



# Strategic European Silver Stars Fund

## September 2021 Fund Commentary



**Bertrand Faure**  
Portfolio Manager

The Fund's benchmark declined by 3.29% in September, ending seven consecutive months of positive returns, with the largest downward move concentrated in the last week of the month (-2.68%). Against the backdrop of increased volatility during the month, the Fund gave back 5.69%\*; however, year to date the Fund has returned +18.52%, compared with 16.13% for the benchmark an outperformance of 2.39%.

September marked a clear return of volatility with eight very volatile days (> 1% change). The economy, central banks, COVID and politics were all suddenly a problem for markets. The impacts of these threats on EPS and outlook for 2021-22 are still unclear. Towards the end of the month, concerns about Chinese growth and the risk of Evergrande defaulting compounded, with comments from the Fed reflecting growing worries about the evolution of inflation. These concerns translated into a higher level of risk: the VIX and Itraxx Crossover gained 10 & 25 points respectively during the month. As always when markets panic there is indiscriminate selling and as we go on to discuss with regards to individual positions below, there are often opportunities to invest additional capital at attractive multiples, resulting in significant upside potential and opportunities to outperform markets in the future, as we demonstrated last year.

The largest contributors to September's performance were: Piovani (+0.13%) & Indra (+0.06%). Bekaert was the largest detractor (-1.06%) during the month, followed by Just Eat Takeaway (-0.78%) and Boozt (-0.55%).

Given the limited magnitude of contributor impact, we shall focus solely on the detractors this month, as we strongly believe that these investments have been unfairly punished and their recent stock price falls appear totally unwarranted to us.

There was no material information released during the month that could explain the 11% drop in Bekaert's stock price. The only news was a brokerage report issued on 28th September. In this report, the analyst mentions that:

"Bekaert is trading at very undemanding multiples (...) and double digit FCF yield. In historical perspective, these multiples are at the very low end of its trading range. This is in contrast with its structurally improving margin and ROCE profile and higher cash returns."

In this report, the target price has been raised to €57, and could be increased to €65. This compares to a month end stock price of €35.98. At this price and based on our own assumptions, Bekaert trades on 3x EV/EBITDA 2022, 6.4x PE 2022 and generates a 15% free cash flow yield.

Just Eat Takeaway is in a similar situation after suffering from the tech sector sell off and noise around the intention to legalise permanent fee caps in some US cities. In our opinion, the most important news for the entire sector, and a long-awaited catalyst, has been totally disregarded by financial markets; European regulation is coming. In a vote on 15th September, members of the European Parliament demanded people working for digital labour platforms, such as food delivery services, should have the same rights as traditional employees. They also mentioned that platform workers are often misclassified as self-employed, depriving them of access to social protection and other labour rights. To address this lack of legal certainty, Parliament proposes a reversal of the burden of proof: in case of legal proceedings employers should prove there is no employment relationship, rather than vice versa. We have always argued regulation is good for Just Eat Takeaway as they are the only company that already properly employs its riders in most countries. The impact on the industry is significant as all companies will now have to pay social security taxes, insurance, and sick leave. We believe unit delivery cost in logistics could go up by roughly 30% for Just Eat Takeaway's competitors. With most logistics companies already experiencing heavy losses, we believe these companies have the choice to either pass on the cost increase to consumers and restaurants or absorb even higher losses. Like Just Eat Takeaway, Boozt also suffered from the tech sector sell off with investors cutting long duration exposure in the context of upward pressure on bond yields.

As fundamental and long-term investors, we are glad to see volatility coming back. This could create market disruptions, that we can capitalise on at a time when our Iliad investment has been tendered and cashed in on 4th October. In addition to that, the portfolio is filled with companies with extremely

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

### 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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sound balance sheets: 16 of the portfolio's 26 holdings sits on a net cash position. Companies could also be in a position to take advantage of the market volatility and deploy their capital to fund further growth.

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.

## Performance Data As at end of September 2021

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

	1M	3M	1Y	2Y	3Y	5Y	Annualised Inception
A EUR Class	-5.69	1.42	40.24	28.13	16.85	13.18	11.19
Benchmark	-3.29	0.85	28.69	9.89	8.47	8.54	5.10

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

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception
A EUR Class	18.52	28.63	24.41	-24.86	22.80	13.55	97.30
Benchmark	16.13	-1.99	26.82	-10.77	10.58	1.73	37.51

### 12 Month Returns%

	01/10/2020 - 30/09/2021	01/10/2019 - 30/09/2020	01/10/2018 - 30/09/2019	01/10/2017 - 30/09/2018	01/10/2016 - 30/09/2017
A EUR Class	40.24	17.11	-2.84	-9.99	29.28
Benchmark	28.69	-6.15	5.68	1.48	16.28

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.

Past performance may not be a reliable guide to future performance. Returns could be reduced, or losses incurred, due to currency fluctuations.

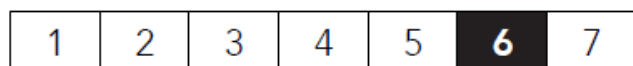
Source of graphs and tables: Morningstar. The performances presented are shown after deduction of ongoing charges and performance fees. Any entry or exit fees are excluded from this calculation. Dividends reinvested. Benchmark: STOXX Europe 600 NR EUR. Same reference period as for the class: Net Return, 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.

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



< 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 681 Europe Equity Mid / Small Cap funds as of 31/07/2021. Based on 88.63% of AUM. Data is based on long positions only.



Citywire Rating: The rating is based on the Fund Manager's three-year risk-adjusted performance to 31/08/2021.

**Awards Disclaimer:** The Strategic European Silver Stars Fund received a 3-star Overall Morningstar Rating and a 4-star 3-year Morningstar Rating (A EUR Class). Morningstar Ratings™ as of 30/09/2021.

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 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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