



Nippon Growth (UCITS) Fund

September 2020 Fund Commentary

MARKET DEVELOPMENT

During September, the Japanese stock market continued to rise slightly with the TOPIX up 0.5% MoM and the Nikkei 225 up 0.2% MoM. At the same time the major US stock indices fell for the first time in six months. The NASDAQ reached an all-time high of 12,056 on 2nd September, before declining for three consecutive weeks, entering into correction territory with a drop of just over 10%. By comparison, the Japanese markets were solid.

Expectations for the development of a COVID-19 vaccine and economic recoveries at home and abroad supported the markets. On 10th September, the Tokyo Metropolitan Government lowered its coronavirus alert level, and on 14th September, Mr. Yoshihide Suga won the election convincingly, succeeding Abe as the head of the LDP, with the support of the major political factions. On 16th September, the Suga administration was established. He is expected to maintain the previous government's economic policies. Prioritising the reopening of the economy, Prime Minister Suga eased event restrictions and, in order for those travelling to and from Tokyo to be eligible for the Go-To-Travel campaign subsidy, allowed travel to and from the Capital. On 30th September, the Japanese stock markets declined suddenly, with US stock futures falling sharply in reaction to the view that Joe Biden had come out ahead in the first presidential debate on 29th September. Small cap indices such as the TOPIX Small (up 4.9% MoM) and the JASDAQ index (up 3.3% MoM), which are less affected by conditions overseas, outperformed the TOPIX, and the TSE Mothers index reached a new YTD high (up 9.4% MoM).

Of the TSE's 33 sectors, 16 sectors gained during the month. The best five performers were Marine Transportation, Precision Instruments, Services, Miscellaneous Manufacturing and Metal Products, while the bottom five performers were Mining, Oil, Air Transportation, Insurance and Securities.

MARKET OUTLOOK

The Japanese economy is recovering steadily. Industrial production during August rose 1.7% MoM, exceeding the market forecast of +1.4% MoM, with shipments up 2.1% MoM and inventories down 1.4% MoM. The government expects industrial production to increase 5.7% MoM in September and a further 2.9% MoM in October. Retail sales in August rose 4.6% MoM on a seasonally adjusted basis. Machine tool orders, a leading indicator for capex, began to show a remarkable recovery. Machine tool orders for September were JPY84.1 billion which is the highest since December 2019 on a monthly basis, and 64.2% higher than the low of JPY51.2 billion in May, but -15% YoY. Notably, orders from abroad recorded their first YoY increase in two years. Domestic orders are expected to catch up to exports fairly soon judging from the recent production trend in the automobile industry.

In the Economy Watchers Survey of Business, the overall current conditions DI for September rose sharply by 5.4 points from August to 49.3, well above the pre COVID-19 level. The outlook DI for the economy for the next two to three months also improved significantly, 5.9 points MoM, as expectations of the benefits from the government's Go-To-Travel campaign are heightened. Recovering economic activities are also filtering down to basic industries. On 7th October, the Ministry of Economy, Trade and Industry (METI) announced its forecast that crude steel production in Japan for the Oct-Dec quarter would increase 2.2 million tons (up 12%) QoQ to 21.1 million tons, resulting in 82.2 million tons for CY2020, higher than



Yutaka Uda
PORTFOLIO MANAGER



Maiko Uda
ASSISTANT PORTFOLIO
MANAGER

INVESTMENT APPROACH

Access to Mr. Yutaka Uda's 40 years' investment experience in Japanese equities. Portfolio construction combines the long term macroeconomic view of the Investment Adviser with a bottom up perspective of stock research based on fundamental analysis.

INVESTMENT OBJECTIVE

To achieve long-term capital growth through active sector allocation and stock selection resulting from changes in economic conditions.

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

CONTACT

E.I. Sturdza Strategic
Management Limited
+44 1481 722 322
info@ericsturdza.com
ericsturdza.com



Nippon Steel's (5401) suggestion of below 80 million tons. Meanwhile, we believe operating profits for the steel industry should show a sharp upturn from the large deficits seen in the first half of FY2020 (Apr-Mar) to some profits in the second half of FY2020.

According to Nomura, valuations of the steel sector are very cheap with PBR 0.44x against the TOPIX average of 1.28x as of the end of FY2019. Should infrastructure spending increase worldwide (which we believe it will) for the coming years, basic industries such as the steel sector should attract investor's interest.

We continue to be very bullish on the Japanese stock market for the medium term, although we could see some volatility following the US Presidential election in the short term.

PORTFOLIO STRATEGY

The net asset value per unit for the Nippon Growth (UCITS) Fund on a Japanese Yen basis as of 30 September 2020 declined 0.2% compared with that of 31 August whilst the TOPIX went up 0.5% during the same period. The Fund added no new names to the portfolio with no stocks sold out.

The Fund continues to be overweight in economically sensitive sectors with cheap valuations such as trading companies, construction, real estate and banking, while defensive sectors such as foods, pharmaceuticals and utilities continue to be avoided.

PERFORMANCE DATA* As at end of September 2020

CUMULATIVE PERFORMANCE %

	1M	1Y	3Y	5Y	10Y	15Y	Fund Inception	Strategy Inception
A JPY Class	-0.16	-5.09	-10.12	3.56	69.68	2.39	57.01	90.73
TOPIX PR JPY	0.45	2.37	-2.94	15.19	95.96	15.10	78.90	40.71
Nikkei 225 Average PR JPY	0.20	6.57	13.90	33.34	147.46	70.80	125.82	105.63

CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	2018	2017	2016	2015	Annualised Inception
A JPY Class	-13.23	19.10	-20.67	20.88	-2.21	3.16	3.44
TOPIX PR JPY	-5.57	15.21	-17.80	19.69	-1.85	9.93	1.80
Nikkei 225 Average PR JPY	-1.99	18.20	-12.08	19.10	0.42	9.07	3.85

* Source: Morningstar. Past performance is not an indicator of future performance.



* In 2001, the Nippon Growth Fund was authorised by the Guernsey Financial Services Commission as an open ended collective investment scheme using the same strategy as the Fund. Performance since the 22 October 2009 is that of the Nippon Growth (UCITS) Fund.

IMPORTANT INFORMATION

The views and statements contained herein are those of Evarich Asset Management in their capacity as Investment Advisers to the Funds as of 14/10/2020 and are based on internal research and modelling.

© 2020 Morningstar. All Rights Reserved. The information contained herein where relative to Morningstar: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Source & Copyright:

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.

BLOOMBERG DISCLAIMER

Data presented herein is obtained via Bloomberg PORT where stated. Any such data is subject to change from the date of production of this document. Such changes may impact upon comparative data between the investment and benchmark presented. Such information therefore is provided for reference purposes only, is subject to change and should not be relied upon for an investment decision.

TOPIX DISCLAIMER

The TOPIX Index Value and the TOPIX Trademarks are subject to the intellectual property rights owned by the Tokyo Stock Exchange, Inc. and the Tokyo Stock Exchange, Inc. owns all rights and know-how relating to the TOPIX Index such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Trademarks. The Tokyo Stock Exchange, Inc. shall reserve the rights to change the methods of calculation or publication, to cease the calculation or publication of the TOPIX Index Value or to change the TOPIX Trademarks or cease the use thereof. The Tokyo Stock Exchange, Inc. makes no warranty or representation whatsoever, either as to the results stemmed from the use of the TOPIX Index Value and the TOPIX Trademarks or as to the figure at which the TOPIX Index Value stands on any particular day. The Tokyo Stock Exchange, Inc. gives no assurance regarding accuracy or completeness of the TOPIX Index Value and data contained therein. Further, the Tokyo Stock Exchange, Inc. shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Index Value. The Licensed Products are not in any way sponsored, endorsed or promoted by the Tokyo Stock Exchange, Inc. The Tokyo Stock Exchange, Inc. shall not bear any obligation to give an explanation of the Products or an advice on investments to any purchaser of the Products or to the public. The Tokyo Stock Exchange, Inc. neither selects specific stocks or groups thereof nor takes into account any needs of the issuing company or any purchaser of the Products, for calculation of the TOPIX Value Index. Including but not limited to the foregoing, the Tokyo Stock Exchange, Inc. shall not be responsible for any damage resulting from the issue and sale of the Products.

GENERAL DISCLAIMER - APPLICABLE TO UK DOMICILED RECIPIENTS

This communication is issued in Guernsey by E.I. Sturdza Strategic Management Limited which is regulated by the Guernsey Financial Services Commission. Any investments or investment services mentioned in this

communication are not intended for retail customers. Consequently, this communication is only made available to professional investors and eligible counterparties and should not be relied upon by any person that does not possess professional experience in relation to investments. If you are in any doubt as to whether you possess suitable experience in relation to investments please consult your financial adviser. Past performance is no guarantee of future results. Under no circumstances should this document be forwarded to anyone in the United Kingdom who is not a professional client or eligible counterparty as defined by the Financial Conduct Authority. For the purpose of distribution in the United Kingdom this material has been issued by E.I. Sturdza Investments Limited, Claridge House, 32 Davies Street, London, W1K 4ND which is an appointed representative of Mirabella Advisers LLP which is authorised and regulated by the Financial Conduct Authority. Further this communication is not an offer or an invitation to purchase financial instruments but intended as information. The information contained in this communication does not represent a research report. E.I. Sturdza Strategic Management Limited has not considered the suitability of investment against your individual needs and risk tolerance. Shares in the Fund should only be purchased by persons with professional experience and investors should refer to the Fund Prospectus and/or KIID for detailed information about potential risks involved in investing in financial instruments as well as the latest half yearly report and unaudited accounts and/or annual report and audited accounts. The information contained herein is estimated, unaudited, may be subject to change and reflects the performance of the relevant fund offered by E.I. Sturdza Strategic Management Limited during the period indicated. Any opinions or estimates expressed herein are at the date of preparation and are subject to change without notice; however no such opinions or estimates constitute legal, investment, tax, or other advice. Individual performance of the Fund may vary and historical data is not an indication of future results. The value of the Fund and the income which may be generated from it can go down as well as up and therefore investors must be able to bear the risk of a substantial impairment or loss of their entire investment. This document is intended for information purposes only and is not intended as an offer or recommendation to buy, sell or otherwise apply for shares in the Fund. E.I. Sturdza Strategic Management Limited, 3rd Floor, Frances House, Sir William Place, St Peter Port, Guernsey GY1 1GX. Part of the Eric Sturdza Banking Group. Company Registration Number: 35985.

DISCLAIMER - SWISS DOMICILED RECIPIENTS

E.I. Sturdza Funds Plc and its sub-funds are Irish funds authorized by the Irish Central Bank. They are approved for distribution in Switzerland by FINMA. The Swiss representative and paying agent is Banque Eric Sturdza SA, rue du Rhône 112, 1204 Geneva / Switzerland. Investors should refer to the fund prospectus and/or KIIDs for detailed information about potential risks associated with investments in financial instruments as well as the latest half yearly report and unaudited accounts and/or annual report and audited accounts. The prospectus, KIIDs, Articles of association, semi-annual and annual reports of E.I. Sturdza Funds Plc can be obtained, free of charge, at the seat of the Swiss representative, Banque Eric Sturdza SA. The information contained herein is estimated, unaudited, may be subject to change and reflect the performance of the relevant funds during the period indicated. Any opinions or estimates expressed herein are at the date of preparation and are subject to change without notice. No such opinions or estimates constitute legal, investment, tax or other advice. Individual performance of the funds may vary and historical data is not an indication of future results. The value of the funds and the income which may be generated from it can go down as well as up and therefore investors must be able to bear the risks of a substantial impairment or loss of their entire investments. Past performance is no guarantee of future results. Performance data do not take into consideration commissions and costs charged at the time of issuance and/or redemption of the shares. This document is intended for information purposes only and is not intended as an offer or recommendation to buy, sell, or otherwise apply for shares in the funds.