



Strategic European Silver Stars Fund

January 2021 Fund Commentary



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Portfolio Manager

Those looking at the January month end numbers may think it was a quiet month where not a lot happened; the benchmark ended slightly down (-0.75%) and the Fund slightly outperformed by 0.51%*. The reality was very different for many market participants. The first weeks of the year started off reasonably bullish, supported by optimism for an economic recovery from the pandemic, but it soured quickly with renewed lockdowns, slower than expected vaccine rollouts and fears over more new coronavirus variants.

Then came the day traders' volatility! This caused a significant impact to US stocks and also sent shivers down Europe's spine. According to Goldman Sachs, the GS Equity Fundamental L/S Performance Estimate fell 6.45% between 22nd and 28th January (vs MSCI World TR -1.98%), driven by negative beta and the worst weekly alpha on Goldman Sachs' record. Fundamental Long Short managers experienced the worst weekly alpha drawdown for years, driven by concentrated Shorts and crowded Longs on the back of a severe de-grossing activity, primarily driven by single names.

Overall, there was limited impact on our portfolio compared to many others, predominantly due to investing in less widely held companies. That said, we did notice some strange, unexplained stock price moves in our universe. Some of the Fund's key positions were slightly impacted during the last week of the month with no underlying fundamental reasons as investors reduced the gross exposures across their entire portfolios. Overall, the portfolio saw no significant moves either up or down at month end and there was limited significant fundamental news flow.

The largest contributors to the January performance were: Bekaert (+0.21%), Aubay (+0.19%) and Befesa (+0.16%). Ipsos was the largest detractor (-0.31%) during the month, followed by Barco (-0.28%) and Iliad (-0.28%).

Bekaert was the largest contributor during January with the stock price gaining 4.6%. The move continued the upward trend initiated by the previous release of the Q3 2020 data. The stock was also aided by a positive read-through from Michelin's tyre market data for December 2020 that was released on 19th January. Bekaert's largest business unit is Rubber Reinforcement, that manufactures tyre cord for tyre manufacturers, allowing a direct read through from the Michelin data.

On 28th January Aubay released its FY 2020 sales figures, suggesting the company can close the chapter on past difficulties linked to the COVID-19 pandemic. The consultant utilisation rate for the group was very high in Q4 and the company upgraded its FY 2020 margin target from 9.0% to 9.6%, leading to brokers' upgrades.

There was nothing material to report on Befesa. The stock was up 5.6% in January.

Ipsos, the Fund's largest position, sold off slightly (-4.4%) during January for no apparent reason. To the contrary, there were several positive news releases during the month: (1) in a newspaper interview, the company's CEO mentioned that Q4 sales managed to return to positive organic growth; (2) Ipsos closed 2 acquisitions in January; and (3) several brokers upgraded their target price for the company. We remain extremely optimistic for this large investment and consider that the FY 2020 results due to be published late February could prove to be a powerful catalyst for the share price.

Barco's results announced mid-January came at the lowest end of our expectations. Visibility remains low in the context of lockdowns, favouring working from home and forcing cinemas to remain closed. Barco remains one of the best vehicles to own when those restrictions are lifted.

There is no news to report regarding Iliad during the month.

Markets continue to be very polarized, as they were in 2020. As a result, the idea generation pipeline continues to be abnormally strong. Three new investments were initiated during January, two in Italy and one in Germany. We will share the names and the investment thesis in the coming newsletters once the Fund has these positions fully sized.

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.

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

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* A EUR Class; for detailed performance information based on complete 12-month periods since inception, please refer to page 2.

Performance Data As at end of January 2021

Annualised Return% ¹

	1M	3M	1Y	2Y	3Y	5Y	Annualised Inception
A EUR Class	-0.24	23.18	31.31	23.11	5.40	12.43	9.23
B EUR Class	-0.20	23.31	29.61	22.62	5.30	12.44	9.24
Benchmark	-0.75	15.90	-1.57	7.71	2.69	5.75	2.85

Calendar Year Performance % ²

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception
A EUR Class	-0.24	28.63	24.41	-24.86	22.80	13.55	66.07
B EUR Class	-0.20	26.98	25.04	-24.48	23.17	13.55	66.16
Benchmark	-0.75	-1.99	26.82	-10.77	10.58	1.73	17.52

Source: Morningstar.

¹ Annualised Returns as of the date of the reporting over the defined period. Data less than 1 year is not annualised.

² Calendar Year Returns: Annual Performance for the stated calendar year.

Past performance is not an indicator of future performance.

Ratings & Awards



Morningstar Sustainability Rating

Out of 722 Europe Equity Mid / Small Cap funds as of 31/12/2020. Based on 93.65% 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 02/02/2021 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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Morningstar™ Disclaimer

The Strategic European Silver Stars Fund received a 3-star Overall Morningstar Rating and a 4-star 5-year Morningstar Rating (A EUR Class). Morningstar Ratings™ as of 31/01/2021.

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 30/11/2020. Sustainability Rating as of 31/12/2020. Sustainability provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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