



Strategic China Panda Fund

February 2021 Fund Commentary



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Portfolio Manager

The elation over more southbound buying reached a climax before the Chinese New Year. The MSCI China total return index gained as much as 11.3%, before falling back and closing the month with a loss of 1%. The spike in the US 10 year bond yield, from less than 1% at the start of the year to as high as 1.6% in late February, spooked the market due to fears of inflation following the economic recovery. There was once again a clear rotation from high flying new economy stocks to old economy stocks, as the latter was expected to benefit the most from the economy re-opening. Commodity prices, such as Crude Oil and Precious Metals all soared to a year high. In the period under review, high P/E stocks such as Internet, Technology, Healthcare and Auto underperformed while low P/E cyclicals such as Banks, Property, Macau Gaming and Commodity plays, outperformed the market.

Interest in the Property sector finally returned after the sector greatly underperformed against the index in 2020. Property stocks appeared on the news as it was reported that 22 major cities had adopted a new land sale rule to concentrate land auctions to only 3 times per year. Investors interpreted this move as positive, as the new rule implies more financial discipline from developers in land banking. Coupled with a deleveraging trend, the fundamentals of property developers are improving. We believe the Property sector, being deeply cyclical, is likely to re-rate and outperform this year. The Fund is overweight in this sector.

Domestic consumption was strong during the Chinese New Year holidays, due to the normalising economy and limited outbound travel. The sales value of China's restaurants and retail increased 28.7% YoY and the national box office grew by around 35% YoY, despite a 75% capacity cap - according to data released by the government. We are positive on consumption plays that are geared towards the economy re-opening, Catering, Travel, Sportswear and Macau Gaming fall into this category.

The Fund declined by 1.4%* in February, compared to -1.04% for the benchmark. Needless to say, the Fund's exposure to high P/E stocks such as Internet and Sportswear were the main detractors. We are using the recent market sell off to accumulate leading players in the new economy.

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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* B 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 February 2021

Annualised Returns % ¹

	1M	3M	1Y	3Y	5Y	10Y	Annualised Inception
B USD Class	-1.39	7.77	36.12	7.01	19.61	8.66	13.14
Benchmark	-1.04	9.19	43.14	9.38	20.29	8.52	10.28

Calendar Year Returns % ²

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception
B USD Class	2.73	23.43	29.20	-20.97	64.04	-1.94	362.29
Benchmark	6.25	29.49	23.46	-18.88	54.07	0.90	236.68

Benchmark: MSCI China NR USD.

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.

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Ratings & Awards



Morningstar Sustainability Rating

Out of 1,825 Greater China Equity funds as of 31/01/2021. Based on 83.36% 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 16/03/2021 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 28/02/2021.

The Strategic China Panda Fund received a 5 Globe Morningstar Sustainability Award. Out of 1,825 Greater China Equity funds as of 31/01/2021. Based on 83.36% of AUM. Data is based on long positions only. Historical Sustainability Score as of 31/12/2020. Sustainability Rating as of 31/01/2021. Sustainability provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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