



# Strategic China Panda Fund

July 2020 Fund Commentary



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PORTFOLIO MANAGER

The stock market continued to rally during July, with the MSCI China Total Return index climbing another 9.4%. The passing of the national security law in Hong Kong triggered a relief rally, however the bullish sentiment was curbed following the measures introduced by the Chinese government to cool the frenzy in the A share market.

The measures were twofold: first, the government-owned National Social Security Fund announced plans to trim stock holdings; second, the securities regulator clamped down on illegal margin financing platforms, and set a requirement for asset managers to cap the launch size of new fund products.

The Renminbi to USD exchange rate strengthened by 1.3% to 6.98, on the back of a weak USD against other major currencies. All sectors returned a positive contribution to return and further analysis showed that Consumer Discretionary, Communication Services and Information Technology were the strongest performers with Energy, Utilities and Real Estate the weakest performers.

China recorded 3.2% GDP growth during the second quarter following a slide of 6.8% YoY in the first quarter. It was the first major economy to record a rebound post COVID-19. Although major data points continued to point to an improving trend, consumption recovery was patchy in July, particularly for sportswear and catering businesses.

The travel ban between Macau and Guangdong was partially lifted, boosting sentiment on Macau gaming stocks. Our view is that a complete removal of the travel ban is imminent, given there have been zero COVID-19 cases in Macau for the past few months.

Pharmaceutical stocks underperformed in July - the result of the next round of drug price negotiations on the national reimbursement drug list raising concerns on the level of price cuts, particularly for PD-1 drugs. Active share placements by a few bellwether names also had a negative impact on market sentiment.

The better than expected nationwide property sales in June only provided a short-lived boost to property stocks. Investor focus quickly turned to increasing concern as some local cities, such as Shenzhen, issued new property tightening policies to prevent over-heating.

We believe the tightening will remain city specific rather than developing into a nationwide policy, and do not expect property developers to deliver exciting interim results with growth ranging from +10% to -10% due to project delays caused by COVID-19.

The Fund gained 7.2%\* in July. The exposure to property management services was the biggest contributor to alpha with a gain of 0.67%. However, an overweighting in property developers, which underperformed in July, detracted from the overall performance. We have since reduced exposure to Macau Gaming stocks in order to increase exposure to internet, and property management sectors.

## 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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\* B USD 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 July 2020

**CUMULATIVE PERFORMANCE %**

|                   | 1M   | 3M    | 1Y    | 3Y    | 5Y    | 10Y    | Fund Inception |
|-------------------|------|-------|-------|-------|-------|--------|----------------|
| A USD Class       | 7.18 | 17.35 | 17.75 | 22.68 | 62.21 | 118.35 | 282.67         |
| B USD Class       | 7.23 | 17.51 | 18.33 | 24.68 | 66.98 | 122.18 | 289.38         |
| MSCI China NR USD | 9.44 | 18.69 | 24.49 | 28.58 | 58.91 | 94.57  | 177.22         |

**CALENDAR YEAR PERFORMANCE %**

|                   | YTD 2020 | 2019  | 2018   | 2017  | 2016  | 2015  | Annualised Inception |
|-------------------|----------|-------|--------|-------|-------|-------|----------------------|
| A USD Class       | 6.49     | 28.58 | -21.37 | 62.99 | -2.43 | -1.49 | 12.02                |
| B USD Class       | 6.80     | 29.20 | -20.97 | 64.04 | -1.94 | -0.67 | 12.18                |
| MSCI China NR USD | 13.29    | 23.46 | -18.88 | 54.07 | 0.90  | -7.82 | 9.01                 |

Past performance is not an indicator of future performance.

**AWARDS**



Morningstar Sustainability Rating as at 30/06/2020. Out of 1,596 Greater China Equity funds as of 30/06/20. Based on 83.85% 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 11/08/2020 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 (B USD Class) received a 4-star Overall Morningstar Rating and a 5-star 10-year Morningstar Rating (B USD Class). Morningstar Ratings™ as of 31/07/2020.

The Strategic China Panda fund received a 5 Globe Morningstar Sustainability Award. Out of 1,596 Greater China Equity funds as of 30/06/2020. Based on 83.85% of AUM. Data is based on long positions only. Historical Sustainability Score as of 31/05/2020. Sustainability Rating as of 30/06/2020. 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 + rated by Citywire for her rolling 3 year risk-adjusted performance, for the period to 30/06/2020.

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