



Strategic Japan Opportunities Fund

May 2021 Fund Commentary



Mitsuhiro Yuasa
Portfolio Manager

Market Development

The Q1 earnings reports of Japanese companies exceeded expectations, but the market still declined, mainly due to profit taking by global investors. High valuation small caps declined, whilst large caps with relatively low valuations were supported by value investors over the month.

The Crypto currency market declined dramatically in May, impacting investors with exposure to this asset class. Elon Musk's "flip-flop" idea of using crypto currency for their EV purchase, combined with a further tightening of rules surrounding crypto currency markets by the Chinese Government, poured cold water onto this soaring asset class. Investors who had concerns over being in such a volatile market and about the risk of a rise in inflation in the US market, pulled money from the global market.

In May, we added two new names to the portfolio: Kureha and Hirose Electric, and also added to the existing holdings in Takeuchi Manufacturing and Taiyo Holdings. We slightly decreased exposure to domestic consumption stocks and increased exposure to manufacturing companies that export goods.

Market Outlook

Vaccinations in Japan are gradually progressing, with the number of Covid-19 infected patients declining recently. The Japanese Government have two upcoming challenges: the Olympic Games; and the next general election, which is scheduled for September this year. PM Suga believes the success of the Tokyo Olympic Games will support the LDP in the election, so they want them to be successful, despite the difficult environment.

The earnings of Japanese companies are expanding although the service sector is lagging compared to the manufacturing sector. This is primarily due to the on-going semi-shutdown of restaurants, entertainment, hotels and travel businesses in major cities, which will experience continued restrictions until 20th June. That said, the processing of vaccinations and the declining number of patients should make the full re-opening of the Japanese economy possible in the near future. We should prepare for this by carefully watching and forecasting how living and working environments will be affected.

We, at Rheos Capital Works are completely fitted for remote working and are able to transform our living and working environment to be more flexible, easy and fun than it was before. We will focus on small growth companies that have also adapted to such changes and transformed during the last year. We will maintain the current portfolio.

Portfolio Development

Asics which manufactures and sells sport shoes in global markets, performed well during the month. The company announced good results, increasing investor confidence in the company's category management, which is based on a regions and product matrix business construction. President Hirota and CFO Hayashi remodelled Asics's business style in 2016 and it has proved successful.

Investment Approach

The portfolio management team seeks to invest in companies with consistent revenue/profit growth and strong management regardless of size, history, brand or market capitalisation in the Japanese market.

Investment Objective

To outperform the broad Japanese equity market over the long-term.

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

Registered in Ireland.

Contact

E.I. Sturza Strategic Management Limited

+44 1481 722 322

info@ericsturza.com

ericsturza.com

Ratings & Awards



Morningstar Sustainability Rating

Out of 1,046 Japan Equity funds as of as at 30/04/2021 based on 90.89% AUM. Data is based on long positions only.

See Awards Disclaimer on page 2.



Important Information - The views and statements contained herein are those of Rheos Capital Works Inc in their capacity as Investment Adviser to the Fund as of 09/06/2021 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.

Morningstar™ Disclaimer - The Strategic Japan Opportunities Fund (A and B JPY Class) received a 3-Star Overall Morningstar Rating™ and a 3-Star 3-Year Morningstar Rating™. Morningstar Rating™ as of 31/05/2021.

The Strategic Japan Opportunities Fund received a Morningstar 3 Globe Morningstar Sustainability Award. Out of 1,084 Japan Equity funds as of 30/04/2021. Based on 90.89% of AUM. Data is based on long positions only. Historical Sustainability Score as of 31/03/2021. Sustainability Rating as of 30/04/2021. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

© 2021 Morningstar: All Rights Reserved. The information contained herein where relative to Morningstar: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. For more detailed information about Morningstar Rating, including its methodology, please go to: <http://corporate.morningstar.com> © 2021 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Morningstar Rating past performance is no guarantee of future results. For more detailed information about Morningstar Rating, including its methodology, please go to: <http://corporate.morningstar.com>.

Bloomberg® Disclaimer - Data presented herein is obtained via Bloomberg PORT where stated. Any such data is subject to change from the date of production of this document. Such changes may impact upon comparative data between the investment and benchmark present. Such information therefore is provided for reference purposes only, is subject to change and should not be relied upon for an investment decision.

General Disclaimer - This marketing communication relates to E.I. Sturdza Funds Plc (the "Company") and its sub-fund Strategic Japan Opportunities Fund (the "Fund"), an open-ended umbrella investment company with variable capital and segregated liability between Funds incorporated with limited liability in Ireland under the Companies Act 2014 with registration number 461518 and established as an undertaking for collective investment in transferable securities (UCITS) pursuant to the European Directive no 2009/65/EC as amended (the "UCITS directive"). This communication is issued by E.I. Sturdza Funds plc, registered for distribution in: France, Germany, Ireland, Italy, Switzerland and the United Kingdom. The Fund has appointed E.I. Sturdza Strategic Management Limited, as the investment manager and global distributor and is regulated by the Guernsey Financial Services Commission and registered under Company Number: 35985. E.I. Sturdza Strategic Management Limited's registered office address is 3rd Floor, Frances House, Sir William Place, St Peter Port, Guernsey GY1 1GX. E.I. Sturdza Strategic Management Limited is part of the Eric Sturdza Banking Group. E.I. Sturdza Strategic Management Limited has appointed E.I. Sturdza Investments Limited as sub-distributor. This document is approved for issue in the United Kingdom to professional investors only by E.I. Sturdza Investments Limited, Claridge House, 32 Davies Street, London, W1K 4ND which is an appointed representative of Mirabella Advisers LLP which is authorised and regulated by the Financial Conduct Authority. The information contained herein is estimated, unaudited and may be subject to change.

This document is not intended for US Persons pursuant to Regulation S of the Securities and Exchange Commission under the U.S. Securities Act

of 1933, as amended (<https://www.sec.gov>). The Fund presented in this document is not registered under United States federal securities laws or any other applicable law in the states, territories and possessions of the United States of America. Consequently, it cannot be marketed directly or indirectly in the United States (including its territories and possessions or areas subject to its jurisdiction) and to or for the benefit of U.S. Persons. This document is for information purposes only and does not constitute a recommendation to buy, sell or otherwise apply for shares in the Fund and any of the sub-funds, nor does it constitute investment, legal or tax advice. The information contained in this document reflects the opinion of E.I. Sturdza Strategic Management Limited and may change without notice. The Fund is subject to tax laws and regulations of Ireland. Depending on your home country of residence, this might have an impact on your investment. In general, the tax treatment depends on the individual circumstances of each potential investor and may be subject to change in the future. E.I. Sturdza Strategic Management Limited has not considered the suitability of investment against your individual needs and risk tolerance. Any potential investor should assess the suitability of this investment solution to his/her risk profile. Investment in the Fund is suitable only for those persons and institutions for whom such investment does not represent a complete investment program, who understand the degree of risk involved (as detailed under the section headed "Risk Factors" in the Prospectus and Supplement), can tolerate a high level of volatility and believe that the investment is suitable based on the investment objectives and financial needs. Please consult your financial and tax adviser. Investing in the Fund and any other sub-funds involves risks including the possible loss of capital. There can be no assurance that a sub-fund's investment objective will be achieved or that there will be a return on capital. The value of an investment may go down as well as up and you may not get back the amount you originally invested. Past performance and forecasts are not reliable indicators of future results. Performance figures do not take into account commissions, costs incurred on the issue and redemption, nor local taxes. Please note that performance figures, reference benchmarks and asset allocation are provided for information purposes only. Before any investment decisions, you must read the Fund Prospectus, the relevant KIIDs, the articles of incorporation as well as the annual and semi-annual reports, to find out about the inherent risks, fees and conditions of the Fund. These documents are available free of charge at www.ericsturdza.com as well as share prices. Alternatively the Fund documents can be obtained by emailing info@ericsturdza.com. The latest Prospectus is available in English and the KIIDs are available in one of the local languages. KIIDs must be made available to the subscriber prior to subscription. Morningstar is an independent provider of investment analysis. The Morningstar rating is a quantitative assessment of past performance that takes into account risk and inputted costs. It does not take into account qualitative elements and is calculated on the basis of a (mathematical) formula. The classes are categorised and compared with similar funds in the asset class, based on their score and they are awarded one to five stars. In each category the top 10% receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the last 10% 1 star. The rating is calculated monthly on the basis of historical performance over 3, 5 and 10 years and does not take into account the future performance.

Switzerland - The Fund is registered with the FINMA for public distribution to Swiss non-qualified investors. The Swiss Representative and Swiss Paying Agent are Banque Eric Sturdza SA, Rue du Rhône 112, P.O.Box 3024, CH-1211 Geneva 3. Copies of the Swiss Prospectus, Swiss KIIDs, Swiss articles of association, Swiss annual and semi-annual reports may be obtained free of charge in English and French at the Swiss representative or at www.ericsturdza.com. Publication of subscription/redemption prices and NAV: www.fundinfo.com

United Kingdom - The Fund is a Recognised fund in the United Kingdom under the Financial Services and Markets Act 2000. This document is a financial promotion and has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000, by E.I. Sturdza Strategic Management Limited, which is an Authorised Schedule 5 entity. UK regulation for the protection of retail clients in the UK and the compensation available under the UK Financial Services Compensation scheme does not apply in respect of any investment or services provided by an overseas person. FE Fundinfo (UK) Ltd – Facilities Agent.