



Strategic European Silver Stars Fund

February 2021 Fund Commentary



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Portfolio Manager

February was a strong month for the Strategic European Silver Stars Fund, returning +5.49%* and outperforming the benchmark by 3.05%. Unusually, the vast majority of positions contributed positively, and the short list of negative contributors had limited impact. Year to date the Fund posted a total net return of +5.24% compared to +1.67% for the benchmark (3.57% relative outperformance).

The largest contributors to February's performance were: Ipsos (+2.02%), Akwel (+1.74%) and Barco (+0.90%). Just Eat Takeaway was the largest detractor (-0.84%) during the month, followed by Iliad (-0.17%) and Brembo (-0.11%).

In February, Ipsos - the Fund's largest position, was also the largest contributor with the stock up 21.4% over the month. During February, Ipsos released better than expected FY 2020 results. It was reassuring to see markets responding to the fundamentals, particularly after the stock had drifted lower inexplicably in January.

The key takeaways from Ipsos's results were:

- 1) The companies' excellent management of the health crisis last year. The company returned to revenue growth in Q4 (+1.4% organic).
- 2) Cost containment enabling EPS growth in 2020.
- 3) Very strong cash generation with €265M free cash flow (FCF), translating into a 20% yield at the time of release.

The upside potential remains substantial; Ipsos is still trading below 10x PE 2021 with more than 10% EPS growth for the coming years. The CEO succession process is ongoing with a nomination due to be announced in the coming months, which we see as a powerful catalyst for further stock appreciation.

Akwel's results were released on 12th February, and they were even more impressive than Ipsos'. Akwel unveiled a Q4 organic growth of 13.6%, which compares to the global automotive market as a whole contracting by 0.7% in the same quarter. Additionally, the company announced over €100M EBIT for 2020 (greater than 10.6% margin without any of the accounting tricks, notably capitalised R&D; a standard habit in the auto supplier industry) and €100M FCF. It is useful to remember that back in March 2020, the market capitalisation was around €250M, meaning the stock was trading on 40% FCF yield. Like Ipsos, Akwel trades below 10x PE 2021, with more than 10% EPS growth for the coming years, and with a greater than 10% FCF yield.

Barco rebounded in February on the back of reassuring news from the cinema industry in China and New York. China's box office industry is setting a new record for the Chinese New Year long holiday, driven by high-quality movies. The robust ticket sales reflect minimal impact from pandemic-related restrictions on the movie market. Andrew Cuomo, New York's Governor, said movie theatres can reopen, subject to some safety restrictions, on 5th March. As mentioned in January, we continue to see Barco as one of the best vehicles to own when restrictions are lifted.

On the detractor side, only one position had a negative contribution of more than 20bps. Just Eat Takeaway declined by 16% in February as the stock sold off alongside all companies perceived as lockdown winners. There was no company specific news on Just Eat Takeaway during the month, however there was a significant ruling on Uber for the gig economy, which does not impact Just Eat Takeaway, but will impact many of its competitors. The landmark UK ruling on Uber required Uber to pay the minimum wage to its drivers, with the European Union set to propose an EU-wide regulatory framework by year-end, and similar decisions in Spain and the Netherlands. Just Eat Takeaway already employs its riders, so the company is insulated from any direct risk. It may yet benefit however as its competitors have to pivot, modify work contracts and raise prices to counter the implied P&L impact. We have always considered Just Eat Takeaway's attitude as the appropriate one vis à vis its riders. It also shows the risks for those investors that do not research and assess ESG factors.

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.

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



Finally, from a valuation standpoint, Just Eat Takeaway trades on 80-85% Gross Merchandise Value, while all transactions in the sector take place at around 1 to 1.5x that metric. It is intriguing to see one of the leaders, and in our view, the only profitable business model in the industry, trading at such a steep discount.

There was no significant news during the month to report about Iliad or Brembo.

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.

Performance Data As at end of February 2021

Annualised Return% ¹

	1M	3M	1Y	2Y	3Y	5Y	Annualised Inception
A EUR Class	5.49	11.49	46.21	23.53	8.49	13.75	10.11
Benchmark	2.44	4.29	10.01	6.82	4.86	6.74	3.24

Calendar Year Performance % ²

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception
A EUR Class	5.24	28.63	24.41	-24.86	22.80	13.55	75.20
Benchmark	1.67	-1.99	26.82	-10.77	10.58	1.73	20.39

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 730 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 03/03/2021 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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