



# Strategic European Silver Stars Fund

## August 2021 Fund Commentary



**Bertrand Faure**  
Portfolio Manager

The Fund returned +2.17%\* in August, taking the year to date performance to +25.67% - an outperformance of 5.59% vs the benchmark. In General, European indices continued the steady rise that began at the start of the year, posting a seventh consecutive monthly increase. On the whole, August has been relatively calm, the exception being comments from Chinese President Xi Jinping who stressed the need for "common prosperity" and that they are considering plans to regulate and redistribute excess wealth. The market initially reacted negatively to the news, but this decline quickly reversed in the days that followed. Likewise, the tension observed mid-August on the volatility index (VIX) did not persist and the risk indicator ended the month at a low 16.48, close the 2021 low of 15.

The corporate earnings released during August were generally very good. According to Bloomberg, Stoxx 600 constituents' sales and net income exceeded expectations by 3.33% and 26% respectively. We saw a similar trend across the board for the Fund's positions.

The largest contributors to August's performance were Albioma (+0.48%), Hunter Douglas (+0.46%) and Ipsos (+0.44%). Nordic Paper was the largest detractor during the month (-0.27%), followed by Akwel (-0.18%) and Granges (-0.12%).

Albioma's performance was penalised in H1 due to the potential renegotiation of tariffs for solar installation from before 2011. Since then, and thanks to reassuring news on that specific topic, the stock price has reversed its course. In the end, few of the group's installations will be affected and the financial impact should be negligible. Overall, we still see the potential for greater than 50% upside for this company, which is reflected in the fact that it is currently in the top 5 largest positions held by the Fund.

In December 2020, Hunter Douglas's majority shareholder announced their intention to purchase all of Hunter Douglas' outstanding common shares at €64 per share. The offer was subsequently increased by nearly 30%, from €64 to €82 in May this year. We felt that both the initial and revised offer prices were totally inadequate and did not tender any of the Fund's shares to the offer that lapsed in June. The correct decision as it happens, as the tender ratio to the offer turned out to be ridiculously low, and the stock price now trades at over €100 post release of H1 numbers. Interestingly, it was the first release after the offer period, and surprisingly, the company's outlook turned from "cautiously optimistic" to "positive". The H1 earnings per share was €6.27 compared to €0.74 the previous year. We still fail to understand how independent board members approved and recommended an offer from the majority shareholder at 10.2x H1 earnings (5.1x annualised), then increased it to 13.1x H1 earnings (6.5x annualised) when all competitors or industry transactions take place at above 25x annual earnings. The upside potential remains staggering for this investment, and we would not be surprised to see another attempt from the majority shareholder to delist the company in the near future; at a price more consistent with the intrinsic value of the business.

The market was pleasantly surprised in late July, following Ipsos' interim results and the announcement of its new CEO. There was no further news in August, other than a number of brokers digesting the news from July and translating it into earnings and recommendation upgrades.

There was no significant news regarding the detractors during the month. Nordic Paper published its results late July. Demand remains strong for both kraft paper and natural greaseproof segments. Sales prices are moving up gradually to adjust to higher input costs, faster for kraft paper, and more slowly for natural greaseproof due to longer contracts. We see value in the company, particularly once the slower-moving sales prices adjust to higher pulp costs towards the early part of next year. Akwel and Granges suffered for the same reason during the month: gloominess of the automotive sector, where short term visibility is still low as production remains temporarily, but severely impacted by the highly publicised chip shortage.

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.

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### 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.

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### Investment Objective

To outperform small and medium capitalisation firms in the European equity markets.

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

Registered in Ireland.

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### Contact

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\* A EUR Class; for detailed performance information based on complete 12-month periods since inception, please refer to page 2.

## Performance Data As at end of August 2021

### Annualised Return% <sup>1</sup>

	1M	3M	1Y	2Y	3Y	5Y	Annualised Inception
A EUR Class	2.17	8.65	53.89	33.19	17.98	15.12	12.38
Benchmark	2.18	5.84	31.20	13.79	9.81	9.24	5.72

### Calendar Year Performance % <sup>2</sup>

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception
A EUR Class	25.67	28.63	24.41	-24.86	22.80	13.55	109.20
Benchmark	20.08	-1.99	26.82	-10.77	10.58	1.73	42.19

Source: Morningstar.

<sup>1</sup> Annualised Returns as of the date of the reporting over the defined period. Data less than 1 year is not annualised.

<sup>2</sup> Calendar Year Returns: Annual Performance for the stated calendar year.

Source of graphs and tables: Morningstar. 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: STOXX Europe 600 NR EUR. 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, changes in exchange rates may have an adverse effect on the value price or income of the product. 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](http://ericsturdza.com). Please refer to the glossary at [ericsturdza.com/glossary](http://ericsturdza.com/glossary) for further explanation on specific terminologies.

Past performance may not be a reliable guide to future performance.

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

1	2	3	4	5	6	7
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< Lower Risk

Potentially lower rewards

Higher Risk >

Potentially higher rewards

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 and may hold a sizeable exposure to a single country 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, Market Capitalisation, 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/](http://www.ericsturdza.com/literature/).

## Ratings & Awards



### Morningstar Sustainability Rating

Out of 693 Europe Equity Mid / Small Cap funds as of 30/06/2021. Based on 85.98% of AUM. Data is based on long positions only.

See Awards Disclaimer on last page.



BEST FUND UNDER \$100M - EQUITY  
STRATEGIC EUROPEAN SILVER STARS FUND



Citywire Rating: The rating is based on the Fund Manager's three-year risk-adjusted performance to 31/07/2021.



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The Strategic European Silver Stars Fund received a 3 Globe Morningstar Sustainability Award. The Morningstar® Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund's portfolio holdings are managing their financially material environmental, social and governance, or ESG, risks relative to the fund's Morningstar Global Category peers. Historical Sustainability Score as of 31/05/2021. Sustainability Rating as of 30/06/2021. Sustainability provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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