



Strategic European Silver Stars Fund

October 2022 Fund Commentary

Retail Marketing Communication / Publicité / Financial Promotion addressed to investors in the countries mentioned in the disclaimer, related to **E.I. Sturdza Funds plc – Strategic European Silver Stars Fund** – (hereinafter referred to as the “Fund”) a sub-fund of E.I. Sturdza Funds plc, an Irish open-ended umbrella investment Company with variable capital – UCITS (“the Company”).

For the fifth consecutive month European stock markets moved more than 5%. During October this was a positive move, which coincidentally is only one of three times that markets have closed the month in positive territory in 2022. Once again financial markets have however proved extremely nervous, with the CPI continuing to be the main concern. Inflation figures, published at the end of September, have further condemned central banks to target the neutral rate level as soon as possible.

Inflation is also impacting the Q3 reporting season with profit warnings, due to the inflationary environment impacting costs and consumer demand, one of the main themes so far. European stocks however have a silver lining; lower valuations and earnings outperformance versus their US peers. Furthermore, the Euro’s weakness has mostly been a tailwind for the region’s earnings and was largely underestimated in consensus numbers prior to release.

Rates are still dictating the trajectory of travel for equities and showing no sign of a peak yet, implying there may not be an absolute rally for European equities towards yearend. However, October’s rebound has sent a clear signal that some sectors have been massively oversold.

There are a few examples from the Fund’s portfolio that illustrate this point quite well, comparing the current stock price versus the 30 days low hit during the month of September. Our regular readers will recognise many of these names as we have regularly discussed these stocks during the year due to the massive differences between our fundamental valuations and the ridiculously low valuation levels the market was placing on them.

Boozt’s stock price is up 61% compared to the low point of the past 30 trading days, Just Eat Takeaway up 45%, Triganò up 43%, TeamViewer up 36%, Byggmax up 30%, Verallia up 29%, RVRC up 27%, to name the most relevant ones. Many of these companies are perceived as being exposed to European consumer discretionary spending, and for this reason only, passive flows had pushed their stock prices to such low levels that they often had FCF yields higher than 20%. We are happy to see that there still exists a level that proves too oversold and tempting to be ignored, even in the context of the environment that we find ourselves in.

The Fund returned +7.31%* in October, versus +7.04% for the benchmark, with the Fund delivering an outperformance on a YTD basis of 6.17% (-17.31%, in absolute terms). October’s performance was achieved despite the 26.3% cash cushion in the portfolio at the end of September, showing how undervalued the invested part of the portfolio was back then.

The largest contributors to October performance were: Verallia (+1.15%), TeamViewer (+0.93%) and Triganò (+0.84%). LDLC was the largest detractor (-0.17%) during the month, followed by Barco (-0.03%) and Piovan (-0.02%).

Verallia released another positive set of results, printing a strong beat vs consensus, and another guidance upgrade for FY22 EBITDA (c6% upgrade to the previous mid-range guidance, given in Q2 2022). The original “more than €700m EBITDA for 2022” was upgraded to €750-€780m in July and was upgraded a second time in October to more than €820m. Despite this 17% upgrade in EBITDA guidance, a massive deleveraging and a strategic acquisition announced in the UK in early October, the stock price is still down 9% YTD as we speak, trading around 5x EBITDA 2023 with a 12% FCF yield, still leaving ample room for rerating.

The same pattern materialised for TeamViewer, with the stock rebounding strongly from the low point in September. In early October the company released its Q3 report with billings in line and a fourth consecutive beat on profitability, enabling them to reiterate their full year guidance.



Bertrand Faure
Portfolio Manager



Citywire Rating: The rating is based on the Fund Manager’s three-year risk-adjusted performance to 30/09/2022.

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.

Contact

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



Finally, Trigano's strong run continued in October post the release of their full year 21/22 revenues in September. This week, a sell side broker sizably increased its target price, highlighting the valuation that is "out of touch with fundamentals", even post the 43% strong stock price increase in recent weeks.

On the detractor side, there is little to be mentioned given the minor impact on performance.

The Fund initiated a new investment in October and we are still currently building the position. We shall come back to you with more details once the position has reached the desired weighting.

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 October 2022

Annualised Return %

	1M	3M	1Y	3Y	5Y	Ann. SI
A EUR Class	7.31	-6.80	-11.54	13.18	4.76	7.81
Benchmark	7.04	-9.91	-21.37	-0.54	0.91	1.67

Calendar Year Return %

	YTD	2021	2020	2019	2018	2017	SI
A EUR Class	-17.31	27.56	28.63	24.41	-24.86	22.80	75.60
Benchmark	-23.48	24.91	-1.99	26.82	-10.77	10.58	13.18

12 Month Returns %

	01/11/2021 - 31/10/2022	01/11/2020 - 31/10/2021	01/11/2019 - 31/10/2020	01/11/2018 - 31/10/2019	01/11/2017 - 31/10/2018
A EUR Class	-11.54	47.23	11.33	5.76	-17.71
Benchmark	-21.37	41.95	-11.86	13.04	-5.93

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 performance from 2022 is with regards to the MSCI Europe SMID NR EUR Index, whilst prior periods reflect the returns of the STOXX Europe 600 NR EUR Index. 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. Please refer to the glossary at ericsturdza.com/glossary for further explanation on specific terminologies.

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

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.



< Lower Risk

Potentially lower rewards

Higher Risk >

Potentially higher rewards

The risk indicator for the Fund is set at 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/.

Ratings & Awards



Morningstar Sustainability Rating



Awards Disclaimer: The Strategic European Silver Stars Fund - A EUR share class has a Morningstar rating of 4 stars overall and 5 stars over 3 Years. Morningstar Rating™ as of 31/10/2022.

The Strategic European Silver Stars Fund received a Morningstar 3 Globe Sustainability Award. Sustainability Rating as of 31/08/2022. Out of 785 Europe Equity Mid/Small Cap funds as of 31/08/2022. Based on 98.52% of AUM. Historical Sustainability Score as of 31/07/2022. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score. Data is based on long positions only.

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.

Bertrand is ranked 1st in the European Equities category and is ranked 16th overall out of all 250 managers, across all asset classes and regions including bond, property and Asian stocks. The data used covers the three years to 28 February 2022. Source and copyright Citywire 2022. Learn more about the Citywire Euro Stars at <https://ericsturdza.com/insights/bertrand-faure-citywire-selector-euro-stars/>



Important Information - The views and statements contained herein, including those pertaining to contribution analysis are those of Pascal Investment Advisers SA in their capacity as Investment Adviser to the Fund as of 04/11/2022 and are based on internal research and modelling. Please contact info@ericsturdza.com should you wish to have an update call with the investment team.

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