Nippon Growth (UCITS) Fund

October 2021 Fund Commentary

Market Development

The Japanese market declined in early October, continuing the trend from late September. The TOPIX fell for 9 consecutive trading days until 7th October. This was in part due to domestic concerns over the Kishida policy and partly from external concerns such as the credit risk of China's Evergrande Group, the US debt ceiling crisis and the rise in US long-term interest rates.

In mid-October, the market recovered on the back of the weakening Yen to US Dollar and the drop in the number of new COVID cases in Tokyo, which have steadily declined to below 100. Gains in the US market following a pause in the rise of US long-term rates also supported the market.

In late October, the market fluctuated on the back of the news flow of Q2 results and the general election, which took place on the 31st October.

The TOPIX closed the month at 2,001.2 (down 1.4% MoM) and the Nikkei 225 at 28,892.7 (down 1.9% MoM). 23 out of 33 sectors declined. The top five performing sectors were Mining, Non-Ferrous Metals, Glass & Ceramic Products, Oil and Other Financing Business. The bottom five performers were Air Transportation, Utilities, Land Transportation, Retail and Rubber.

The 10 Yr JGB yield began at 0.07 and steadily rose beyond 0.1 by late October on the back of the rise in yields in the US and Europe, ending the month at 0.099. The JPY against the USD started at 111.29 and depreciated to almost 115 on the 20th October, as the USD strengthened from a higher US 10 Yr treasury yield (which hit over 1.7), but settled at the end of the month at 113.95. The crude oil price opened at 75.03 and continued to rise - reaching over 85 at one point for the first time in 7 years - before closing at 83.57.

Market Outlook

Under the State of Emergency (SoE), the Japanese economy remained stagnant up to Q3 2021. Industrial production declined 5.4% MoM in September, much lower than the market consensus of -2.8% MoM, recording 3 consecutive months of MoM decline. Notably, the Auto sector saw a particularly steep decline (-28.2% MoM), heavily impacted by the global semiconductor shortage and stalled component supply from Asian countries affected by the delta variant. That said, the government estimates that industrial production would increase 6.4% MoM in October, and rise a further 5.7% MoM in November.

Although auto production remains somewhat unclear, we expect that overall production activity could return to normal and recover sharply from Q4, as infections quickly decline and vaccinations rapidly increase.

According to the Economy Watcher's Survey of Business announced on 9th November, the overall current conditions DI for October improved by 13.4 points to 55.5. This should mirror the sudden restart of economic activity, with the lifting of the SoE at the end of September, and the sharp decline in new COVID-19 cases.

On 5th November, US Congress finally passed President Biden's infrastructure bill for $1 trillion. This should have a substantial impact on US economic growth and contribute to a rapid improvement in productivity in the US economy. In addition, it should also stimulate economic policies for many other nations. We believe that the driving force for global

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Investment Approach

Access to Mr. Yutaka Uda's 40 years' investment experience in Japanese equities. Portfolio construction combines the long term macroeconomic view of the Investment Adviser with a bottom up perspective of stock research based on fundamental analysis.

Investment Objective

To achieve long-term capital growth through active sector allocation and stock selection resulting from changes in economic conditions.

A sub-fund of E.I. Sturdza Funds plc.

Registered in Ireland.

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economic growth for the coming few years will shift from IT investment to infrastructure investment, which should dramatically change the characteristics of global markets.

Following the sound victory of the LDP coalition in the general election on 31st October, Prime Minister Kishida is expected to announce a sizeable economic stimulus package of JPY 30 trillion in November, which should be centred on effective fiscal stimulus.

We expect the Japanese economy to regain substantial momentum from Q4 2021, towards the end of 2022. From a long-term view, world exhibitions in 2025 and Integrated Resort projects (including casinos) in 2027-2028 should bring Japan's economic growth back to over 2% p.a. for the coming 5 years. We believe that the Japanese stock market will perform remarkably, with the TOPIX targeting 2,500 towards the end of 2023.

Portfolio Strategy

The net asset value per unit for the Nippon Growth (UCITS) Fund on a Japanese Yen basis as of 29th October 2021 declined 0.8%* compared with that of 30th September, whilst the TOPIX TR index went down 1.4% during the same period.

The Fund added no new names to the portfolio and no stocks were sold out.

The Fund continues to be overweight in economically sensitive sectors with cheap valuations such as Trading Companies, Marine Transportation, Iron & Steel and Banking, while defensive sectors such as Foods, Pharmaceuticals, Retail and Utilities continue to be avoided. The Fund takes a cautious stance toward IT related sectors.

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

Performance Data As at end of October 2021

Annualised Returns %

	1M	1Y	3Y	5Y	10Y	15Y	Annualised Inception
A JPY Class	-0.80	45.50	8.23	9.48	9.89	1.48	4.94
Benchmark	-1.42	29.38	9.26	9.96	12.52	3.55	4.65

Calendar Year Returns %

	YTD 2021	2020	2019	2018	2017	2016	Fund Inception	Strategy Inception
A JPY Class	27.44	-5.55	19.10	-20.67	20.88	-2.21	117.81	164.59
Benchmark	13.06	7.39	18.12	-15.97	22.23	0.31	185.14	150.31

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 JPY Class	45.50	-13.64	0.92	-6.54	32.68
Benchmark	29.38	-2.95	3.88	-4.78	29.44

Source of graphs and tables: Morningstar.
Past performance may not be a reliable guide to future performance. Returns could be reduced, or losses incurred, due to currency fluctuations.
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: TOPIX TR JPY. 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

1	2	3	4	5	**6**	7

< 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 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, 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/.

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