



Strategic China Panda Fund

August 2020 Fund Commentary



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PORTFOLIO MANAGER

Market sentiment remained buoyant in August despite the rising Sino-US tensions, with the MSCI China Total Return index up a further 5.7%. Technology Hardware, Marine, Luxury goods and Macau Gaming sectors outperformed the market, whilst property stocks and Electronic Manufacturing underperformed during the month.

Citing national security reasons, US President Donald Trump signed an executive order to ban the use of Tiktok and Wechat in the US, these two Chinese apps are owned by Bytedance and Tencent respectively. Although the US was only a small market to Tencent, accounting for less than 2% of its total revenue, the news still had a negative impact on the share price. The US also dealt a second blow to Huawei, ruling that foreign semiconductor companies could not sell products that contain US technology to Huawei unless they obtain a license from the US government in advance. Stocks in Huawei's supply chain sold off, while the share price of Xiaomi (Huawei's competitor) soared on the potential increase of market share.

President Xi advocated for a "dual circulation" economy model to withstand the uncertain external environment (particularly from the US). The essence is to make the domestic economy the core growth driver and external markets the supplemental driver. This suggests to us that more supportive measures are on the cards to boost domestic consumption.

As the results season concluded, home economy stocks such as internet companies (particularly those related to online gaming, food delivery and e-commerce), and small electronic appliance producers in general, exceeded the market consensus and gave positive guidance. Handset component stocks reported better than expected results, guiding down the forecast on the Huawei hiccup. The results of property management companies were divided as companies with State Owned Enterprise (SOE) backgrounds disappointed while private chip companies significantly outperformed market expectations on the back of strong support from parent companies.

The growth in national property sales throughout July was another positive surprise, but this did not prevent property stocks from selling off. There was news that the government was drafting new rules to cap developers debt growth in order to curb the overheated land market. We believe that the new rules, if implemented, will accelerate market consolidation and ensure a long-term healthy development of the industry. We have chosen to avoid investing in highly geared companies as we believe they are the most likely to lose out during this round of measures.

The Fund gained 8.2%*, during August, outperforming the benchmark by 2.5%. Sector wise, retailing was the biggest contributor to return adding 3.1% to the portfolio. Internet and property management stocks were the next largest contributors, and exposure to both these sectors was increased throughout the month.

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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* A 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 August 2020

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
A USD Class	8.20	26.84	38.82	26.40	97.12	137.85	314.05
B USD Class	8.25	27.01	39.52	28.42	102.90	142.13	321.50
MSCI China NR USD	5.68	26.04	37.30	30.38	90.15	111.43	192.95

CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	2018	2017	2016	2015	Annualised Inception
A USD Class	15.22	28.58	-21.37	62.99	-2.43	-1.49	12.67
B USD Class	15.61	29.20	-20.97	64.04	-1.94	-0.67	12.84
MSCI China NR USD	19.72	23.46	-18.88	54.07	0.90	-7.82	9.44

Past performance is not an indicator of future performance.

AWARDS



Morningstar Sustainability Rating as at 31/07/2020. Out of 1,601 Greater China Equity funds as of 31/07/2020. Based on 82.57% of AUM.



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 15/09/2020 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 (A USD Class) received a 4-star Overall Morningstar Rating and a 5-star 10-year Morningstar Rating (A USD Class). Morningstar Ratings™ as of 31/08/2020.

The Strategic China Panda fund received a 5 Globe Morningstar Sustainability Award. Out of 1,601 Greater China Equity funds as of 31/07/2020. Based on 82.57% of AUM. Data is based on long positions only. Historical Sustainability Score as of 30/06/2020. Sustainability Rating as of 31/07/2020. Sustainalytics 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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