



Strategic Europe Quality 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 Europe Quality 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”).

During October, the Fund gained 4.38%*, versus a 6.22% increase for the MSCI Europe. The underperformance was due to both sector allocation (-50 bps) and stock selection (-191 bps). The month was marked by a rebound in the Energy and Financials sectors, areas where the Fund is structurally underweight. This rebound is fairly symmetrical to the September decline. The scenario of a macroeconomic slowdown is becoming more and more consensual as both companies and investors start to acknowledge the likelihood of a 2023 recession. The question that remains is the duration and depth of the slowdown amid still burgeoning inflation and monetary tightening.

Publicis was the best performer in the portfolio for the month. The repositioning, carried out a few years ago, on digital marketing is bearing fruit. It has resulted in the company outperforming its main competitors such as WPP. We believe that this trend should continue in the coming quarters and we remain confident in the potential of this position given a still reasonable valuation.

Air Liquide reported a good third quarter, and the prospect of Linde’s delisting in Europe was also a positive technical factor. EssilorLuxottica largely reassured the market by posting better than expected growth in Q3, a good performance in an otherwise lacklustre Consumer sector environment.

On the detractor front, Sartorius suffered from an uninspiring quarterly publication as orders lagged expectations. With supply chain bottlenecks easing, ordering patterns from customers are returning to a more classical shape (less advance orders). Whilst destocking is unhelpful it is likely to be a short-term headwind only, as end user demand remains strong. We trimmed the position but stuck to our holding.

We exited 3 positions and added 3 new names during the month. We sold our position in Heineken, whose volumes in Q3 proved not as resilient, as we expected. It was replaced with Symrise, a strong Flavour & Fragrance franchise whose B-to-B business should be relatively insulated from price elasticity.

In Industrials, we sold our position on Brenntag, fearing the slowdown in demand for chemical products might be steeper than expected. We pivoted into MTU, the German aircraft engine manufacturer, whose end markets should keep improving.

In the automotive sector, we exited Michelin to build a position in newly IPOed Porsche AG. In a sector mired in low growth and fierce competition, we deem the company offers an attractive combination of good growth opportunities and significant scale benefits vs peers; and at mid-teens multiple, its luxury credentials are reasonably valued.



Ludovic Labal
Portfolio Manager



Cyril Bertrand
Portfolio Manager



Citywire Rating: Ludovic Labal and Cyril Bertrand are A rated by Citywire for their rolling 3 year risk-adjusted performance, for the period to 30/09/2022.

Investment Approach

The investment approach utilised by the Investment Adviser will be highly selective, focusing on corporate value based on cash flow (operating cash flow, free cash flow and earnings before interest and tax depreciation and amortization “EBITDA”) and the quality of the companies’ business models, rather than changes in earnings per share. Preference will be given to companies with high free cash flows, high levels of recurring revenue, franchise stocks (typically displaying low capital intensity and high return on capital) and undervalued growth companies. The Investment Adviser expects that the portfolio exposure will normally be concentrated in around 30-40 positions.

The Fund shall not invest in companies with a market capitalisation below Euro 300 million at the time of purchase.

Investment Objective

To achieve capital appreciation over the long term.

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 2.



Performance Data As at end of October 2022

Annualised Return %

| | 1M | 3M | 1Y | 3Y | 5Y | 10Y | Ann. SI |
|--------------------|------|-------|--------|-------|------|------|---------|
| A EUR Class | 4.38 | -7.67 | -18.83 | -2.97 | 0.77 | 7.23 | 7.15 |
| MSCI Europe NR EUR | 6.22 | -5.34 | -9.71 | 3.63 | 3.39 | 6.87 | 6.37 |

Calendar Year Return %

| | YTD | 2021 | 2020 | 2019 | 2018 | 2017 | SI |
|--------------------|--------|-------|-------|-------|--------|-------|--------|
| A EUR Class | -21.41 | 22.50 | -8.95 | 26.60 | -6.63 | 13.09 | 129.16 |
| MSCI Europe NR EUR | -12.24 | 25.13 | -3.32 | 26.05 | -10.57 | 10.24 | 109.77 |

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 | -18.83 | 29.78 | -13.28 | 14.88 | -0.97 |
| MSCI Europe NR EUR | -9.71 | 41.86 | -13.13 | 12.63 | -5.76 |

Benchmark: MSCI Europe Net Total Return Index EUR

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

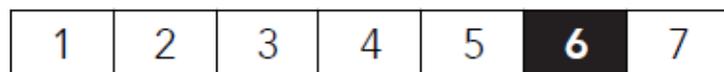
Source of graphs and tables: Morningstar. The performances presented are shown after deduction of ongoing charges and performance fees. Any entry or exit fees are excluded from this calculation. Dividends reinvested. Benchmark: MSCI Europe Net Total Return Index EUR. Same reference period as for the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



< Lower Risk Higher Risk >
Potentially lower rewards 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 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 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



Top Performer 2022, Long Only Equity Fund under \$1bn.

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Awards Disclaimer: The Strategic Europe Quality Fund received a Morningstar 5 Globe Sustainability Award. Sustainability Rating as of 30/09/2022. Out of 2,664 Europe Equity Large Cap funds as of 30/09/2022. Based on 100.00% of AUM. Historical Sustainability Score as of 31/08/2022. Sustainability provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score. Data is based on long positions only.

The Strategic Europe Quality Fund received a Morningstar Low Carbon Award. Carbon Metrics as of 30/09/2022. Based on 89.32% of AUM. 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.

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