



# Strategic European Smaller Companies Fund

August 2020 Fund Commentary

August was another strong month for the Fund with a performance of +5.08%\*, which compares to +3.06% for the benchmark. Year to date, the Fund posted a total net return of +5.04%. In comparison, the benchmark decreased by 10.30% (+15.34% relative outperformance), highlighting again the benefits of active management with a strong focus on capital preservation in volatile market conditions.

During August, the largest contributors to performance were: Albioma (+1.31%), Boozt (+1.26%) and Trigano (+0.59%). Ipsos was the largest detractor (-0.10%), followed by Hunter Douglas (-0.10%) and Indra (-0.07%).

There was no specific news on Albioma this month, but the company unveiled its half-year results in late July (see our previous monthly commentary for details). In August, the French government preannounced a €100bn recovery plan for 2021-22, aimed at boosting businesses and revitalising the economy, of which €30bn will be directed towards energy transition efforts. Albioma, as with all green energy producers, benefitted from this development, with its stock price closing the month at €44.45, compared to a low of €23.70 on 16th March.

On the contrary, Boozt had a very eventful month in terms of stock-specific news: delivering impressive Q2 numbers, with adjusted EBIT coming in 15% ahead of the consensus, a record quarterly margin of 11.5% and upgrading their full-year guidance for the second time this summer.

Most of the Q2 margin expansion was due to scale and efficiency gains and provided a glimpse of potential future margins. Due to its strong balance sheet entering H2, Boozt is well placed to capitalise on current consumer trends in the Nordics, as well as adding line extensions through M&A. We would not be surprised to see the company upgrading its guidance for a third time this year when the Q3 numbers are released in November. The company's stock price closed the month at SEK 129.60. This compares to a low point of SEK 36.20 on 25th March.

Following the acquisition of GIMEG on 27th August, Trigano announced the opening of a new campervan manufacturing facility in Italy. Campervans are a rapidly growing market segment and attract a younger clientele than motorhomes. The success of motorhomes globally in the post-lockdown period – a trend that has been well covered in the media – is reflected in the latest market data from both France and Germany, where new registrations rose by 64% and 100% respectively in July, after +58% and +65% in June. This could, of course, be interpreted as the realising of pent up sales following the reopening of dealerships. This being said, looking at the entire season, which runs from 1st September to 31st July, shows that motorhome registrations are up 20.70% in Germany since September 2019, demonstrating that there is more to this increase than the impact of closures during the COVID-19 lockdown. Trigano's stock price closed the month at €106.50. This compares to a low of €43.18 on 18th March.

There is nothing to be reported regarding detractors this month given their very limited impact on performance.

Despite market performance in recent months, we remain prudent and disciplined. As always, we look to purchase shares at a large discount to their intrinsic value and sell when appropriately priced. GMO published a whitepaper in August, stating:

*"Now let me be clear, I don't claim to know the answers to any of the deep imponderables that face the world today. I have no idea what the shape of the recovery will be, I have no idea how easy it will be to get all the unemployed back to work. I have no idea if we will see a second wave of COVID-19 or what we will do if we do encounter such an event. But I do know that these questions exist. And that means I should demand a margin of safety – wiggle room for bad outcomes if you like. Mr. Market clearly does not share my view".*

Follow this [link](#) to view the full whitepaper.



**Bertrand Faure**  
PORTFOLIO MANAGER

## INVESTMENT APPROACH

We believe the Fund's competitive advantage and its key differentiator between it and its peers is the ability to focus on target companies from every angle and leverage the network of relationships and corporate access provided by a number of stakeholders, including founding partners to provide a real understanding of the market share and performance of the investee companies that results in the totality of the investment research being generated internally.

## INVESTMENT OBJECTIVE

To outperform small and medium capitalisation firms in the European equity markets

A sub-fund of E.I. Sturdza plc.  
Registered in Ireland.

## CONTACT

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\* A EUR Class; for detailed performance information based on complete 12-month periods since inception, please refer to page 2



This comment obviously applies more to the US markets, but it clearly resonates more widely and should not be forgotten.

As always, we invite investors, or prospective investors, in the Fund to discuss the opportunities with the investment team if they would like to understand the team’s views on the current situation and the positions held in the portfolio.

**PERFORMANCE DATA** As at end of August 2020

**CUMULATIVE PERFORMANCE %**

	1M	3M	1Y	2Y	3Y	5Y	Fund Inception
A EUR Class	5.08	11.48	15.31	6.71	3.65	42.43	35.94
B EUR Class	4.92	10.97	14.12	6.14	3.61	42.58	36.07
STOXX Europe 600 NR EUR	3.06	5.19	-1.29	0.93	6.07	15.62	8.38

**CALENDAR YEAR PERFORMANCE %**

	YTD 2020	2019	2018	2017	2016	Annualised Inception
A EUR Class	5.04	24.41	-24.86	22.80	13.55	5.93
B EUR Class	3.77	25.04	-24.48	23.17	13.55	5.95
STOXX Europe 600 NR EUR	-10.30	26.82	-10.77	10.58	1.73	1.52

Source: Morningstar.

**Past performance is not an indicator of future performance.**

**AWARDS**



Morningstar Sustainability Rating

Out of 731 Europe Equity Mid/Small Cap funds as of 30/06/2020. Based on 94.82% of AUM. Data is based on long positions only.

See Awards Disclaimer on last page.



## IMPORTANT INFORMATION

The views and statements contained herein, including those pertaining to contribution analysis are those of Pascal Investment Advisers SA in their capacity as Investment Adviser to the Fund as of 03/09/2020 and are based on internal research and modelling.

Please contact [info@eisturdza.com](mailto:info@eisturdza.com) should you wish to have an update call with the investment team.

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## MORNINGSTAR DISCLAIMER

The Strategic European Smaller Companies Fund received a 4-star Overall Morningstar Rating and a 4-star 5-year Morningstar Rating (A EUR Class). Morningstar Ratings™ as of 31/08/2020.

The Strategic European Smaller Companies Fund received a 3 Globe Morningstar Sustainability Award. The Morningstar® Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund's portfolio holdings are managing their financially material environmental, social and governance, or ESG, risks relative to the fund's Morningstar Global Category peers. 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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