



Sturdza Family Fund

October 2020 Fund Commentary

MARKET DEVELOPMENT

During the first two weeks of October, world equity markets continued their ascent on the back of reinvigorated investor sentiment. The promise of a vaccine coupled with a flurry of trading activity and improving macro data releases in certain developed regions were the main tailwinds behind the change in sentiment. However, a gradual yet aggressive surge in COVID-19 cases amid less promising macro data releases in Europe, the US, and China, coupled with a complex forward-looking political calendar (US election and Brexit) carried enough uncertainty to overpower the early positive sentiment. It is clear that the upcoming events represent key sources of uncertainty, yet insignificant in comparison to the pandemic. A high degree of sensitivity will remain until investors see a tangible vaccine solution emerge. The range of possible market scenarios remains wide, and the potential for a significant rotation out of safety and towards risk could be elevated. As such, it is important to stay disciplined in such an environment. Over the period under review, the MSCI World index declined by 3.1%, the Eurostoxx 50 by more than double that amount (-7.4%) whilst the S&P 500 was slightly more resilient at -2.8%. The dollar index (DXY Index) remained largely flat over the period whilst the generic 30Yr Treasury yield went from 1.46% to 1.66% and the VIX Index went from circa 26.4 to 38.0, attesting to risk aversion heading into the election.

MARKET OUTLOOK

Financial markets have been supported by trillions in additional liquidity provided by central banks, and trillions more in expected support from government programs to individuals and businesses.

The absence of risk-free investments yielding positive real returns will, in our view, likely support global equity markets in general and high-quality companies in particular, in the short to medium term, as they become the natural destination for excess cash. Looking at fundamentals, political and geopolitical risks are also arguably on the rise as the US prepares for a contested election and relations between the US and China continue to deteriorate. The ultimate reaction of the market vis-à-vis these fundamental sources of uncertainty are hard to anticipate given the preponderance of supply/demand vs classic fundamentals in the current markets; however, they do contribute to the cautious approach we have adopted. Furthermore, we believe that active long-term investors may find the coming months particularly challenging. The combination of many large-cap stocks trading at relatively high absolute valuations coupled with the broader market not providing much margin of safety, yields an overall profile prone to sharp risk-off corrections, especially given the amount of potential catalysts going forward.

On the other hand, a lot of uncertainty could rapidly dissipate if any of the many vaccines currently being tested are deemed to be effective, safe and practical. Should this be the case, the equity rally would most certainly look very different from those we have experienced in recent times. The dispersion between factors (i.e. growth vs. value) represents a significant risk as a portion of the premium that "growth plays" have enjoyed could fade as more cyclical deep value "plays" enjoy a period of "catch-up". At the time of publishing, evidence of this has started to materialise following positive initial results from the Pfizer-BioNTech trial.

On balance, and given the objectives and philosophy of the Sturdza Family Fund, we have decided to maintain a less aggressive positioning heading into the last innings of 2020 and remain on the lookout for strong, specific opportunities that meet the Fund's selection



Eric I. Sturdza
PORTFOLIO MANAGER



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PORTFOLIO MANAGER

INVESTMENT APPROACH

An active and flexible investment process, managing a mixed asset investment portfolio predominantly comprised of equities and fixed income investments. Investing directly or indirectly, between 51-81% in global equities or equity related instruments and between 20-49% in fixed income instruments. Focusing on strong growth companies that the Investment Adviser deem to be underappreciated by the market, whilst fixed income investments will be selected based on global macro economic analysis and evaluation of central banks' policies.

INVESTMENT OBJECTIVE

To achieve capital appreciation over the long term.

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

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criteria. The overall asset allocation could be subject to revision should any significant development change our risk perception.

PORTFOLIO DEVELOPMENT

During October, the Fund returned -2.8% (SI class). In terms of total return, the equity book fell by approx. 4.5% whilst the Fixed Income book also saw a slightly negative return for the period of approx. -0.7%.

In contributions terms, Alphabet was the largest positive contributor (ca. +0.17%), followed by Nidec (ca. +0.11%) and Thermo Fisher (ca. +0.10%). On the other hand, the greatest detractors were SAP (-0.49%), followed by Deutsche Boerse, (ca. -0.20%) and Worldline (ca. -0.17%). For the Fixed Income book, the shorter dated Treasuries were largely flat over the period whilst the exposure to longer dated instruments contributed slightly negatively over the period, both 30 Year TIPS and 30 Year USTs returning -0.05%

Given the Fund's strategy and the amount of uncertainty still facing the markets, the overall asset allocation (without accounting for derivatives) remained close to 60% for Equities, approximately 32% for Fixed Income and the remainder in cash and equivalents. The main objectives behind this approach are to: (1) protect our shareholders from any aggressive decline impacting equity markets; (2) be able to seize such opportunities to reinvest and (3) still have enough exposure to capture a large portion of any given upside.

PERFORMANCE DATA As at end of October 2020

CUMULATIVE PERFORMANCE %

| | 1M | 3M | 1Y | Fund Inception |
|---------------------|-------|-------|------|----------------|
| B USD Class | -2.83 | -1.16 | 6.56 | 19.63 |
| SI USD Class | -2.80 | -0.91 | 7.97 | 23.06 |
| Benchmark Composite | -1.94 | -0.37 | 5.26 | 17.71 |

CALENDAR YEAR PERFORMANCE %

| | YTD 2020 | 2019 | Annualised Inception |
|---------------------|----------|-------|----------------------|
| B USD Class | 4.20 | 18.02 | 9.98 |
| SI USD Class | 5.28 | 20.16 | 11.65 |
| Benchmark Composite | 1.71 | 18.67 | 9.04 |

Past performance is not an indicator of future performance.



IMPORTANT INFORMATION

The views and statements contained herein are those of Banque Eric Sturdza SA in their capacity as Investment Advisers to the Funds as of 12/11/2020 and are based on internal research and modelling.

WARNING

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