



Nippon Growth (UCITS) Fund

June 2021 Fund Commentary

Market Development

In early June, the Japanese market increased on the back of expectations of reopening following the vaccination progress. Economic sensitive stocks and resource stocks gained as the crude oil price continued to climb.

In mid-June, although the CPI in the US rose 5.0% YoY in May, the highest rise in about 13 years, long-term interest rates declined as the market perceived it as temporary. The Fed suggested at their FOMC meeting, that it was likely to bring forward the end of the zero-interest-rate policy to 2023, and the market declined from a hike in the US interest rate.

In late June, the market declined further when a senior Fed official commented that the interest rate increases could start in 2022. Concerns of a slowing economy arose as the treasury yield flattened.

In June, the TOPIX closed the month at 1,943.6 (up 1.1% MoM) and the Nikkei 225 at 28,791.5 (down 0.2% MoM). Out of the 33 sectors, 19 gained. The top five performers were Marine Transportation, Mining, Rubber Products, Pharmaceuticals, and Transportation Equipment. The bottom five performers were Steel, Securities, Nonferrous Metals, Insurance, and Banking.

The 10-year JGB yield began the month at 0.09, and initially experienced little trading activity. Although a catalyst was lacking in Japan, a rise in the US treasury encouraged investors to buy JGB, which then declined to 0.03 at one point in the middle of the month. When the Fed shifted to a hawkish stance, the JGB yield only moved slightly, following the flattening of the US yield curve and ended the month at 0.05. The Yen against the US dollar began the month at 109.58 and ended at 111.11. The crude oil price opened at 66.32 and continued to rise throughout the month, ending at 73.47.

Market Outlook

The Japanese economy remained lacklustre and uncertain, in a zigzag trend. Industrial production in May fell sharply by 5.9% MoM, far below the market consensus of -2.0% MoM. The government estimated that industrial production in June would increase 9.1% MoM, and decline 1.4% MoM in July. In the Economy Watchers Survey of Business, the overall current conditions DI for June recovered by 9.5 points MoM, after declining by 10.9 points in April and May. In particular, the household-related DI improved sharply by 11.1 points due to the lifting of the state of emergency. This said, the overall current conditions DI could decrease again from July as a fourth state of emergency was declared by the government on 8th July for Tokyo, and some other prefectures from 12th July to 22nd August. Prime Minister Suga also announced that the Tokyo Olympics would be held largely without spectators following a rapid increase in coronavirus infections driven by the Delta variant. The decision is very surprising as vaccinations have been rapidly increasing since mid-May, although they are still far behind the UK and USA.

In Japan, the daily number of infections on 7th July was 2,189; almost 10% of the UK number, and the death toll was only 14. Infections in Tokyo on 7th July was 920, increasing from the recent low of 209 on 14th June 2021, but much lower than the peak of 2,520 on 7th January 2021. People may begin to question Suga's ability to govern and lead as it appears his decisions could be largely influenced by conservative specialists and mass media.



Yutaka Uda
Portfolio Manager



Maiko Uda
Assistant Portfolio Manager

Investment Approach

Access to Mr. Yutaka Uda's 40 years' investment experience in Japanese equities. Portfolio construction combines the long term macroeconomic view of the Investment Adviser with a bottom up perspective of stock research based on fundamental analysis.

Investment Objective

To achieve long-term capital growth through active sector allocation and stock selection resulting from changes in economic conditions.

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

Registered in Ireland.

Contact

E.I. Sturdza Strategic Management Limited

+44 1481 722 322

info@ericsturdza.com

ericsturdza.com



The election for the governor of the ruling LDP will be held in September 2021 and the general election in the Lower House should be held in October. The government and the LDP are attempting to regain the confidence of the People, implying that a significant economic stimulus package will be announced in September following the Olympic games. Another, possibly the most important factor for the market, is when will the infrastructure investment plans in US be concluded, and how much will it be worth?

We strongly believe that the Japanese stock market will begin to show a sharp rally from August. The market is currently well consolidated with the Nikkei 225 approaching the bottom of its trading range (27,000-30,000). We expect value oriented economic sensitive stocks to come back again as a market leader.

Portfolio Strategy

The net asset value per unit for the Nippon Growth (UCITS) Fund on a Japanese Yen basis as of 30th June 2021 declined 0.1% compared with that of 31st May. The Fund added one new name (Nippon Yusen) to the portfolio with no stocks sold out.

The Fund continues to be overweight in economically sensitive sectors with cheap valuations such as Trading Companies, Construction, Marine Transportation and Banking, while defensive sectors such as Foods, Pharmaceuticals and Utilities continue to be avoided. The Fund takes a cautious stance towards IT related sectors.

Performance Data As at end of June 2021

Annualised Returns %¹

	1M	1Y	3Y	5Y	10Y	15Y	Annualised Inception
A JPY Class	-0.06	37.22	5.28	10.32	7.65	1.35	4.63
Benchmark	1.07	24.69	3.94	9.30	8.63	1.36	2.66

Calendar Year Performance %²

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception	Strategy Inception
A JPY Class	18.22	-5.55	19.10	-20.67	20.88	-2.21	102.04	145.43
Benchmark	7.70	4.84	15.21	-17.80	19.69	-1.85	113.91	68.25

Source: Morningstar.

Benchmark: TOPIX PR JPY

¹ Annualised Returns as of the date of the reporting over the defined period. Data less than 1 year and strategy inception are not annualised.

² Calendar Year Returns: Annual Performance for the stated calendar year.

Past performance is not an indicator of future performance.



Important Information - The views and statements contained herein are those of Evarich Asset Management in their capacity as Investment Advisers to the Funds as of 16/07/2021 and are based on internal research and modelling.

© 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. 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.

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.

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 presented. Such information therefore is provided for reference purposes only, is subject to change and should not be relied upon for an investment decision.

TOPIX Disclaimer - The TOPIX Index Value and the TOPIX Trademarks are subject to the intellectual property rights owned by the Tokyo Stock Exchange, Inc. and the Tokyo Stock Exchange, Inc. owns all rights and know-how relating to the TOPIX Index such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Trademarks. The Tokyo Stock Exchange, Inc. shall reserve the rights to change the methods of calculation or publication, to cease the calculation or publication of the TOPIX Index Value or to change the TOPIX Trademarks or cease the use thereof. The Tokyo Stock Exchange, Inc. makes no warranty or representation whatsoever, either as to the results stemmed from the use of the TOPIX Index Value and the TOPIX Trademarks or as to the figure at which the TOPIX Index Value stands on any particular day. The Tokyo Stock Exchange, Inc. gives no assurance regarding accuracy or completeness of the TOPIX Index Value and data contained therein. Further, the Tokyo Stock Exchange, Inc. shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Index Value. The Licensed Products are not in any way sponsored, endorsed or promoted by the Tokyo Stock Exchange, Inc. The Tokyo Stock Exchange, Inc. shall not bear any obligation to give an explanation of the Products or an advice on investments to any purchaser of the Products or to the public. The Tokyo Stock Exchange, Inc. neither selects specific stocks or groups thereof nor takes into account any needs of the issuing company or any purchaser of the Products, for calculation of the TOPIX Value Index. Including but not limited to the foregoing, the Tokyo Stock Exchange, Inc. shall not be responsible for any damage resulting from the issue and sale of the Products.

General Disclaimer This Annualised Inception performance figures are from the strategy inception in 2001, when the Nippon Growth Fund was authorised by the Guernsey Financial Services Commission as an open ended collective investment scheme using the same strategy as the Fund.

Performance since the 22 October 2009 is that of the Nippon Growth (UCITS) Fund. Strategy Inception performance is not annualised.

This marketing communication relates to E.I. Sturdza Funds Plc (the "Company") and its sub-fund Nippon Growth (UCITS) 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 document is issued by E.I. Sturdza Funds Plc, registered for distribution in: Austria, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden, 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, Maison Trinity, Rue du Pre, St Peter Port, Guernsey GY1 1LT.

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 U.S. 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. Investors must be able to bear the risks of a substantial impairment or loss of their entire investments. Past performance is no guarantee of future results. Performance data do not take into consideration commissions and costs charged at the time of issuance and/or redemption of the shares. This document is intended for information purposes only and is not intended as an offer or recommendation to buy, sell, or otherwise apply for shares in the funds.

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.