



Strategic China Panda Fund

December 2020 Fund Commentary



Lilian Co
Portfolio Manager

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.

Contact

E.I. Sturdza Strategic Management Limited

+44 1481 722 322

info@ericsturdza.com

ericsturdza.com

The existing bullish sentiment extended into December. Positive vaccine news continued to excite investors despite the resurgence of COVID-19 cases globally and the escalating pressure from the US on China. The MSCI China (total return) and the CSI300 finished the last month of the year with gains of 2.8% and 5.1% respectively. Despite a short-term shock in the first quarter, COVID-19 turned out to be beneficial to stock markets, as it has led to unprecedented quantitative easing and fiscal stimulus across the major economies. The MSCI China (total return) and CSI300 ended the year up 29.5% and 27.2% respectively. This was the second consecutive year of positive returns for China markets. During the month, Auto, Property Management, Technology, Healthcare and Consumption outperformed while Internet, Property and Banks underperformed.

Pressure from the US on China continued to intensify in Donald Trump's remaining days as the US President. Following an executive order from the Trump administration, the FTSE and the MSCI announced the removal of a number of Chinese companies from their indices under a US sanction in association with the Chinese military. The US will add another 80 companies, including SMIC, to the blacklist of companies that will be denied access to US technology.

The Politburo meeting in December set the tone for economic targets in 2021. It emphasised both supply and demand reforms to support the "dual circulation" development model and called for the strengthening of anti-monopoly efforts. The hawkish tone on the Real Estate sector was removed (which is a positive to the sector). It mentioned that counter-cyclical policy fine-tuning would moderate as the economy normalises post COVID-19. This suggests that the supportive policies introduced in 2020 would be phased out gradually. We see this as a potential risk to the equity markets in 2021.

The Internet sector sold off again following the news that Alibaba is being investigated by the Chinese authority for violating anti-trust laws. We remain positive though. Regulatory oversight is not new in China. Online Gaming and Education sectors went through regulatory scrutiny a few years ago, the industries suffered initially, but the market leaders gained market share and emerged stronger in the end. We do not believe that it will be any different for Alibaba. That said, Alibaba is likely to be dead money until the investigation is over.

The Healthcare sector, especially bio-tech names, rebounded on milder than expected price cuts on the new drugs added to the national reimbursement drug list (NRDL). All domestic PD-1 products were added to the list while products from MNCs were excluded due to uncompetitive pricing. Handset component stocks also had a good run as the market began to anticipate the recovery of smartphone shipments in 2021.

The Fund climbed 4.8%*, outperforming the benchmark by 2.1% in December. The overweight in Consumer Durable (mainly retail brands), Technology Hardware and Pharmaceutical sectors were the largest contributors to outperformance. The relative underweight in Alibaba, which was affected by the above mentioned anti-trust investigation, also added value. In terms of stock movements, Banks were added to the portfolio, in addition to Internet stocks, with Macau Gaming and Auto exposure also increasing.

* 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 December 2020

Cumulative Performance %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
A USD Class	4.84	10.72	22.78	24.14	97.43	109.29	341.24
B USD Class	4.90	10.88	23.43	26.03	102.74	113.44	349.98
MSCI China NR USD	2.77	11.20	29.49	29.69	101.61	108.25	216.87

Calendar Year Performance %

	YTD 2020	2019	2018	2017	2016	2015	Annualised Inception
A USD Class	22.78	28.58	-21.37	62.99	-2.43	-1.49	12.89
B USD Class	23.43	29.20	-20.97	64.04	-1.94	-0.67	13.07
MSCI China NR USD	29.49	23.46	-18.88	54.07	0.90	-7.82	9.88

Past performance is not an indicator of future performance.

Ratings & Awards



Morningstar Sustainability Rating

Out of 1,694 Greater China Equity funds as of 30/11/2020. Based on 90.95% 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 13/01/2021 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 3-star Overall Morningstar Rating and a 4-star 10-year Morningstar Rating (A USD Class). Morningstar Ratings™ as of 31/12/2020.

The Strategic China Panda fund received a 5 Globe Morningstar Sustainability Award. Out of 1,694 Greater China Equity funds as of 30/11/2020. Based on 90.95% of AUM. Data is based on long positions only. Historical Sustainability Score as of 31/10/2020. Sustainability Rating as of 30/11/2020. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

© 2021 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.

Morgan Stanley Capital International Disclaimer

Copyright Morgan Stanley Capital International, Inc. 2021. All Rights Reserved. Unpublished. PROPRIETARY TO MORGAN STANLEY CAPITAL INTERNATIONAL INC.

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.