



Strategic European Silver Stars Fund

November 2020 Fund Commentary



Bertrand Faure
Portfolio Manager

2020 has been a year of complexity. Eleven months in and the markets continue to surprise, with a significant rebound following the previous month's decline. We are pleased to report that the Fund successfully navigated these unpredictable markets returning +16.55% in November, the highest monthly return since inception. We will detail the main contributors below as per usual, however we also believe that it is important to address the bigger picture. As we approach 2021, investors should be asking where they expect to find returns next year. It is our view that the winners of 2021 will not be the same companies that we have benefited from so strongly in 2020. The Fund's investment process, consistently utilised since inception, equips us superbly to take advantage of the significant opportunities that we expect to see again next year.

The EuroStoxx 600 declined 5.53% in the last week of October on concerns of the impact of further lockdowns across Europe. In complete contrast, November saw markets rally by 13.84% fuelled by announcements of multiple potential coronavirus vaccines, combined with the result of the US election. The +13.84% performance nearly surpassed the previous monthly record from April 2009 (+14.27%) in the aftermath of the global financial crisis. This gain enabled the benchmark to mitigate a significant proportion of its 2020 losses, taking the YTD return to -4.46% at the end of November. The value and cyclical sectors that saw some of the highest losses in Q1, have produced some of the largest gains in November, whilst many of the stocks that have benefited from the lockdowns, and produced brilliant results for the last six months, have been under pressure in November.

The Fund's strong November performance takes the year to date return to +21.42%*, outperforming the benchmark by +25.88%. We have not become experts at macroeconomics, masters of epidemiology, nor have we started visiting casinos. The Fund continues to operate in exactly the same way it always has; investing in companies for the long term based on the difference between how we fundamentally value a company and its market price.

The strong year to date performance has been on the back of stocks such as Albioma and Boozt. The latter is a great example: 2020 has been a fantastic year for this company; being part of the top three contributors in six out of the first ten months this year. Its stock price is up over 200% year to date, or even more impressively over 350% since the March lows. Even though Boozt has consistently upgraded its outlook (six times so far this year, the most recent after a strong November, Black Friday week specifically), forcing us to revise our assumptions and fundamental value appreciation, such a share price rally has inevitably reduced the upside potential. We have therefore reduced the size of this position from over 8% at peak to circa 2.5% today. The reduction in Boozt and other stocks that have performed exceedingly well, has led to a rebalancing of the portfolio over the last couple of months. These changes, as a result of bottom up selection, have tended to shift the portfolio away from pandemic winners towards companies more exposed to an economic recovery.

Although the market and Fund have produced such high monthly returns in November, it is anticipated that significant upsides still lie in the portfolio. The names we have been increasing over the last few months, which now represent the largest exposures, have done exceptionally well in November. However, to keep this in context, they still remain down overall year to date. As such, we believe the market still substantially undervalues their business model resilience and free cash flow generation potential. This, in our opinion, is without any doubt what will contribute to the Fund's 2021 performance as this potential has barely been tapped in recent weeks.

The largest contributors to the performance in November were: Ipsos (+2.61%), Spie (+1.46%) and Bekaert (+1.46%). The reasons are extremely similar for all three companies: better than anticipated Q3 results highlighting strong business resilience throughout 2020 and staggering free cash flow generation, leading to material earnings and recommendation upgrades by brokers. Unsurprisingly in a month with markets up so strongly, JustEatTakeaway was the only detractor (-0.29%).

Ipsos, the Fund's largest position since the end of July 2020, has contributed strongly to the Fund's performance this year with the stock up 27.5% in November. The Q3 results, published in October, were largely ignored by the markets at the time, a mystery for us given how strong they were: operating margin flat after 9 months vs. 2019, €180m free cash flow over 9 Months (market cap was circa €900m

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 Funds plc.

Registered in Ireland.

Contact

E.I. Sturdza Strategic Management Limited

+44 1481 722 322

info@ericsturdza.com

ericsturdza.com

* A EUR Class; for detailed performance information based on complete 12-month periods since inception, please refer to page 3.

when unveiled) – 20% Free Cash Flow yield over 9 Months! The November return came on the back of the market rotation, but also from several brokers’ upgrades when the company confirmed that the second lockdown, contrary to the first, had limited impact on their business. Today, despite the 27.5% move in November and the 70% return since the March lows, the stock is still down 16% on its January 2020 highs. We still see an opportunity for this stock to achieve significant returns.

Spie’s business model has once again demonstrated its resilience during the pandemic. Organic revenues only fell 6.4% over the first 9 months of 2020. The EBITA margin contracted slightly (-50bp to 5.6% in Q3) thanks to a flexible cost structure. This, coupled with impressive debt management and the prospect of a relatively rapid return to ‘normal’ propelled the stock price by 26.5% in November. In the future, Spie should benefit from its strong ‘green’ exposure (35% of FY19 revenues derived from activities contributing to the fight against climate change) and significant exposure to the recovery programs recently unveiled by France and Germany.

Bekaert is a new position for the Fund, initiated in October. The Belgium based company produces steel wire products, ropes and coating technologies. 85% of the business is rubber reinforcement - predominantly for tyres, and the oil & gas industries. The company was a strong contributor in November with the stock up 40.7% following its Q3 trading update. The business saw large rebounds in Asia, and China in particular, and the margin recovery was much stronger than anticipated. Bekaert expects FY20 EBIT to be close to FY19 (€242m), which means significant earnings upgrades from brokers given that the consensus stood at €196m preannouncement. Margins benefitted significantly from cost cutting and mix improvement actions. Some brokers labelled the Q3 numbers as “a turning point”, but we feel that they now have no other choice but to admit they overlooked the company if they do not want to be left behind the curve.

There is no specific news to report about JustEatTakeaway this month; the stock experienced a small impact from the sector rotations in markets.

We are also pleased to advise investors of some updates to the Fund which you may have seen in the recent press release, available here: ericsturdza.com/insights/european-fund-changes.

The name of the Fund is being changed to the Strategic European Silver Stars Fund and some updates are being made to closer align the prospectus with the Fund. There are no changes to the investment process or how the Fund is managed. ‘High Conviction & Concentration’ and ‘Discipline & Prudence’ remain the pillars of the investment philosophy.

The liquidity terms have been improved, enabling investors to trade on a daily, rather than weekly basis, with one day’s notice for subscriptions and five days’ notice for redemptions, increasing flexibility for investors. Market capitalisation constraints have also been removed. The bias towards small and mid-cap companies stem from our fundamental 360-degree private equity style proprietary research, rather than being the result of a specific restriction in the mandate, and consequently this bias will remain.

If you have any questions on the updates to the prospectus, positioning of the Fund or would like to further detail on our views please do not hesitate to contact us.

Performance Data As at end of November 2020

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	2Y	3Y	5Y	Fund Inception
A EUR Class	16.55	15.60	25.18	43.23	16.93	57.46	57.14
B EUR Class	16.60	15.46	23.59	42.12	16.61	57.43	57.11
STOXX Europe 600 NR EUR	13.84	6.51	-2.42	14.55	8.90	15.51	15.43

CALENDAR YEAR PERFORMANCE %

	YTD 2020	2019	2018	2017	2016	Annualised Inception
A EUR Class	21.42	24.41	-24.86	22.80	13.55	8.45
B EUR Class	19.82	25.04	-24.48	23.17	13.55	8.44
STOXX Europe 600 NR EUR	-4.46	26.82	-10.77	10.58	1.73	2.61

Source: Morningstar.

Past performance is not an indicator of future performance.

Ratings & 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 01/12/2020 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.

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.

MORNINGSTAR DISCLAIMER

The Strategic European Silver Stars Fund received a 4-star Overall Morningstar Rating and a 4-star 5-year Morningstar Rating (A EUR Class). Morningstar Ratings™ as of 30/11/2020.

The Strategic European Silver Stars 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. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

© 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.

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.

STOXX DISCLAIMER

STOXX Limited ("STOXX") is the source of STOXX Europe 600 NR EUR and the data comprised therein. STOXX has not been involved in any way in the creation of any reported information and does not give any warranty and excludes any liability whatsoever (whether in negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in STOXX Europe 600 NR EUR or its data. Any dissemination or further distribution of any such information pertaining to STOXX is prohibited.

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.