



Strategic European Smaller Companies Fund

October 2020 Fund Commentary



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PORTFOLIO MANAGER

During October the EuroStoxx 600 declined 5.11%, with the largest move concentrated in the last week of the month (-5.53%). A general nervousness was apparent in the markets with the US election looming, combined with several European countries announcing further lock down measures. The Fund returned -4.17%* for October in this difficult macro environment, compared to -5.11% for its benchmark, and continues to significantly outperform on a year to date basis by 20.24%.

The largest contributors to the October performance were: Boozt (+0.60%), Iliad (+0.24%) and Saf-Holland (+0.19%). Trigano was the largest detractor (-0.73%) during the month, followed by Spie (-0.69%) and Barco (-0.65%).

2020 has been an excellent year for Boozt and the Fund; the position has been in the top three contributors to Fund performance six months out of ten. We mentioned in the August letter that 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". We did not have to wait as long as anticipated due to a margin upgrade on 7th October. This did not prevent the company from releasing a 4th consecutive upgrade for the year in connection with the Q3 report due to a good start in Q4. Boozt emphasised that its 2020 performance has been helped significantly by COVID-19. Some effects may be reversed in 2021, but the structural migration to online sales and improved operational efficiencies should remain supportive given the recent inflow of customers, category expansion and anticipated M&A.

Iliad performed very well in October with three significant and favourable developments:

- 1) The French 5G spectrum auction closed after only 3 days, and as expected, operators proved rational with a final price/Mhz-pop of €13.5c - 20% lower than the comparable cost in Germany and 60% below that of Italy.
- 2) Iliad received antitrust approval for its anticipated acquisition of Play Communications in Poland and sold 60% of the Play infrastructure network for €804M, partially financing and de-risking the transaction.
- 3) The pricing environment in France for both ADSL and mobile offering continues to rise.

Saf-Holland released preliminary strong Q3 numbers indicating that "if the business climate continues to improve as it has in recent weeks, an adjusted EBIT margin above the currently expected range of 3 to 5 per cent is feasible."

On the detractor side, the Fund declined at the end of the month on the back of fears relating to the reintroduction of lock down measures across Europe: Trigano by the possible closures of dealerships in France; Spie by restrictions on public work activity; and Barco by the wave of theatre closures throughout the entire continent. As mentioned on a number of occasions, our view remains that the latest measures, particularly in France, are far less restrictive than those imposed in spring and as such, we do not expect the new lockdown to significantly impact the activity of the vast majority of the Fund's investments.

It is also pertinent to comment on the first week of November, following the results of the US election where the EuroStoxx 600 rebounded by 7.05%. To date, the Fund has managed to capture this move gaining 7.42% in the first week of November taking the year to date return to +11.90%. Pfizer's announcement on Monday 9th November that they have a vaccine that, through a large study, has shown to prevent 90% of COVID-19 infections, will undoubtedly trigger substantial rotations in the weeks and months to come. We believe that the Fund is ideally positioned to benefit from such a trend, having significantly reduced its exposure to companies benefiting from the pandemic recently.

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



On the HR front, Vincent Normant has decided to pursue another career opportunity after seven years with us. We would like to thank him for all his contributions to the firm, both professional and personal, and wish him good luck for the next step in his career. We are in the late stages of hiring a new research analyst to join the Investment Team who will start on 1st January 2021.

As always, we invite investors and prospective investors, to contact us should they wish to understand our views on the current situation and the positions held in the portfolio.

PERFORMANCE DATA As at end of October 2020

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	2Y	3Y	5Y	Fund Inception
A EUR Class	-4.17	4.22	11.33	17.74	-3.11	39.13	34.82
B EUR Class	-4.13	3.90	9.91	16.83	-3.37	39.05	34.75
STOXX Europe 600 NR EUR	-5.11	-3.58	-11.86	-0.37	-6.27	4.32	1.40

CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	2018	2017	2016	Annualised Inception
A EUR Class	4.17	24.41	-24.86	22.80	13.55	5.59
B EUR Class	2.76	25.04	-24.48	23.17	13.55	5.58
STOXX Europe 600 NR EUR	-16.07	26.82	-10.77	10.58	1.73	0.25

Source: Morningstar.

Past performance is not an indicator of future performance.

AWARDS



Morningstar Sustainability Rating

Out of 737 Europe Equity Mid/ Small Cap funds as of 30/09/2020. Based on 97.22% 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 09/11/2020 and are based on internal research and modelling.

Please contact info@ericsturdza.com should you wish to have an update call with the investment team.

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The Strategic European Smaller Companies Fund received a 3-star Overall Morningstar Rating and a 3-star 5-year Morningstar Rating (A EUR Class). Morningstar Ratings™ as of 31/10/2020.

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 31/08/2020. Sustainability Rating as of 30/09/2020. Sustainability provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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