and the revocation of Hong Kong's preferential economic treatment, which implied halting exports of high technology products to Hong Kong.

Internet stocks were centre stage during the period. Investors kept chasing JD and Netease shares in the run up to their secondary listings in HK. Trading in Tencent was also strong ahead of its game pipeline release. COVID-19 has clearly pulled forward online adoption, especially in online gaming and shopping. 618's online marketing campaign, one of the two largest e-commerce shopping festivals in China, was concluded successfully. All major e-commerce players recorded strong gross merchandise value growth. The Team believes leading e-commerce and online gaming players will be long term beneficiaries of the structural changes in consumer behaviour towards digitalisation. The flip side is the prolonged soft social distancing measures, leading to a longer path to normalisation for services and leisure related businesses such as travel and restaurants. The Fund is not currently exposed to these areas.

Property stocks had a good run in June, thanks to stronger than expected monthly sales in May. Property sales was among the few consumption areas that did not slump greatly during the lockdown in Q1 and rebounded quickly in Q2. A number of property companies undertook share buybacks during the month; sending a clear signal to the market that property stocks remain under-valued after the recent rally.

The Fund jumped 9.4%* in June, outperforming the benchmark. Again, the overweight in property developers and property management service companies contributed the most to the outperformance. The Fund will maintain its positive stance towards the property sector given attractive valuation and relatively resilient fundamentals post the COVID-19 outbreak. Action wise, exposure to internet related investments was topped up during the month, whilst exposure to sportswear was trimmed.

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 June 2020

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
USD Class	9.37	18.84	9.41	24.79	36.27	103.94	257.04
USD I Class	9.42	18.99	9.95	26.83	40.28	107.42	263.14
MSCI China NR USD	8.98	15.29	13.13	27.92	29.57	85.54	153.30

CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	2018	2017	2016	2015	Annualised Inception
USD Class	-0.65	28.58	-21.37	62.99	-2.43	-1.49	11.45
USD I Class	-0.39	29.20	-20.97	64.04	-1.94	-0.67	11.61
MSCI China NR USD	3.51	23.46	-18.88	54.07	0.90	-7.82	8.24

Past performance is not an indicator of future performance.

AWARDS



Morningstar Sustainability Rating as at 31/05/2020. Out of 1,575 Greater China Equity funds as of 31/05/20. Based on 83.83% 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 17/07/2020 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 4-star 10-year Morningstar Rating (USD I Class). Morningstar Ratings™ as of 30/06/2020.

The Strategic China Panda fund received a 5 Globe Morningstar Sustainability Award. Out of 1,575 Greater China Equity funds as of 31/05/2020. Based on 83.83% 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 used in the calculation of Morningstar's Historical Sustainability Score.

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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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