

Market Polarisation Provides Amazing Investment Opportunities

Strategic European Silver Stars Fund

A sub-fund of E.I. Sturdza Funds PLC, an open ended umbrella investment company incorporated in Ireland on 27th August 2008.
Authorised by Central Bank of Ireland on 26th September 2008.



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16th April 2021

Strategic European Silver Stars Fund Summary

Private Equity Style Investing

- Detailed **fundamental** in-house research. One KPI: **Free Cash Flow**.
- In depth industrial approach on **Western European companies**.
- **Long term** investment horizon.
- Rigorous and repeatable investment process used for over **18 years**.

High Conviction & Concentration

- **Concentrated** portfolio - core positions typically around 10%.
- 25 positions in portfolio - Top 5 typically over 30% of portfolio exposure.
- **Differentiated** portfolio - minimal overlap with other funds.
- We make no attempt to have similar exposure to the benchmark.

Discipline & Prudence

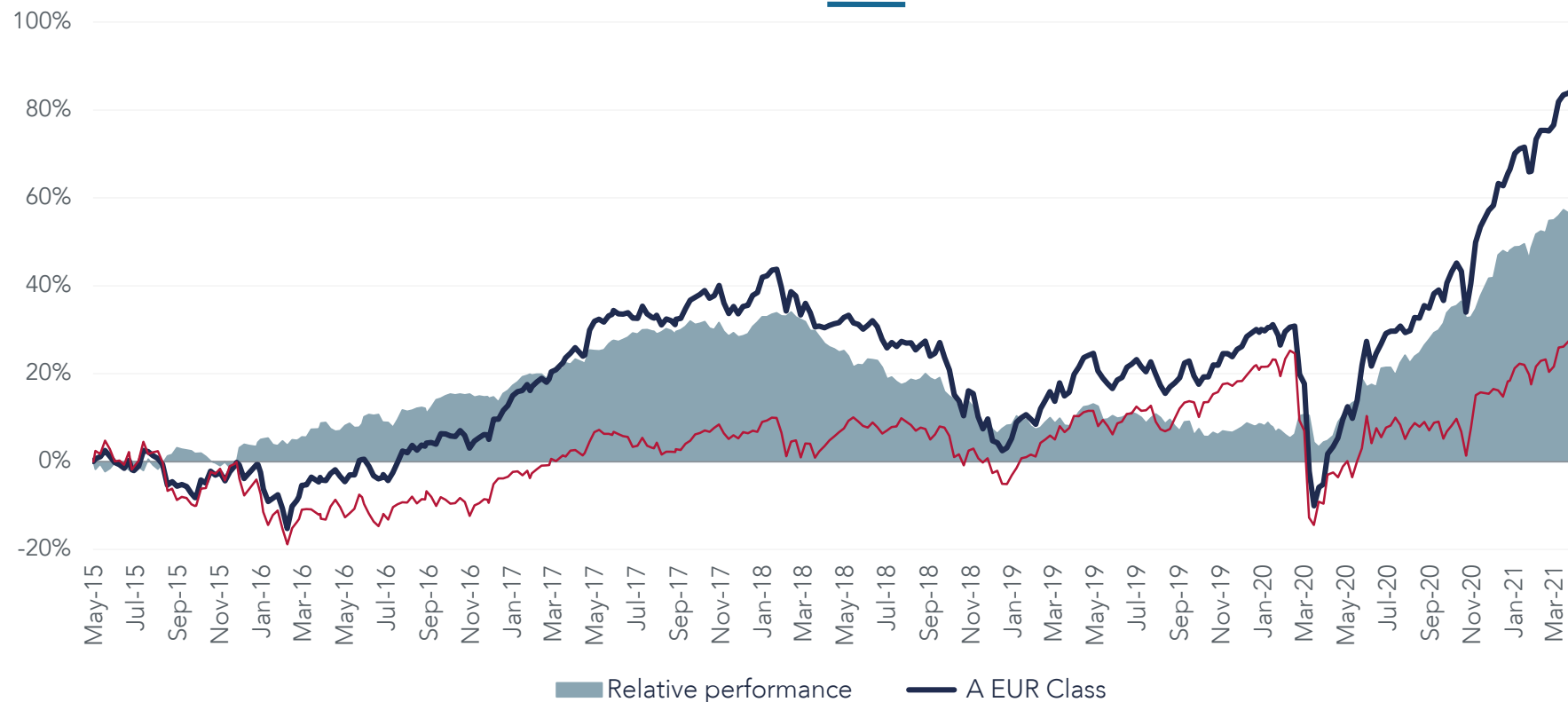
- The risk of a permanent loss of capital is as important as performance.
- Large **Margin of safety** required between proprietary valuation and market price.
- Position size is a function of risk reward & constrained by max potential loss.

Primarily leads to Small & Mid Caps

- **Small and Mid Caps fit the fundamental investment process.**
- Exposures are a result of bottom up selection with risk management overlay.
- Large Caps included provided the same level of access & understanding achievable.

Please note that the number of positions is not guaranteed and can be subject to change. The Investment Adviser's investment philosophy outlined above is as at the time of production and subject to change without notice. Please note that past performance is not indicative of future returns.

Notable Outperformance



- 2020 notable outperformance in a volatile year – the **Strategic European Silver Stars Fund up 28.6% versus EuroStoxx 600 Net Return down 2.0%**
- Post March 2020, strong recovery of EuroStoxx 600 in the last 12 months (+37.0%); whilst the **Fund returned +92.9%; +56.0% outperformance**

Source: Eric Sturdza Investments/Morningstar Direct. Data from launch 5th May 2015 to the 31st March 2021. Please note that past performance is not indicative of future returns.

2020 Wrap Up

Markets do not discriminate during periods of panic sell offs like Q1 2020:

- Indiscriminate panic selling led to significant opportunities.
- Fundamental valuation gaps still present today.
- Rare opportunity to add high quality companies that often trade at too high valuations.

Deep understanding of companies allows for the best chance of quantifying Covid-19 impact:

- Impossible to understand every company in unknown circumstances – management often cannot quantify full impact given absence of visibility.
- We are better able to understand the impact than top-down investors as we understand each business.

Experience of trading through 2008 is invaluable:

- Corporations struggled in 2009, not 2008. However, some delivered that year their highest Free Cash Flow (FCF) of the 21st century.
- The ability of balance sheets to absorb costs and manage change is key.
- We invested through this period and saw the impact on companies' balance sheets and how they adapted.

Long term view is key:

- We look to invest in companies that compound strong cash flows over the long term.
- Real valuations are recognised in time.
- We maintain the ability to buy into dips and take advantage of volatility.

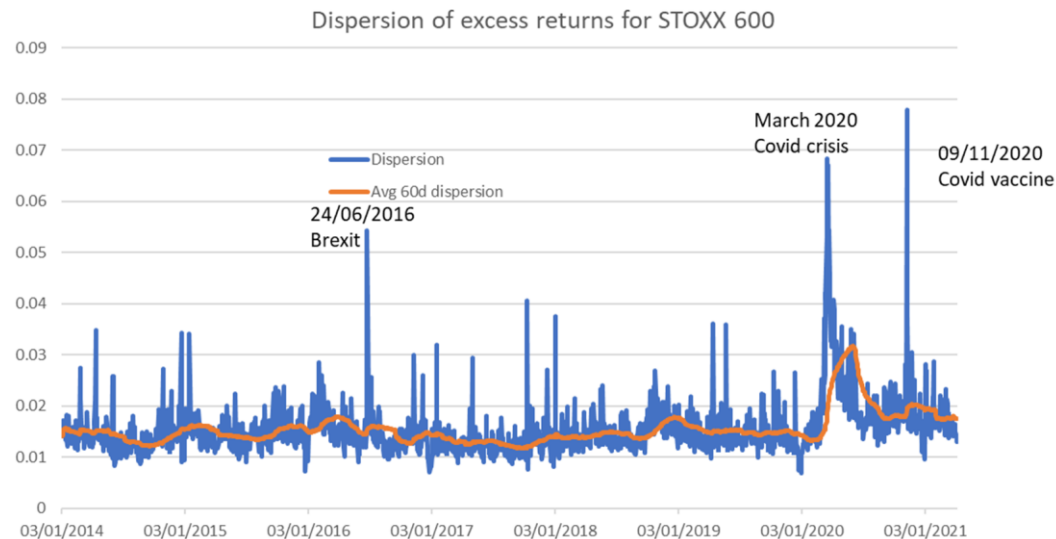
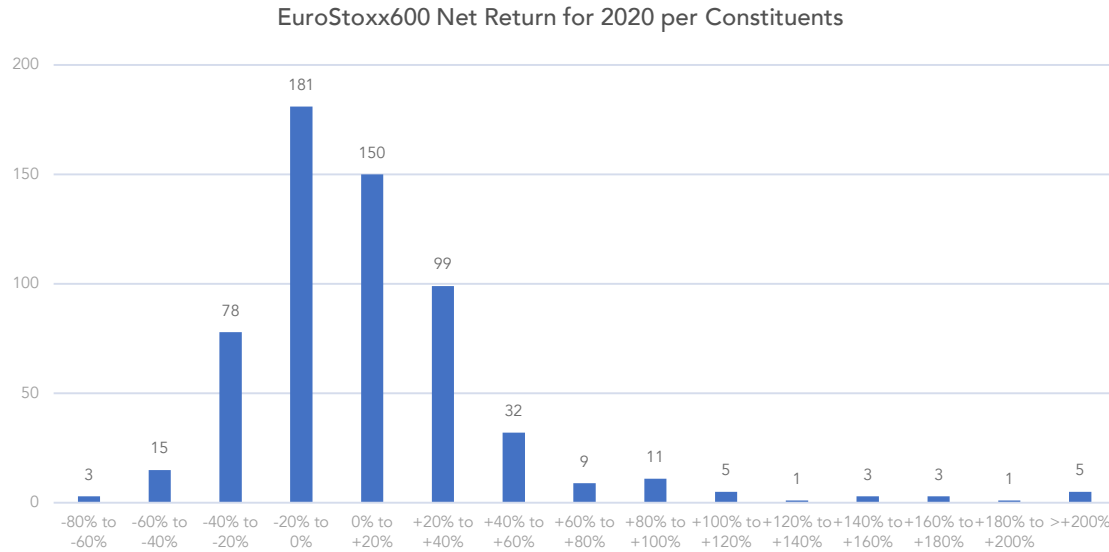
Why the last 12 months have been so successful for us

- **2020 was “THE” year of polarisation** in financial markets.
- The Strategic European Silver Stars Fund strongly benefited from its high **“Conviction and Concentration” philosophy** and returned +92.9%* in the past 12 months, outperforming its benchmark by 56.0% (31/03/2020 to 31/03/2021).
- **Markets react to fundamentals** – the main source of performance was quarterly results driven by corporates’ ability to mitigate the impact of Covid or even benefit (e-commerce, stay at home, home improvement, ...).
- The portfolio did well in general during the period with **92% of positions contributing positively**.
- Some stocks exceeded expectations, the **top 5 contributors produced >30% of returns**.
- **Portfolio turnover** (in name terms but even more so in \$ terms) **has been significantly higher than normal** and continues to create significant upside potential as per our model.

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Total
New Positions	3	6	0	2	6	17
Exited Positions	3	3	0	3	5	14

*Performance relates to the A EUR Class as at the 31st March 2021. Source: Eric Sturdza Investments/Morningstar Direct/Bloomberg/Pascal Investment Advisers. Data as at the 31st March 2021. Please note that past performance is not indicative of future returns.

Dispersion higher than normal



Source: Eric Sturdza Investments/Bloomberg/Morningstar Direct/Kepler/Pascal Investment Advisers. Data as at the 31st March 2021. Please note that past performance is not indicative of future returns.

- **Uneven distribution of returns**, the average stock return differs from the average market return.
- **<3% of stocks outperformed by >100%.**
- 46% of stocks delivered negative absolute returns.
- **80% underperformed the Fund's net return** last year.
- The dispersion creates **opportunities** with companies left aside for the wrong reasons.
- **6 new positions added in Q1 21** (Byggmax, Einhell, Pierce Group, Piovan, Sicit, and Lisi).

Outlook for 2021

2021 will hopefully be less eventful than 2020

- The vaccine rollout does not mean plain sailing.
- It will take time for the vaccine rollout to reach the levels needed for normal life.
- Lockdowns and restrictions will remain a government tool.

Portfolio rotated so **significant upside potential remains** despite 30% outperformance in 2020.

We **perceive low valuations with sharp earnings growth prospects for at least the next two years**, benefiting from:

- Worldwide economic recovery with consensus views at +5.2% for 2021,
- Continued low interest rate environment,
- Renewed interest for European Equities,
- YoY results comparisons for 2021 that will be much easier given most businesses were closed for at least two months of 2020,
- Adjusted cost basis for most corporates as 2020 was a great opportunity to adapt.

2021 should remain an investment environment favourable for active management

Conclusion

- Proven ability to deliver relative outperformance and capital preservation: **+10.9%* net annualized return versus +4.3% for benchmark since inception in May 2015**, with an **Up Capture Ratio of 119.16** and a **Down Capture Ratio of 86.76**.
- Throughout 2020, proactive actions were taken in advance as the situation developed combining calm fundamental reviews with **pragmatic risk off (Q1)/ risk on (Q3) decisions**, enabling the Fund to outperform significantly.
- 2020 was obviously a difficult year for fundamental managers, given sustained period of limited visibility but **individual positions and positioning led to noteworthy outperformance from April onwards**.
- Volatility may continue and produce opportunities for outperformance through the absence of discrimination, **especially after a year marked by massive dispersion of returns in European equities**.

We believe there is in excess of 50% upside potential for our portfolio over the next 2 years.

*Performance relates to the A EUR Class as at the 31st March 2021. Up and Down Capture Ratios based on Monthly returns since inception to the end of March 2021. Source: Eric Sturdza Investments/Morningstar Direct/Bloomberg/Pascal Investment Advisers. Data as at the 31st March 2021. Please note that past performance is not indicative of future returns.

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