



Sturdza Family Fund

August 2021 Fund Commentary



Eric I. Sturdza
Portfolio Manager



Constantin Sturdza
Portfolio Manager

Market Development

In August, the MSCI World Index (net returns in USD) progressed 2.49%, the Eurostoxx 50 (net returns in EUR) returned +2.13% whilst the S&P 500 also increased by 2.90%. The Dollar Index (DXY Index) strengthened by 0.49% over the period, whilst the generic 30Yr Treasury yield increased from 1.90% to 1.94% and the VIX ended the month close to its 2021 low, at 16.48.

Equity markets continued their relatively stable upwards trajectory in August, despite a few specific developments contributing to short-lived volatility.

First, Chinese authorities pressed on with further policy announcements, all centred around the notion of “common prosperity” and aimed at curbing certain behaviours viewed as conflicting with the government’s societal ambitions. Strict limits on video games for minors - an escalation of existing rules, was further evidence of the Chinese government’s determination in actively shaping the next phase of its economic and societal evolution. A number of large technology companies, such as Alibaba, announced significant social initiatives, widely viewed as a direct response to the sensitive regulatory climate. While markets reacted with initial nervousness, the dip in developed market equities was quickly bought, as Chinese equities stabilised from what is likely an oversold situation.

Secondly, strong employment and inflation readings during the month set the stage for J. Powell’s Jackson Hole speech, clearly dovish compared to ramped-up expectations. The Chairman emphasised the need for further progress on the unemployment side, as well as the transitory nature of inflation readings, all of which support a gradual tapering process and the need for further evidence of economic strength before even considering changes to the policy rate. While the market expected clearer language introducing the idea of a taper, possibly to be decided at the September meeting, such dovish language supported equities and growth stocks, and partially reversed a recently firm USD.

Market Outlook

We view the market as being supported by strong pillars of monetary policy - fiscal policy and earnings momentum; although valuations continue to expand, all the while the countdown towards normalisation of the extraordinary monetary policy has officially started. Can equity market fundamentals improve from where they are today? We will adopt a moderately more conservative approach as we enter the last third of another strong and historic year.

Portfolio Development

The Fund returned +0.25%* in August. Positive results from Synopsis and Ulta Beauty supported and/or catalysed their significant outperformance during the month, while the large “tech” stocks (Facebook, Microsoft, Alphabet) also drifted upwards by high single digit percentage points. These positive contributions were diluted by a few detractors such as Global Payments, Alibaba, Centene and Dollar Tree.

We view the dip in Global Payments as transitory and even exaggerated, as we understand that discussions surrounding long-term growth potential are legitimate, while disruption from the delta variant should be short-term. For now, we remain enthusiastic investors, particularly at current levels.

*A USD Class. For detailed performance information based on complete 12-month periods since inception, please refer to page 3.

Investment Approach

An active and flexible investment process, managing a mixed asset investment portfolio predominantly comprised of equities and fixed income investments. Investing directly or indirectly, between 51-81% in global equities or equity related instruments and between 20-49% in fixed income instruments. Focusing on strong growth companies that the Investment Adviser deem to be underappreciated by the market, whilst fixed income investments will be selected based on global macro economic analysis and evaluation of central banks’ policies.

Investment Objective

To achieve capital appreciation over the long term.

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



Regarding Centene, we do not believe anything has materially changed over the past month, and that the company remains an attractive multi-year investment and top position for the Fund.

Alibaba's share price has suffered under the crackdown by the Chinese government, and current visibility is arguably low. However, the company remains unique in our view: first, through its dominant e-commerce position in one of the highest growth countries in the world, and gaining market share in southeast Asia. Almost 50% of China's total e-commerce retail value is purchased via Alibaba today, a staggering number highlighting the importance of the company for millions of merchants and hundreds of millions of customers. Furthermore, to put growth in perspective, Alibaba experienced 34% year-on-year growth in China e-commerce revenue in the last quarter, even while losing some market share. In addition, Alibaba also houses the leading, and now profitable Chinese cloud-computing provider, on top of its stakes in a myriad of innovative businesses including Ant Financial, arguably one of the largest financial services companies in the world by some metrics. At current valuations, roughly 18x earnings and 15x free cash flow and a market cap only 25% of Amazon's, we view the price as reflecting significant fundamental risks, and conversely, little would be needed for a positive re-rating over the coming years, supporting our decision to keep the position at this time.

Finally, we find the ongoing operational underperformance of Dollar Tree disappointing, and unfortunately, few solutions are being offered by the management team to turn it around and strive towards the execution of competitor, Dollar General. We are currently evaluating the situation in light of another quarter of underperformance.

Over the month, the Fund reduced its position in Aon and Arthur J. Gallagher, and initiated a position in competitor Willis Towers Watson. The company's share price fell significantly after its merger with Aon was abandoned and we believe it offers a compelling valuation case for a single digit organic growth, yet stable business, operating within a consolidating market. There are opportunities for margin expansion and significant cash generation, including a \$1bn deal break fee. We also reduced the position in The Blackstone Group amid ongoing strength and valuation expansion, leaving little room for disappointment. Marginal weight trimmings were also made on well-performing companies such as Berkshire Hathaway, Nemetschek, HCA, Iqvia, Service Corp, S&P Global, contributing to the Fund's slightly reduced equity exposure, just under 64%.



Performance Data As at end of August 2021

Annualised Returns %

	1M	3M	1Y	2Y	Annualised Inception
A USD Class	0.25	2.86	12.94	12.45	12.99
Benchmark	1.45	3.96	17.16	14.88	14.66

Calendar Year Returns %

	YTD 2021	2020	2019	Fund Inception
A USD Class	7.94	12.93	17.51	39.30
Benchmark	10.33	12.45	18.67	44.93

12 Month Returns %

	01/09/2020 - 31/08/2021	01/09/2019 - 31/08/2020
A USD Class	12.94	11.98
Benchmark	17.16	12.67

Benchmark: 60% MSCI World NR USD + 20% Bloomberg US Aggregate Gov/Credit TR USD + 20% SOFR

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 World Net Dividends Index (60%) + Bloomberg US Aggregate Gov/Credit Total Return Value Unhedged USD (20%) + SOFR (20%). 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
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< Lower Risk

Potentially lower rewards

Higher Risk >

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 5, 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



Morningstar Sustainability Rating

Out of 2,313 Flexible Allocation funds as of 31/07/2021. Based on 72.75% of AUM. Data is based on long positions only.

Awards Disclaimer - The Sturdza Family Fund received a 5 Globe Morningstar Sustainability Award. Data is based on long positions only. Historical Sustainability Score as of 30/06/2021. Sustainability Rating as of 31/07/2021. Sustainability provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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