



Strategic European Silver Stars Fund

June 2021 Fund Commentary



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Portfolio Manager

June was another positive month for the Fund, returning +1.03%*. Year to date, the Fund has returned +16.86%* compared to the benchmark's +15.16% (+1.70% relative outperformance).

The largest contributors to June's performance were Hunter Douglas (+0.94%), Ipsos (+0.58%) and Befesa (+0.48%). Akwel was the largest detractor (-0.57%) during the month, followed by Iliad (-0.51%) and Bekaert (-0.37%).

H1 2021 developed broadly in line with our expectations. In the December 2020 commentary, we painted a very bullish outlook, mentioning that we were seeing opportunities in Europe today that we had not seen for many years, combining low valuations with sharp earnings growth prospects for the next two years at least, a powerful cocktail for future performance in our opinion.

In addition, after 2020 - a year marked by extreme polarisation in financial markets, the pipeline of new opportunities appeared extremely large and diversified. The Fund added eight new positions during H1 2021, which is high compared to historical portfolio rotation metrics.

The largest contributors to H1 performance were Hunter Douglas (+3.37%), Bekaert (+3.23%) and Ipsos (+2.71%). Iliad was the largest detractor during the period (-1.63%), followed by Albioma (-0.83%) and Just Eat Takeaway (-0.72%).

For once, let's start with the detractors as these three companies were the only loss-making investments out of the 34 positions held by the Fund in H1. The cumulative impact on gross performance of these three positions has been visible and accounted for - a 3.18% loss for the Fund. There were sizeable declines in their stock prices over the past six months: -24.80% for Iliad, -24.90% for Albioma and -15.73% for Just Eat Takeaway, after adjustments for dividend payments.

On top of company specific news, all three stocks sold off during H1, alongside other companies perceived as lockdown winners, after significantly contributing to performance last year. Our thesis for these three positions is broadly unchanged, despite being heavily penalised. On the contrary, the dips were used as an opportunity to purchase additional shares to maintain position sizes, or even upgrade position weightings, as the upside potential has increased substantially.

In May 2021, Iliad's management put its operational free cash flow target of €900m for France this year under review, which has created significant confusion in the market. Iliad argued that this stems from an increase in the 5G capex investment, to address new high value-added segments in the mobile market, plus measures taken to secure inventories of electronic components and devices amid the ongoing global supply shortage. In our view, Iliad's real issue, and the reason for its new guidance, is the mismatch between the investment effort made in the network so far and Iliad's addressable market and brand perception.

Unfortunately, it blurred the message and overshadowed the fact that the company has brought forward the breakeven in Italy to Q2 (hence also for FY 2021 vs. H2 2021 before) and delivered a very positive message about the recent acquisition of Play in Poland. The change in guidance was, in our view, misunderstood and neither invalidates the investment case, nor does it reduce the fundamental value of the business, as only the capex phasing has been modified, not the aggregate amount.

We were pleasantly surprised to see Iliad using this opportunity to acquire €81m worth of shares in the market post the announcement (4% of free float), and seeing the company's majority shareholder acquiring 46k call options with September and December maturity.

There is much less to say about Albioma that "only" had to deal with the uncertainty surrounding the repricing of the 2006-2011 solar contracts it operates. EBITDA impact should be minimal (less than €5m spread over 2 years, compared to €210m anticipated for 2021). The market capitalisation decline of €350m this year is totally disproportionate in comparison for a company trading at 10x EBITDA.

Finally, as discussed in last month's commentary, the food delivery industry was the epicentre of false rumours this quarter in the context of Just Eat Takeaway's acquisition of Grubhub in the US. The deal finally closed in June and magically, all rumours are becoming quieter again. The food delivery

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.



business still benefits from extremely strong dynamics, even in the countries that reopened earliest and our conviction remains that Just Eat Takeaway should strongly benefit from the gig economy regulation in Europe before the end of the year.

The top three contributors in H1 were all from the highest conviction and therefore largest positions in the fund on 1st January.

Stock	Position Size 1st Jan	H1 Stock Price Change	Gross Contribution
Hunter Douglas	9.55%	+43.3%	+3.37%
Ipsos	9.04%	+28.8%	+2.71%
Bekaert	7.43%	+38.4%	+3.23%

We have discussed the investment cases for these three positions extensively in commentaries over the past six months, as these three names regularly featured in the top three monthly contributors throughout 2021. Please refer to the May commentary for Hunter Douglas and Bekaert and April for Ipsos.

These three positions continue to have large weightings in the Fund today, even following very strong stock price gains. The multiples remain extremely cheap, way below 10x PE 2021 for each of them, as stock prices have failed to adjust and have lagged behind earning upgrades during the quarter. Consequently, compared to 1st January, the upside potential has increased and not decreased for these positions.

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.

Ratings & Awards



Morningstar Sustainability Rating

Out of 683 Europe Equity Mid / Small Cap funds as of 30/04/2021. Based on 85.05% of AUM. Data is based on long positions only.

See Awards Disclaimer on last page.



Performance Data As at end of June 2021

Annualised Return% ¹

	1M	3M	1Y	2Y	3Y	5Y	Annualised Inception
A EUR Class	1.03	5.53	51.51	26.15	15.03	15.08	11.42
Benchmark	1.50	6.43	28.42	10.85	8.62	9.29	5.17

Calendar Year Performance % ²

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception
A EUR Class	16.86	28.63	24.41	-24.86	22.80	13.55	94.53
Benchmark	15.16	-1.99	26.82	-10.77	10.58	1.73	36.35

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

Past performance is not an indicator of future performance.



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