Strategic China Panda Fund

August 2021 Fund Commentary

August was a roller-coaster month for the MSCI China index, as the market was continuously digesting non-stop regulatory crackdowns across multiple industries. The "common prosperity" theme advocated by the government, and the labelling of online gaming as "spiritual opium" by the state media added further concern to the market, resulting in the MSCI China total return index declining as much 8% at one stage, before rebounding to end the month flat. The delta-driven resurgence of new COVID-19 cases, in addition to reported floods in China, further dampened economic activities. Service industries such as Catering, Hotels, Tourism and Offline Entertainment were impacted the most.

Activity indicators in July weakened and missed market expectations. The weakness was broad based, from retail sales to export growth and reflected a combination of factors, such as floods in the Henan province and a resurgence of COVID-19 cases in Guangdong. We expect the data to turn weaker still in the coming months following the news of a new wave of COVID-19 in Fujian, and weakened private investment on the back of tightening regulations. This said, more monetary easing from the government may be on the way to stabilise the economy.

In addition to the regulatory clampdown, President Xi's common prosperity speech was yet another undesirable surprise to the market. The speech laid out China's new direction to rebalance the economy towards labour and to tackle social inequality. The market did not react well as the ideology suggests a redistribution of wealth from high income groups and highly profitable companies to the mass market. Tax and social welfare increases are likely.

There were no major surprises from the interim results of Internet companies following the earlier earnings cuts. The common theme from the results announcements was that bellwether companies all embraced common prosperity in their business outlook, either through increased investment or donations to funds. Alibaba stated that government tax breaks for the Internet industry, that have been in place for a number of years, would start to dwindle. Currently, many Internet companies are qualified as key software enterprises and entitled to a 10% preferential tax rate. Alibaba expects its effective tax rate to rise from 8% to 20%.

The Sports industry is one of the few industries that remains supported by the government. During August, the government rolled out a new 5-year national mass fitness programme to promote public health. Sportswear stocks had a good run on the back of this news. Fundamentally, leading players such as Anta and Li Ning also reported better than expected interim results. July's nationwide property sales finally recorded the first YoY decline this year. We see this as the first positive sign for the sector. If this level of decline continues for a few more months, we are likely to see a policy reversal from the government.

The Fund edged up 0.3%* during the month, slightly outperforming the market. Given the fluid situation in China, we will take a rather cautious stance in the near term.

* A USD Class. For detailed performance information based on complete 12-month periods since inception, please refer to page 2. Past performance may not be a reliable guide to future performance. Returns could be reduced, or losses incurred, due to currency fluctuations.

Lilian Co
Portfolio Manager

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.

Contact

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Performance Data As at end of August 2021

Annualised Returns %

	1M	3M	1Y	3Y	5Y	10Y	Annualised Inception
A USD Class	0.26	-12.06	0.41	9.73	12.99	7.52	11.67
Benchmark	0.00	-13.76	-5.10	7.28	10.81	7.25	8.24

Calendar Year Returns %

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception
A USD Class	-5.78	22.78	28.58	-21.37	62.99	-2.43	315.74
Benchmark	-12.26	29.49	23.46	-18.88	54.07	0.90	178.02

12 Month Returns %

	01/09/2020 - 31/08/2021	01/09/2019 - 31/08/2020	01/09/2018 - 31/08/2019	01/09/2017 - 31/08/2018	01/09/2016 - 31/08/2017
A USD Class	0.41	38.82	-5.21	-3.95	45.09
Benchmark	-5.10	37.30	-5.25	0.22	35.00

Benchmark: MSCI China NR USD

Source of graphs and tables: Morningstar.
Past performance may not be a reliable guide to future performance. Returns could be reduced, or losses incurred, due to currency fluctuations.
The performances presented are shown after deduction of ongoing charges and performance fees. Any entry or exit fees are excluded from this calculation. Dividends reinvested. Benchmark: MSCI CHina NR USD. Same reference period as for the class: Net Return, dividend reinvested. The reference benchmark of this class is used for performance comparison purposes only. The performance of the benchmark is not indicative of past or future performance of the Fund. Reference periods:

- Annualised Returns as of the date of the reporting over the defined period. Data less than 1 year is not annualised.
- Calendar Year Returns: Annual Performance for the stated calendar year.
- 12 Month Returns: performance for the stated time frame.

When the currency presented differs from yours, there is a currency risk. Class currency hedging is used on non base currency classes aiming to reduce the impact of currency risk. The performance and NAVs of all classes may be obtained at ericsturdza.com. Please refer to the glossary at ericsturdza.com/glossary for further explanation on specific terminologies.

Risk & Reward Indicator ("SRRI") & Inherent Risks

1	2	3	4	5	**6**	7

< Lower Risk — Higher Risk >
Potentially lower rewards — Potentially higher rewards

The risk indicator is based on historical data and may not be a reliable indicator of the future risk profile of the Fund, is not guaranteed and may change over time. The lowest category does not mean risk free.
The risk indicator for the Fund is set as 6, which reflects the historic price behaviour of the Fund. The sub-fund may be subject to high volatility.
Factors that affect the indicator include: Investments in equity securities are subject to fluctuations in value dependent on market conditions which will directly affect the value of investments. The Fund invests with a focus on Europe which may increase the risk of investing when compared to a fund that invests in a globally diversified range of countries. The Fund invests in a concentrated portfolio that may potentially focus on one or more sectors or industries. The range of investments may increase the risk profile of the Fund compared to a more diversified portfolio across sectors and industries. Additional Risks: Currency, Custody and Settlement, Financial Derivatives, Liquidity, Operational and Taxation risks.
For more information about potential risks, please refer to the Key Investor Information Document (KIID), the Prospectus and Supplement available at www.ericsturdza.com/literature/.

Ratings & Awards

Awards Disclaimer - The Strategic China Panda Fund (A USD Class) received a 4-star Overall Morningstar Rating and a 4-star 10-year Morningstar Rating (A USD Class). Morningstar Ratings™ as of 31/08/2021.

The Strategic China Panda Fund received a 5 Globe Morningstar Sustainability Award. Out of 2,093 Greater China Equity funds as of 31/07/2021. Based on 94.15% of AUM. Data is based on long positions only. Historical Sustainability Score as of 30/06/2021. Sustainability Rating as of 31/07/2021. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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