



Strategic China Panda Fund

November 2020 Fund Commentary



Lilian Co
Portfolio Manager

The stock market was characterised by acute sector rotation from the new economy to old economy last month. The bombed-out cyclicals took a bullish turn in early November following the news of encouraging results of a COVID-19 vaccine from Pfizer. Although the MSCI China Total Return index returned +2.8% during the month, performance across sectors was divergent, with internet stocks (a beneficiary of the pandemic) down MoM while banking, automobile, airline, retailers and Macau gaming stocks rallied. The last-minute cancellation of the Ant Group IPO and news that anti-trust laws were being drafted, targeting the internet sector also exacerbated the selloff within the sector.

Sino-US relations have not improved, even though Donald Trump lost the Presidential election. The US continues to take a hard-line approach towards China as a final attempt to contain the latter. Donald Trump signed an executive order to ban US pension and investment funds from investing in 31 Chinese companies (including a number of names in the MSCI China index) allegedly associated with the Chinese military. It remains to be seen if Joe Biden, the US President elect, will adopt an alternative approach towards China when he takes office next year. Our view is that he is unlikely to escalate tensions further, and so consider his win to be positive for China.

Domestically, the Government still advocates boosting consumption in order to drive an economic recovery. In a recent speech, Premier Li called for more subsidies from local governments to the auto and home appliance industries. We would not be surprised if further supportive policies are implemented should the economic recovery stall.

The Fund returned +4.2%* in November, outperforming the index by 1.4%. The Fund's underweight in Tencent and Alibaba added value. The shift in sentiment favouring the "old economy" lifted share prices for retail, property and shipping names that are overweight in the portfolio. We took this opportunity to add internet stocks, buying into the weakness and topped up consumer stocks that are expected to be beneficiaries of the vaccine.

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 Funds plc.

Registered in Ireland.

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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 November 2020

Cumulative Performance %

| | 1M | 3M | 1Y | 3Y | 5Y | 10Y | Fund Inception |
|-------------------|------|------|-------|-------|-------|--------|----------------|
| A USD Class | 4.19 | 1.65 | 28.44 | 20.23 | 89.25 | 104.96 | 320.88 |
| B USD Class | 4.24 | 1.77 | 29.08 | 22.03 | 94.46 | 108.90 | 328.97 |
| MSCI China NR USD | 2.77 | 5.25 | 36.50 | 28.62 | 93.62 | 101.20 | 208.34 |

Calendar Year Performance %

| | YTD 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | Annualised Inception |
|-------------------|----------|-------|--------|-------|-------|-------|----------------------|
| A USD Class | 17.12 | 28.58 | -21.37 | 62.99 | -2.43 | -1.49 | 12.55 |
| B USD Class | 17.66 | 29.20 | -20.97 | 64.04 | -1.94 | -0.67 | 12.72 |
| MSCI China NR USD | 26.01 | 23.46 | -18.88 | 54.07 | 0.90 | -7.82 | 9.70 |

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Ratings & Awards



Morningstar Sustainability Rating

Out of 1,662 Greater China Equity funds as of 31/10/2020. Based on 87.95% of AUM. Data is based on long positions only.

See Awards Disclaimer on last page.

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 14/12/2020 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 (B USD Class) received a 4-star Overall Morningstar Rating and a 4-star 10-year Morningstar Rating (B USD Class). Morningstar Ratings™ as of 30/11/2020.

The Strategic China Panda fund received a 5 Globe Morningstar Sustainability Award. Out of 1,662 Greater China Equity funds as of 31/10/2020. Based on 87.95% of AUM. Data is based on long positions only. Historical Sustainability Score as of 30/09/2020. Sustainability Rating as of 31/10/2020. Sustainability provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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