Strategic European Silver Stars Fund

October 2021 Fund Commentary

September was marked with numerous sources of concern: the economy; central banks; COVID and politics, all generating a rise in risk indicators and a sharp fall in indices. The month of October continued in the same vein with a relentless flow of news on rising energy prices and inflation in general. This however was supported by corporates' good earnings releases. European stocks have begun the final quarter in the best way possible, with the Stoxx 600 Index posting its best month since March with a +4.67% return.

The Fund returned +0.61%* in October. Half of the difference can be explained by news from one company that significantly penalised the Fund's return, and we will cover this in detail. Year to date, the Fund has returned +19.24%.

The largest contributors to the October performance were: Indra Sistemas (+0.53%), Bekaert (+0.49%) and RVRC (+0.39%). TeamViewer was the largest detractor (-1.75%) during the month, followed by Pierce (-0.27%) and Gränges (-0.15%).

Indra Sistemas was one of the few positive contributors to performance during the harsh market conditions of September, and it confirmed its positive trajectory in October, thanks to the release of an excellent Q3 report. Both revenues and EBIT were substantially ahead of the consensus numbers, and FY21 guidance was raised for revenues, EBIT and Free Cash Flow (FCF). Despite a good first half, the previous FY21 guidance had raised concerns surrounding the group's momentum for H2 and the stock did not re-rate much, leaving it the most heavily discounted name in the sector among midcaps. On top of the excellent numbers, the dividend is to be reinstated after 8 years with the company proposing to pay €0.15 per share in July 2022, indicating that management expects consistent profitability and FCF for the coming years.

There was no company specific news on Bekaert other than a broker report mentioning the following:

"The company, which has achieved a step change in margins, is valued at a ridiculously low 2022 EV/EBITDA of 3.6x versus 5.8x for the peer group while generating high FCF yields, even with a material uptick in capex. As earnings and FCF remain strong, and Bekaert occasionally opts for a share buy back, that undervaluation should disappear."

We are expecting more news on a potential share buy back when the company reports its Q3 numbers in the second half of November.

RevolutionRace (RVRC) is a rapidly growing and highly profitable direct-to-consumer (D2C) brand, selling multifunctional outdoor wear online. The company currently generates strong growth in all 36 countries where it is present, with particularly strong momentum in the DACH region. The company's ambition is to launch in 2–4 new markets per year. This calendar year has so far seen launches in the US and Switzerland. The US launch was in June, with a small selection of SKUs using Amazon for its fulfilment. The company also plans to launch its new collections of shoes and backpacks sometime in November-December and is evaluating further expansion to new product areas. Results will be released on 8th November; we expect another very strong quarter with close to 100% revenue growth.

Moving to the main detractor this month, TeamViewer. A high growth and high margin business exposed to a large and fast-growing market in remote connectivity software. At the end of 2020, TeamViewer's products had been installed on over 2.25bn devices and its active connected devices had crossed a whopping 340m devices. At that date, it had amassed 584k paid users across 180 countries. TeamViewer's target market is fragmented. There are a few free alternatives available from players such as Microsoft and Google; but these have limitations in terms of use. For example: the devices that can be connected; the type of operating system used etc. and they do not matchup to TeamViewer's ease-of-use and breadth-of-use cases.

In March 2021, TeamViewer announced sponsorship deals with the Manchester United football team as the lead jersey sponsor and the Mercedes F1 team. The Manchester United deal alone was reportedly worth approximately €275m (or €55m per year over 5 years) and the company cut its FY21 adj. EBITDA margin guidance to 49-51%, from 55-57% - announced just 6 weeks before. Based on

Bertrand Faure
Portfolio Manager

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

200M shares, and assuming zero benefits from those deals, they would cost a maximum of €1.4 per share, but the stock price moved from €45 to €30 and this is when the Fund began to build a 2.5% position in TeamViewer.

The company benefitted from the working from home trend resulting from the COVID crisis, but then saw more normalised growth trends in 2021. In early July 2021, the company confirmed its full year guidance, albeit at the low end of the range, putting itself under significant pressure to perform in H2, as even the low end implied a considerable acceleration compared to H1. In the early days of October, a second profit warning prompted TeamViewer to cut its FY21 guidance (as expected by consensus), but unexpectedly, it also walked away from its 2023 targets that were set just six months ago. This led to substantial downgrades and changes in recommendation from nearly every broker covering the stock. The stock price dropped by more than 50% following the announcement.

Clearly 2021 is a year to forget for TeamViewer, and a new thesis is required based on the revised mid-term outlook. Some issues need to be fixed, not to mention management credibility, to justify an immediate recovery in the share price. The market needs to see evidence that 2021's shortcomings were only a result of execution mis-steps and overly ambitious targets.

On 3rd November, the company released the final Q3 numbers and confirmed its 2021 guidance and the stock price rebounded by more than 10% on the day. We remain convinced about the company's positioning, and this should be reinforced during a Capital Market Day on 10th November. Our view was that despite questionable sponsorship deals, TeamViewer is way too cheap relative to its growth, margins and FCF generation profile. The same is still true today; high teens top line growth with 50% EBITDA margin is at odds with TeamViewer's 9x FY23 EV/EBITA multiple.

Releases from Pierce and Gränges during the month triggered volatility on their stock prices, but this in no way changes our view about the companies and the long term investment thesis.

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 2021

Annualised Return% [1]

	1M	3M	1Y	2Y	3Y	5Y	Annualised Inception
A EUR Class	0.61	-3.06	47.23	28.00	20.12	13.37	11.14
Benchmark	4.67	3.43	41.95	11.85	12.25	9.76	5.77

Calendar Year Performance % [2]

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception
A EUR Class	19.24	28.63	24.41	-24.86	22.80	13.55	98.50
Benchmark	21.55	-1.99	26.82	-10.77	10.58	1.73	43.93

12 Month Returns%

	01/11/2020 - 31/10/2021	01/11/2019 - 31/10/2020	01/11/2018 - 31/10/2019	01/11/2017 - 31/10/2018	01/11/2016 - 31/10/2017
A EUR Class	47.23	11.33	5.76	-17.71	31.29
Benchmark	41.95	-11.86	13.04	-5.93	19.74

Source: Morningstar.

[1] Annualised Returns as of the date of the reporting over the defined period. Data less than 1 year is not annualised.

[2] 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. 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

< Lower Risk — Higher Risk >

Potentially lower rewards — 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/.

Ratings & Awards

MORNINGSTAR ★★★ ™

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Morningstar Sustainability Rating

Out of 678 Europe Equity Mid / Small Cap funds as of 31/08/2021. Based on 88.12% of AUM. Data is based on long positions only.

2021 TOP PERFORMER
ALLOCATOR
INVESTORS CHOICE AWARDS
BEST FUND UNDER $100M - EQUITY
STRATEGIC EUROPEAN SILVER STARS FUND

CITYWIRE AA

Citywire Rating: The rating is based on the Fund Manager's three-year risk-adjusted performance to 30/09/2021.

Awards Disclaimer: The Strategic European Silver Stars Fund received a 3-star Overall Morningstar Rating and a 3-star 5-year Morningstar Rating (A EUR Class). Morningstar Ratings™ as of 31/10/2021.

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 31/07/2021. Sustainability Rating as of 31/08/2021. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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 03/11/2021 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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