



Strategic China Panda Fund

March 2021 Fund Commentary



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Portfolio Manager

The intensifying regulatory overhaul on the Chinese Internet sector, and the steepening of the US yield curve continued to take a toll on the market. The MSCI China Total Return declined 6.3% in March. The sell-off of Internet names continued as Tencent's fintech business became the next clampdown target of the regulator, following Ant Group. This was aggravated by an unwinding of trades triggered by margin calls on Archegos Capital, a US hedge fund. The US 10 year bond yield spiked further to end the month at 1.74%, close to the pre-pandemic level from early 2020. Investors were concerned about rising inflation risks resulting from Biden's \$1.9 trillion infrastructure stimulus plan. The above factors accelerated the flow of funds out of new economy stocks into old. Needless to say, high P/E stocks such as Internet, Technology and New Energy Vehicles (NEVs) were down-rated further; whilst value stocks such as Properties and Banks continued to be up-rated.

China's annual Two Sessions were concluded and the "Dual circulation" economy model was again emphasised, and the gradual exit from the monetary easing policy was also mentioned. In addition, the government also set the 2021 GDP growth target at 6%, below the market consensus of over 8%. We do not see this as a negative though as the government is just being conservative, given the volatility in the post-pandemic global recovery. On the contrary, the year-to-date domestic economic recovery has been on track, with the majority of economic data released pointing to a strong rebound from the pandemic.

Property developers generally reported in-line results and guidance, which was well received by the market. Most companies estimate above 10% sales growth in 2021 and emphasised a deleveraging trend in order to meet the "three red lines" rule by 2022. Our focus is on companies with strong balance sheets and a quality land bank with growth potential.

The Sportswear sector performed well in March. A few global apparel brands like Nike, Adidas, Zara and Uniqlo announced a procurement ban of Xinjiang cotton, triggering a boycott from Chinese consumers. Local brands like Anta and Li Ning saw a sharp increase in sales on the back of patriotic purchases from consumers. The Fund is overweight to the Sportswear sector. Internet and Biotech companies reported better than expected results, but were sold down on the back of hefty valuations.

The Fund outperformed the benchmark by 5.4%*. The underweight in Internet, and overweight in Property and Sportswear stocks were the major contributors to outperformance. We expect the switch from new economy to old to last in the short term. That being said, we still believe in the secular story of the new economy and will take the recent sector weakness as an opportunity to top up quality names.

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 March 2021

Annualised Returns % ¹

	1M	3M	1Y	3Y	5Y	10Y	Annualised Inception
B USD Class	-0.89	1.82	50.13	7.76	17.60	8.11	12.96
Benchmark	-6.28	-0.43	43.61	8.25	16.09	7.26	9.64

Calendar Year Returns % ²

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception
B USD Class	1.82	23.43	29.20	-20.97	64.04	-1.94	358.15
Benchmark	-0.43	29.49	23.46	-18.88	54.07	0.90	215.52

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.

Past performance is not an indicator of future performance.

Ratings & Awards



Morningstar Sustainability Rating

Out of 1,910 Greater China Equity funds as of 28/02/2021. Based on 83.31% of AUM. Data is based on long positions only.

See Awards Disclaimer on last page.



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The Strategic China Panda Fund received a 5 Globe Morningstar Sustainability Award. Out of 1,910 Greater China Equity funds as of 28/02/2021. Based on 83.31% of AUM. Data is based on long positions only. Historical Sustainability Score as of 31/01/2021. Sustainability Rating as of 28/02/2021. Sustainability provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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