Sturdza Family Fund

April 2021 Fund Commentary

Market Development

In April, the MSCI World Index (net returns in USD) gained 4.65%, the Eurostoxx 50 (net returns in EUR) returned +1.82% and the S&P 500 also increased by 5.24%. The Dollar Index (DXY Index) declined 2.09% over the period whilst the generic 30Yr Treasury yield also decreased slightly, from 2.41% to 2.30% while the VIX remained low, reaching 15.47, compared to 16.51 last month.

The key market developments of the month can be summarised as historically strong earnings publications, accompanied by a further normalisation of the style and sector rotations in play since February. For the Sturdza Family Fund and the market generally, the earnings publications were, on the whole, strong and encouraging, as many companies dared to increase future projections and discussed a generally solid economic backdrop, with robust end-market demand and few signs of immediate reversal concerns. For the Fund's underlying investments, the earnings publications often provided the chance to confirm their strong long-term trajectories, supporting share prices in the process.

At the overall market level, the earnings season rivalled 2010 with the economic bounce-back becoming clear, and lean cost structures producing significant earnings on reaccelerating revenues. Towards the second half of the month, earnings surprises became progressively separated from subsequent share price performance as investors seemingly digested the impact of an economy transitioning from early recovery to growth – and the ramifications of a potential fade in fiscal and monetary support. Financial analysts on the other hand, were very active in revising their estimates higher, to a degree seldom seen in the past.

As mentioned in our previous commentaries, the steepening of the US yield curve, acting as the bellwether market, catalysed the early cycle positioning in equity markets, resulting in quality/growth underperforming cyclicals. This trend was further supported by higher revised long-term inflation, growth expectations and strong economic surprises. Inflation indicators such as the CPI and PPI continued to confirm the recovery, although not yet to a degree that would raise the spectre of problematic inflation dynamics in the future. Economic activity indicators such as the manufacturing and services ISMs, continue to show strength, although the level of surprise against consensus steadily declines in the US.

Record bank profitability, an accommodating Federal Reserve and the receptive financial markets (record high yield bond issuance in Q1) conspired to fuel the recovery that is now increasingly visible and expected. In the Eurozone, the backdrop is consistent with an earlier cycle phase: lagging on the vaccination front, economic surprises remain high against lower baseline levels and expectations as further seen in its flatter yield curve, and while manufacturing ISMs have progressed, services remain in the doldrums. Forward equity market valuations, around 18x vs 23x for the S&P, also continue to suggest a disparity in expectations.

Market Outlook

In our view, the current cycle remains on an ascending phase globally, supported by accommodative fiscal policies and fluid financial conditions across the globe, while interest rates continue to be sharply negative in real terms across developed markets. These conditions remain favourable for equities generally, especially as they benefit from positive

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Investment Approach

An active and flexible investment process, managing a mixed asset investment portfolio predominantly comprised of equities and fixed income investments. Investing directly or indirectly, between 51-81% in global equities or equity related instruments and between 20-49% in fixed income instruments. Focusing on strong growth companies that the Investment Adviser deem to be underappreciated by the market, whilst fixed income investments will be selected based on global macro economic analysis and evaluation of central banks' policies.

Investment Objective

To achieve capital appreciation over the long term.

A sub-fund of E.I. Sturdza Funds plc.

Registered in Ireland.

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valuation differentials compared to other asset classes.

Although the US market continues to set the tone, regional disparities are emerging more clearly. As the US progresses, so will the likelihood of a transition to mid-cycle positioning, i.e. more balanced between styles. As the earnings season approaches completion, we will continue to look for investment opportunities in strong companies, particularly if temporary volatility returns on questions around interest rate tapering.

Portfolio Development

In terms of contribution, IQVIA (+0.33%), Worldline (+0.29%) and Blackstone (0.24%) were the largest positive contributors whilst Nitori (-0.11%), Takeda (0.09%) and Centene (-0.06%) were the largest detractors.

As mentioned in recent reports, we have continued to scan the market for new opportunities amid the sector rotation, and evidence of strong fundamentals supported the progressive reinforcement of some new positions, including Nemetschek and Synopsis. The Fund also initiated a new position in Brunswick Group, a leading manufacturer of leisure boats and motors, with significant end-market demand, a history of market share gains and industry leading profitability. Further, some recent additions to the Fund have outperformed our expectations, including Domino's Pizza and The Blackstone Group, all showing strong fundamental momentum rewarded by share price appreciations.

Ratings & Awards

Morningstar Sustainability Rating

Out of 2,363 Flexible Allocation funds as of 31/03/2021. Based on 71.75% of AUM. Data is based on long positions only.

See Awards Disclaimer on last page.

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