

# Sturdza Family Fund

A sub-fund of EI 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.



**ERIC STURDZA  
INVESTMENTS**

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Investment Manager and Distributor  
E.I. Sturdza Strategic Management Limited  
Part of the Eric Sturdza Group

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Investment Adviser  
Banque Eric Sturdza S.A.

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May 2021

# Eric Sturdza Investments

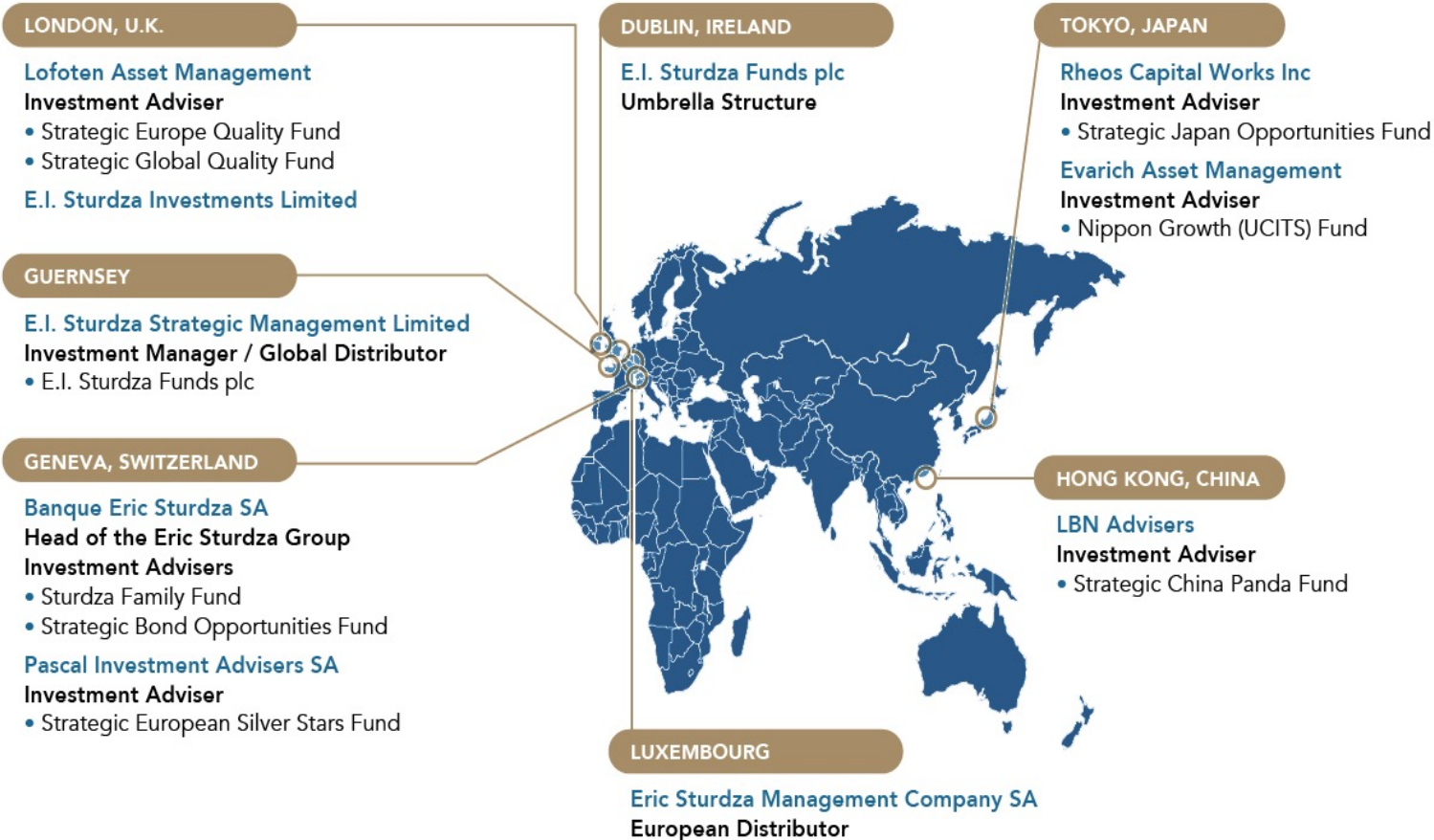
E.I. Sturdza Strategic Management Limited (Eric Sturdza Investments) is an independent asset management company. We seek to partner with world-class Investment Advisers, who have strong and proven track records, providing our clients with access to the best investment ideas.

Through the E.I. Sturdza Funds PLC, our Dublin based umbrella structure, we offer a range of award-winning UCITS Equity Funds covering Global, Chinese, Japanese (all cap and large cap), European (large cap, small / mid cap) markets, in addition to global multi-asset and global fixed income strategies.

Our business model leads to the separation of the traditional roles of a fund manager between Eric Sturdza Investments and the designated Investment Adviser.

Our advisers are freed from operating within a large corporate structure, allowing them to devote all of their time and energy to managing our investors' assets. Mean-while, we are responsible for risk management, operations, finance, compliance, distribution and regulatory requirements.

**We believe that this structure of exclusive partnerships provides the potential and creates the foundation for superior performance.**



# UCITS V Compliant Funds Managed by Eric Sturdza Investments

	Fund	Market Cap Category	Representative Share Class	ISIN	Bloomberg TK
<b>Equity Funds</b>	<b>Strategic Japan Opportunities Fund</b>	Japanese All Cap	B JPY Class	IE00BYV1GC35	EISJOJI ID
	<b>Strategic Europe Value Fund</b>	European Large Cap	A EUR Class	IE00B5VJPM77	EISEVLE ID
	<b>Strategic Global Quality Fund</b>	Global Large Cap	B USD Class	IE00BTC0JX61	STGQUIC ID
	<b>Strategic China Panda Fund</b>	Chinese All Cap	A USD Class	IE00B3DKH950	STCHPAU ID
	<b>Strategic European Smaller Companies Fund</b>	European Small & Mid Cap	A EUR Class	IE00BWCGWH04	EISESEU ID
	<b>Nippon Growth (UCITS) Fund</b>	Japanese All Cap	A JPY Class	IE00B563Q870	EINGROB ID
<b>Multi-Asset Fund</b>	<b>Sturdza Family Fund</b>	Global	B USD Class	IE00BF559G39	EISFMUI ID
<b>Fixed Income Fund</b>	<b>Strategic Bond Opportunities Fund</b>	Global	B USD Class	IE00BF55FY35	EISBOUI ID

# The Sturdza Family Fund

## We do for you, what we do for us.

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**Eric Sturdza**

*“As a successful family, we know the challenges of growing and protecting wealth for the next generations. We have created the Sturdza Family Fund as a cornerstone of our own wealth management and want to share it with you.*”

*By doing for you what we do for us, we create the ultimate alignment of interest. Managed by our team of exceptionally experienced and complementary managers and entrepreneurs, the Sturdza Family Fund aims at growing wealth steadily and establishing a fruitful dialogue between us.”*

# The Sturdza Family Fund

Taking the long view to create value and shelter from short-term risks.

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- A diversified equity portfolio of high-quality companies, with proven track records and long-term growth potential, which are underappreciated by the market.
- Equities are expected to be the principal driver of value creation.
- Dynamically managed fixed-income exposure included within the portfolio to mitigate risk and provide a source of liquidity for the infrequent but significant buying opportunities in equities.
- Assess portfolio and market risks frequently and adjust allocation accordingly.
- Strong alignment of interest as the Fund is a cornerstone for the Sturdza family in the management of their own wealth.



Morningstar Sustainability Rating as at 28/02/2021.  
Out of 2,245 Flexible Allocation funds as of 28/02/2021.  
Based on 70.33% of AUM.

# Fund Update – May 2021



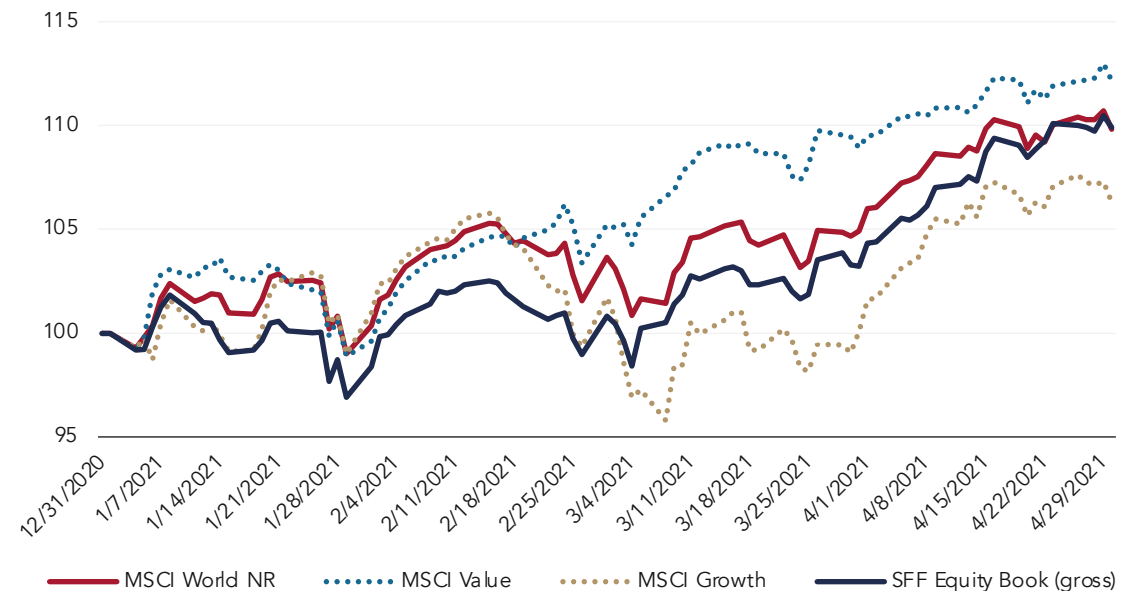
**ERIC STURDZA**  
**INVESTMENTS**

# Portfolio Update

## Equities 2021 YTD

Style / sector rotation favouring economic recovery has been strong since the vaccine announcements. Our portfolio, a diversified set of companies with a bias towards GARP & quality, has continued to demonstrate a level of idiosyncratic returns, but which do tend to underperform in sharp value rallies.

- Strong divergence of growth and value style returns, especially from mid February.
- As we advance from an early economic recovery towards an expansion phase in the business cycle, deep cyclicals have repriced and we expect returns to be more aligned with underlying earnings growth.
- We remain focused on our universe of long-term champions to drive future returns.

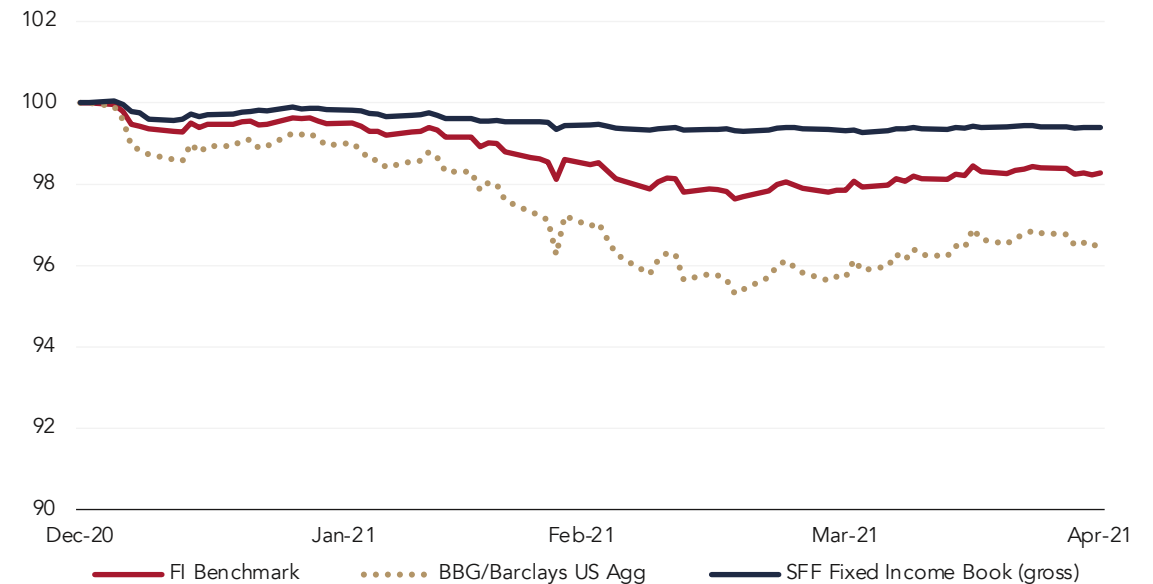


# Portfolio Update

## Fixed Income 2021 YTD

Style / sector rotation favouring economic recovery has been strong since the vaccine announcements. Our fixed income portfolio underwent significant changes to ensure diversification vis-à-vis equities within the context of an evolving correlation landscape.

- First duration reduction in Q4 2020 amid vaccine news supporting reviewed inflation expectations in the market – maintaining of TIPS positioning.
- Decisive reduction in duration and divestment of TIPS positions amid turn in real rates and potential correlation versus equities.
- Compelling results both from a relative return and diversification profile standpoint.



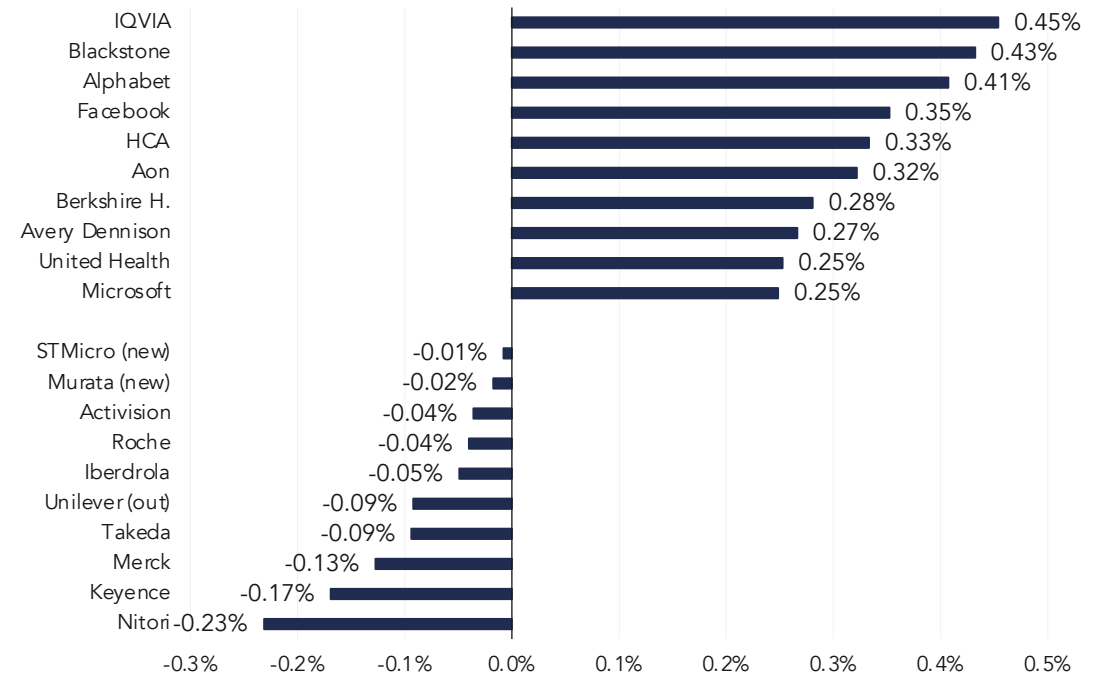


# Portfolio Update

## Equities 2021 YTD: What has worked, and what has not

Style / sector rotation favouring economic recovery has been strong since the vaccine announcements. The largest equity contributors have seen various catalysts, generally strong earnings publications confirming long-term trends, and / or relatively attractive valuation setup coming into the quarter. Pharma, Staples and Japanese companies have tended to detract from returns so far YTD.

- Alphabet and Facebook demonstrated strong growth as their advertising-led primary businesses continue to gain share and pricing power.
- Companies with attractive valuations setups and strong fundamental momentum benefited from re-ratings (Blackstone, HCA, Aon, Avery Dennison).
- Staples and Pharma companies remained out of favour so far (Roche, Merck, Takeda, Unilever). Japanese growth stocks underperformed after a strong 2020 (Keyence, Murata, Nitori).



# Portfolio Update

## Key Recent Additions to the Equity Portfolio

Style / sector rotation favoring economic recovery has been strong since the vaccine announcements. Our clear quality / secular growth philosophy keeps us focused on our universe, although more economic visibility can support new investment theses.

- The economic recovery supports strong demand for next-generation products (EV, 5G handsets, etc), where production complexity is increasing, with implications for the supply chain.
- New consumer habits acquired in 2020 will persist once they have proven valuable.
- The pandemic creates an ideal backdrop for Keynesian fiscal policies to fight off existing deflationary forces.

### Technological Changes

- **Semiconductors value chain**
  - Synopsis (chip design complexity)
  - STMicroelectronics (EV power, industrials)
  - Advantest (Testing equipment)
  - Murata (5G applications)

### Demographics & Consumer Habits

- **Video Game Publishing: LT growth**
  - Electronic Arts & Activision Blizzard
- **Digital & Restaurants:** only the proven models
  - Domino's Pizza (digital leader, top ROI franchiser)

### GDP+ Compounders

- **Private Markets demand:**
  - The Blackstone Group (Real Estate, PE, etc)
- **Infrastructure & Construction:**
  - Nemetschek (BIM, Digitalization of Construction)

# Recent Addition: The Blackstone Group

## A Leading Private Markets Franchise

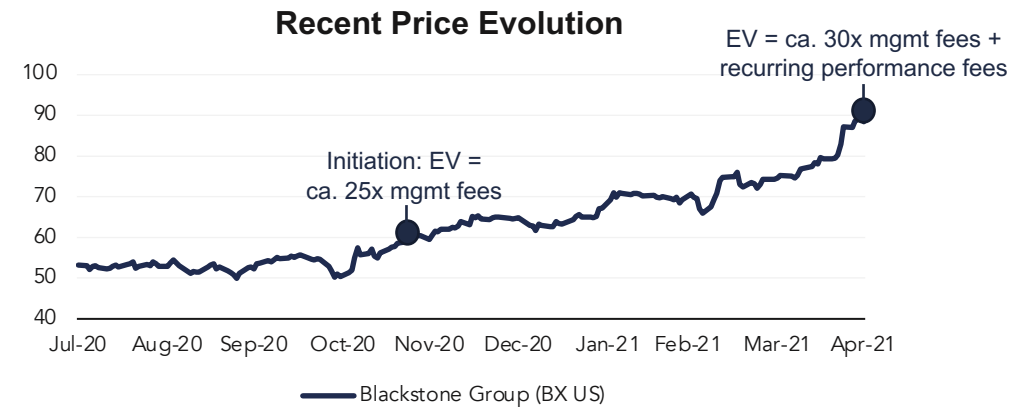
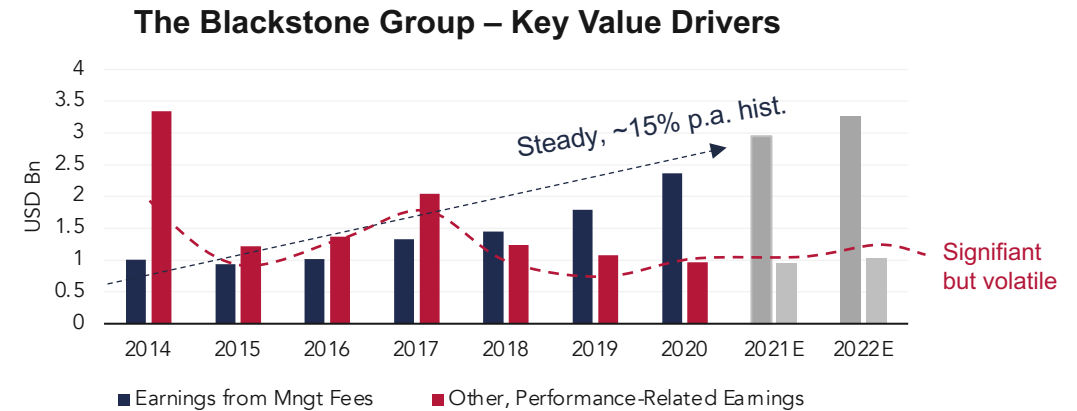
The Blackstone Group, co-founded by current Chairman S. Schwarzman in 1985, is one of the early, trailblazing private equity general partner, and has become one of the largest alternative investment manager globally with investment strategies covering Private Equity, Real Estate, Infrastructure, Private Credit and Hedge funds.

### Key Fundamental Considerations:

- Fee visibility (multi-year locked-up capital);
- High profitability (management fees + performance fees);
- Track record of seizing scale opportunities (esp. fundraising);
- High demand catalysed by interest rates and growing investor base;
- Consistent growth in AUMs & increase in profit margin.

At time of initiation, management fees alone\* justified the investment from a valuation standpoint. Following recent earnings, positive surprises on performance fees has reminded investors of the upside they can provide, pushing the current valuation to imply more growth or more regularity in performance fees. Even with higher expectations, we remain investors in Blackstone seeing the valuation as reasonable given its unique position.

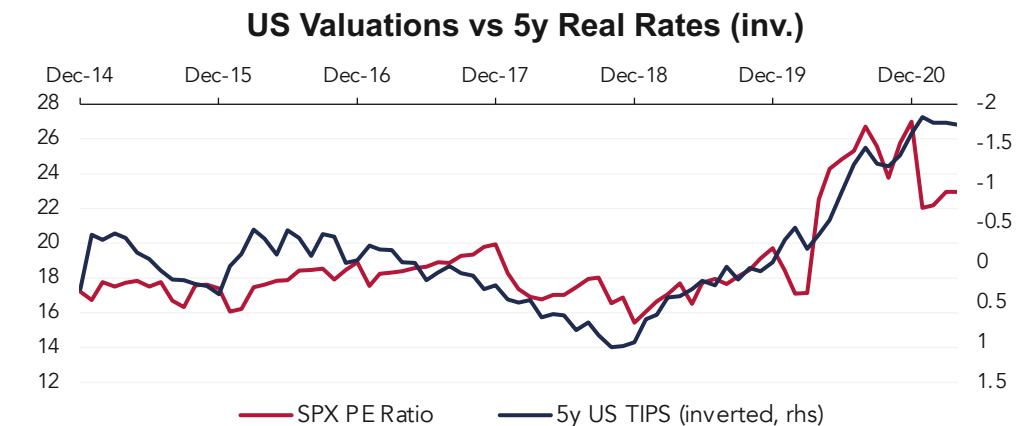
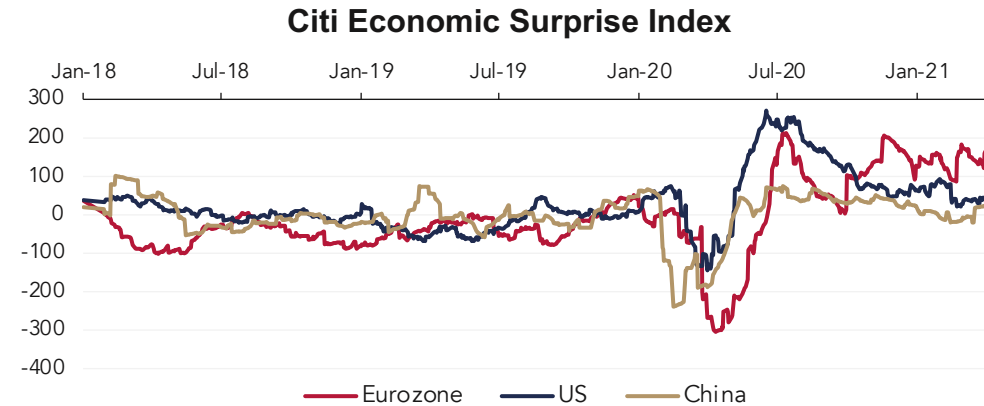
\*Modelling 3 years of current growth trajectory followed by progressive fade of growth to 2% in year 10.



# Overview of the Current Macro Picture

## A transition from early recovery to expansion phase?

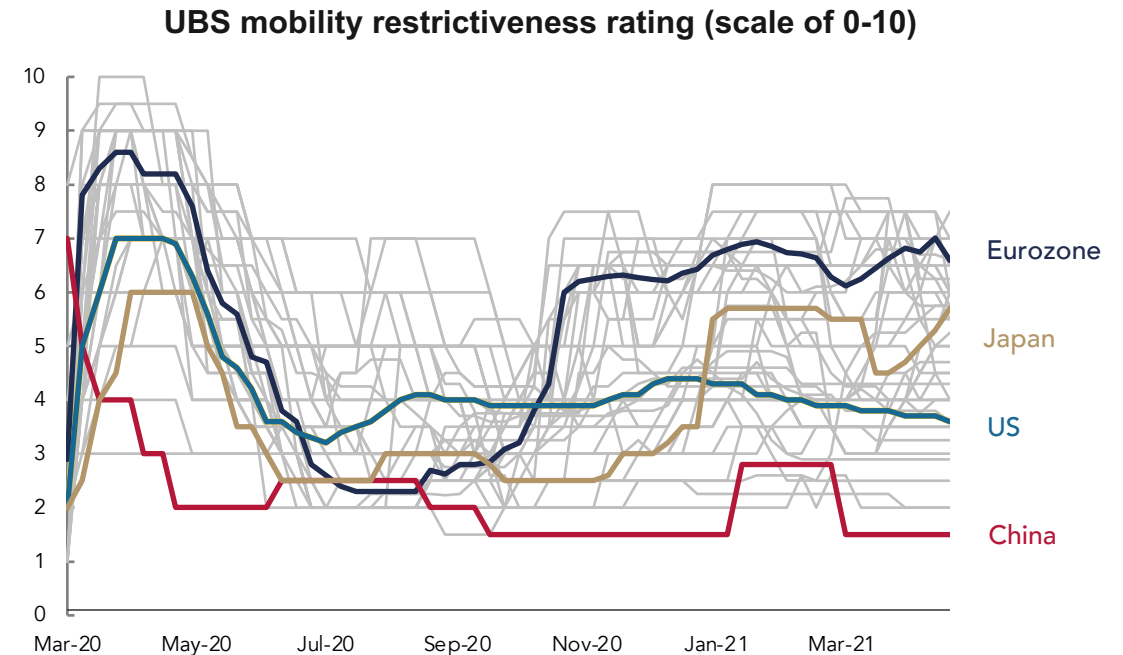
- As economies reopen and fiscal stimuli diffuse through the economy, economic surprise normalize as expectations converge towards reality, demonstrating the progress made over the past year.
- With tail scenarios removed and the economic momentum affirmed, early cycle markets sharply reprice the most economic sensitive risk exposures and transition towards a more mid cycle stance. We experienced a peculiar cycle, but a cycle nonetheless.
- Historically accommodative monetary response has likely affected the market, but recent earnings demonstrate the path towards normalization – all the while monetary policy is likely to remain highly supportive.



# Overview of the Current Macro Picture

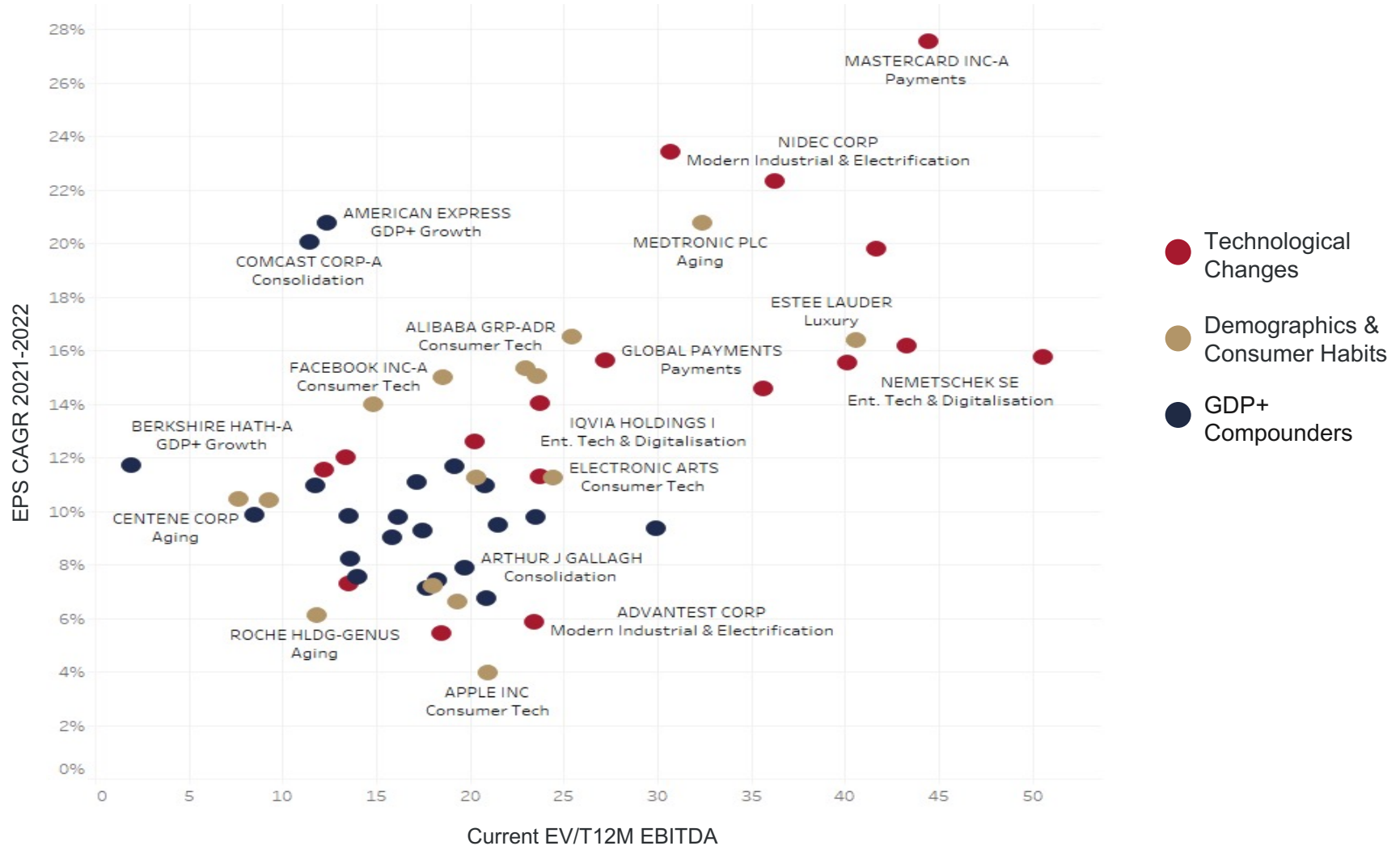
## A transition from early recovery to expansion phase?

- While it is easy to forget when focusing on Index constituent's earnings, mobility restrictions remain significant in the developed world, providing further economic tailwinds going forward.
- The pressure to deliver on economic stimulus and social agendas remains high throughout the developed world as unemployment remains significant and “secular stagnation” pressures, already in place before the pandemic, persist.
- We remain of the view that global macro conditions should be supportive for equity markets generally while transitioning back to more long-term, earnings growth-led returns.



# Underlying Sources of Growth

## Stock Level



Source: Bloomberg / Banque Eric Sturdza SA as at end of April 2021. Past performance is not an indicator of future performance.

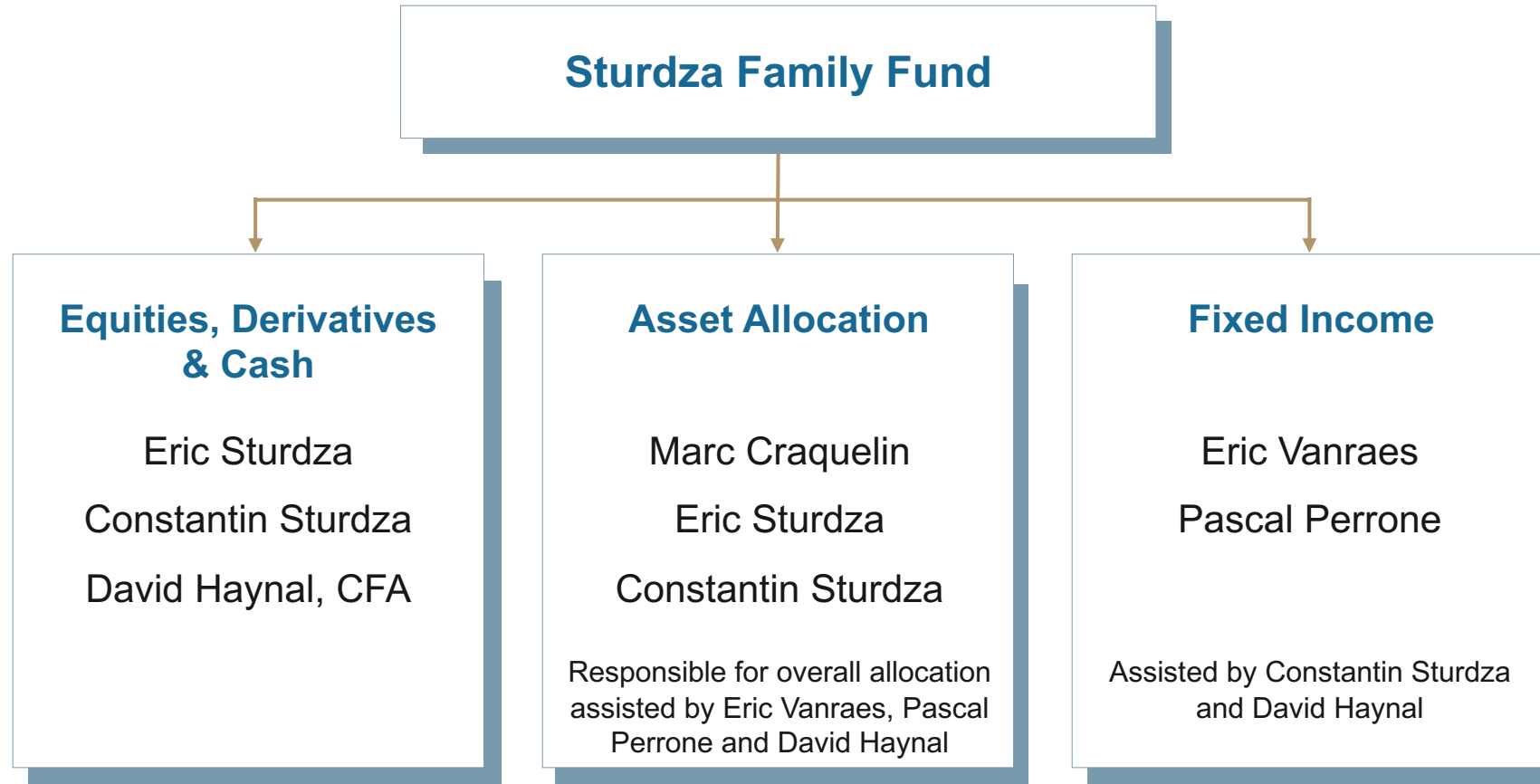
# Underlying Sources of Growth

## Geographical revenue breakdown and growth drivers

Theme 1	Theme 2	North America %	Europe %	APAC %	LATAM %	Other %
Demographics & Consumer	Aging	72.11	10.22	9.11	1.11	7.44
	Consumer Tech	34.38	26.90	25.38	2.63	10.73
	Luxury	48.67	13.67	32.33	0.67	4.67
GDP+ Compounders	Consolidation	64.42	22.58	9.08	1.50	2.42
	GDP+ Growth	66.33	7.63	14.01	0.92	2.79
Technological Changes	Ent. Tech & Digitalisation	38.05	21.18	10.59	1.00	2.38
	Modern Industrial & Electrification	18.46	18.54	53.16	3.57	6.11
	Payments	43.26	37.60	11.80	1.40	4.40

- We select companies that have international revenue exposures – not “US centric only”.
- Our portfolio’s geographical diversification comes through this lens, rather than purely where a company’s stock price is traded/quoted.

# Organisation Structure of the Fund





# The Sturdza Family Fund

## Banque Eric Sturdza S.A.

Portfolio Management Team



**Eric Sturdza**

Lead Portfolio Manager



**Constantin Sturdza**

Co Portfolio Manager



**David Haynal, CFA**

Deputy Portfolio Manager  
- Equity



**Marc Craquelin**

Senior Adviser  
- Asset Allocation



**Eric Vanraes**

Portfolio Manager  
- Fixed Income



**Pascal Perrone**

Deputy Portfolio Manager  
- Fixed Income

## Eric Sturdza Investments

Investment Management & Distribution Team



**Luis Brito, CFA**

Risk Manager



**Ben Creasey**

Chief Financial  
Officer



**Andy Fish**

Managing Director



**Sharron Perryman**

Operations Manager



**Steven Le Tissier**

Compliance Officer,  
MLCO, MLRO



**Rose  
Toussaint-Stephens**

Head of Legal, Compliance  
& Product Development



**Adam Turberville**

Director and Head of  
Marketing & Client  
Relations

# Key Individuals

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## Eric Sturdza

### Lead Portfolio Manager

Eric's distinguished career in Private Banking and Asset Management spans more than four decades. He obtained his Master's Degree in Economics and Business Administration from the University of Lausanne, before commencing his career in the asset management division of Banque de l'Indochine, eventually holding senior leadership posts in various asset management firms, including KIPECO (affiliated with Kidder Peabody) and Citibank. Eric was pursued by the Baring Brothers in 1984, and established Banque Eric Sturdza, before becoming its sole shareholder in 2005. Today, the Group consists of a global network of financial institutions, including Banque Eric Sturdza, asset manager Coges Corratierie Gestion SA, "Wealth Management & Family Office", Eric Sturdza Management Company SA, and E.I. Sturdza Strategic Management Ltd, the group's asset management business set-up in 1999 to manage a range of funds in partnership with a select number of investment managers globally.



## Constantin Sturdza

### Co Portfolio Manager

Constantin has been actively managing US equities for approximately 7 years. He previously trained at Clarkson's (London) as a broker in Deep Sea Tankers and thereafter worked in operations for Nereus Shipping.

He holds a Bachelor's degree in Economics from Rollins College, where he co-founded the International Business Club.

# Key Individuals

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**Marc Craquelin**  
Senior Adviser – Asset Allocation

Marc Craquelin is a well-known investment professional in France and across Europe with extensive experience within the asset management industry.

He was the former Chief Investment Officer ('CIO') and Member of the Executive Committee at La Financière de L'Echiquier from 2009 to October 2017.

During his career, Marc held positions both in management and also as an active fund manager.

In 2016, Marc was awarded CIO of the year by AGEFI. His professional career started in 1986 in the industry, having held senior positions at Finacor, EBPF, LFDE and finally at La Financière De L'Echiquier (LFDE). Marc joined LFDE in 2001 and was named CIO in 2009 taking charge of the investment team, with EUR 8.5 billion under management, investing in both the equity and fixed income (corporate and convertible) markets, overseeing the Investment process and providing top down macro guidance, as well as having overall responsibility for the implementation of new tools and the expansion of LFDE's product range.

Marc holds a degree from Ecole Polytechnique (X1982) and Ecole des Mines.

# Key Individuals

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**Eric Vanraes**

**Portfolio Manager – Fixed Income**

Eric Vanraes is head of fixed income investments within Banque Eric Sturdza SA, where he has been employed since July 2008. Eric has been a fixed income specialist since his career in finance started in 1991. Prior to joining the Eric Sturdza Group, Eric was a member of senior management at Union Bancaire Privée (UBP). He was also head of credit and absolute return portfolio management and manager of four SICAV sub-funds - Corporate Euro, Corporate US Dollar, Absolute Return Euro and Absolute Return US Dollar.

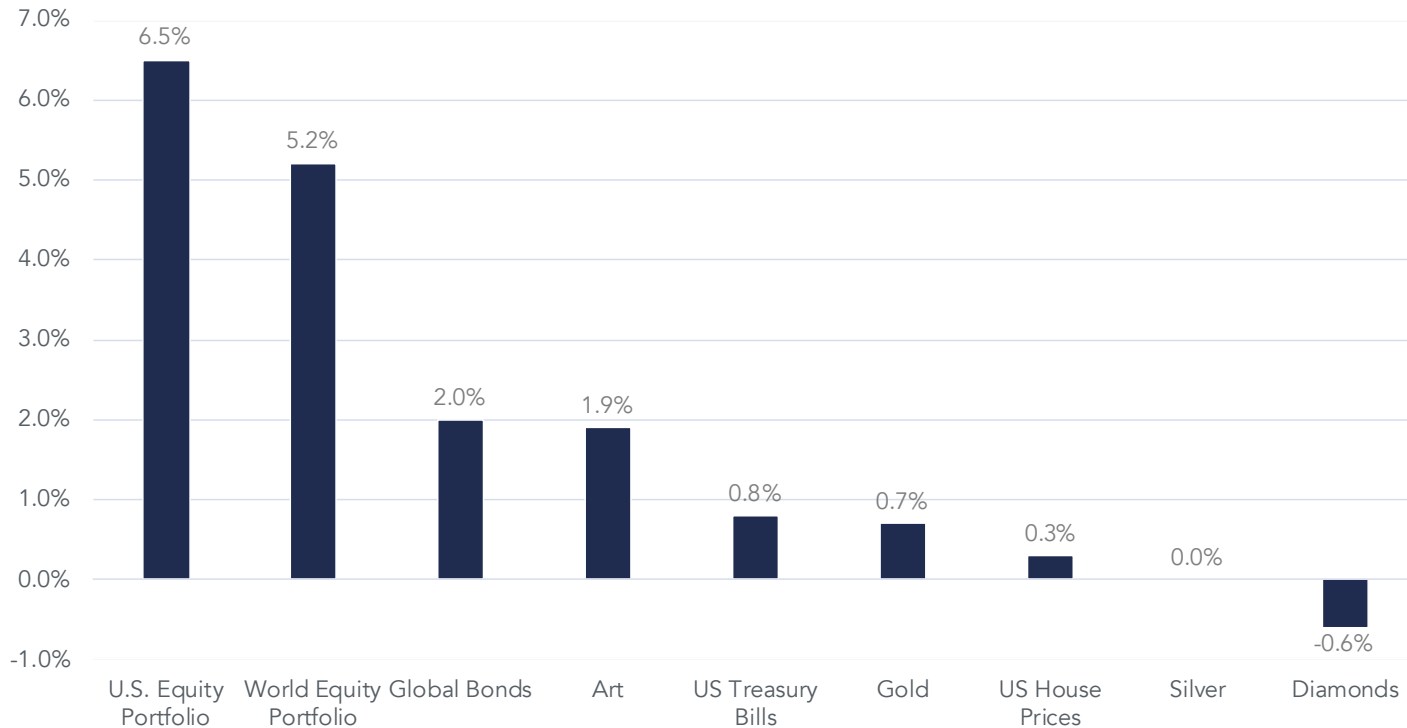
Eric also spent time as head of fixed income and money market funds at SNVB Gestion (Société Nancéenne Varin Bernier - CIC) in Paris, managing three Eurozone fixed income funds, and as fixed income and money market fund manager at NSM Gestion (Banque de Neuflyze, Schlumberger, Mallet – ABN Amro), managing four money market SICAVs, placements valorisation (fixed income SICAV), fixed income institutional mandates and fixed income FCPE (Fonds Communs de Placements d'Épargne Salariale) for major French corporates.

Eric holds a DESS in Finance and is also a graduate of GEM (Grenoble Ecole de Management) and Institut d'Études Politiques (Sciences – Po) Grenoble.

Eric is a member of ISAG (Investment Strategists Association of Geneva) and is frequently found in the media: Bloomberg, CNBC, Reuters, AFP, Financial Times, l'Agefi and Allnews.

# Equities are the key to long-term growth

Wide discrepancies in returns between productive and non-productive assets.



(Data in annualised, real terms, 1900-2018.)

Growth of \$1 invested in:

	After 10Y	After 50Y
<b>U.S. Equity Portfolio</b>	1.9	23.3
<b>World Equity Portfolio</b>	1.7	12.6
<b>Global Bonds</b>	1.2	2.7
<b>Art</b>	1.2	2.6
<b>U.S. Treasury Bills</b>	1.1	1.5
<b>Gold</b>	1.1	1.4
<b>US House Prices</b>	1	1.2
<b>Silver</b>	1	1
<b>Diamonds</b>	0.9	0.7

(Data in \$ and before inflation.)

# Investing for the long-term requires a long-term view

Identifying long-term tailwinds which can provide the opportunity for profitable growth.

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- Profitable, stable and growing companies do not operate in a vacuum – they are tributaries of secular tailwinds which create the fertile soil in which they can develop.
- Simply identifying established, secular trends shaping the present business context can help investors focus on where opportunities lie – and reach more fundamental diversification.
- True secular trends persist over decades, and thus currently successful companies can be invaluable sources of understanding and guidance for investors.

# We search for “champions”

Company's which we believe can create value over the longer term.

In our search for “Champions” we are currently focused on the following themes:

## Technological Changes

Representing the relentless pursuit of productivity and the response to new human demands through emerging technological applications.

### Sub Themes

- Ent. Tech & Digitalisation.
- Modern Industrial and Electrification.
- Payments.

## Demographics & Consumer Habits

In recognition of the evolving global demographics and the resulting changes in consumer tastes and habits.

### Sub Themes

- Aging.
- Consumer Tech.
- Luxury.

## GDP+ Compounders

Above-market share price growth or market rationalization of unremarkable industries by remarkable management teams and business models

### Sub Themes

- Consolidation.
- GDP+ Growth.
- Modern Industrial and Electrification.



# Equity Investment Process

We seek to identify companies which have demonstrated the ability to grow at a superior rate compared to their peers in a stable manner and invest in those that are undervalued by the market.

## Universe Definition

- **Size** – Companies above 5bn USD, or equivalent, market capitalisation.
- **Region** – Companies traded on developed market exchanges.
- **Information** – Companies covered by multiple analysts, enabling information access.
- **ESG** – we strictly exclude companies involved in key activities which contradict our ideals.

## Initial Screening

- **Business Quality** – Track record of high margins.
- **Consistency** – History of stable, consistent margins, profit and cash flows.
- **Indebtedness** – Modest Debt to EBITDA ratios.
- **Valuation** – Attractive valuation using various methodologies. Exclude “hyper-growth” stocks.

## Analysis

- **Growth** – Consistent growth in revenue and profit above that of the market, sustainability of growth assessed.
- **Risk Assessment** – Identification of company-specific risks, financial or otherwise.
- **Portfolio Construction** – Diversification of exposures and performance drivers.

## Portfolio

### Ca. 60 Positions

- Benchmark agnostic, with a focus on long-term value creation in a risk-conscious fashion.
- Equity exposure will range from 51-80% of NAV.



# Equity Investment Process Examples

Identify companies with a demonstrated ability to grow at a superior rate than their peers in a stable manner and invest in those that are undervalued by the market.

Criterion / Screen	UnitedHealth		VMware	
Developed Exchange	US	✓	US	✓
Market Cap > 5bn USD	240bn+	✓	60bn+	✓
Analyst Engagement (>4)	32	✓	35	✓
Cons. PE Y+1 < 40	18	✓	22	✓
Net Debt / Ebitda < 5	1.1	✓	1.2	✓
LT Revenue Cagr > 2%	10.40%	✓	15%	✓
LT EPS Cagr > 5%	15.70%	✓	18%	✓
No t12m EPS CFO Loss	0	✓	0	✓
LT Correl. of Revenues, CFO, NI and EPS	High	✓	High	✓
Stability	High	✓	High	✓
Steady / Increasing Margins	Steady	▬	Steady	▬
History of Rev & Earnings Surprise	Zero EPS Miss in 10y. 2 Rev misses by 1% or more	✓	Zero EPS Miss in 10y. 1 Rev misses by 1% or more (4%)	✓

Criterion / Screen	UnitedHealth			VMware		
Ev / EBITDA (LT Hist. Range)	12	6 – 15	✓	15	5 – 35	✓
EV / CFO (LT Hist. Range)	17	5 – 25	✓	17	8 – 30	✓
EV / FCF (LT Hist. Range)	19	6 – 30	✓	17	8 – 30	✓
PE (LT Hist. Range)	18	8 – 22	✓	22	11 – 60	✓
PEG (LT Hist. Range)	1.5	0.8 – 1.7	✓	1.6	1.5 – 3	✓
Volatility	20		✓	34		✗
Beta	1.05		▬	1.3		✗
Indebtedness	Low		✓	Low, Rising		▬
Customer Concentration	Low		✓	Low		✓
Business Binary Risk	Cons. Low		▬	No		✓
Management Reput. & Track	Leaders		✓	Leaders ex Dell		▬
Insider Activity	Neutral		▬	Neutral		▬
Hist. & Future Sources of Growth	ACA, Concentration & Scale, Outsourcing. Value-Based leader, Complexity rising.			IT Infrastructure Growth (efficiency). Ongoing, esp. Hybrid Cloud & Security, Complexity.		
Niche & Competitive Advantage	Technical Leadership, Scale, Regulation			Installed Base, Mission Critical App, Tech leadership.		
Risks	ST Utilization Rates & Election, LT Regulatory (also opportunity)			Dell Ownership, LT question around Multi-Cloud		

All numbers are reflected as of the initiation of the position.

The Investment Adviser's investment process outlined above is as at the time of production and subject to change without notice. Source: Banque Eric Sturdza S.A., Bloomberg Data.

# Fixed Income Investment Process

With the aim of generating returns and mitigating equity risk.

## Top-Down Country Allocation

- **Economy** – considering level of duration and position on the yield curve.
- **Social Environment** – Asset allocation, developed / emerging markets and country selection.
- **Political Stability** – Asset allocation; cash / governments / corporates and sector allocation.

## Bottom-Up Bond Analysis

- **Bond Analysis** – Credit analysis.
- **Fair Value Analysis** – Senior / subordinated allocation.
- **Currency Consideration** – USD issues vs. other currencies.

## Bond Selection

- **Liquidity** – Market depth.
- **Timing** – Broker coverage, all regions and sectors.
- **Technical Analysis**

## Portfolio

### Ca. 10-30 Positions

- Under normal market conditions
- Fixed income exposure will range from 20-49% of NAV.

# Our ESG Approach

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- Pursuant to the EU's Sustainable Finance Disclosure Regulation (EU) 2019/2088 ('SFDR'), the Fund is classified as a fund that promotes environmental or social characteristics. The Fund will have an averaged ESG score higher than the averaged ESG score of its initial investment universe. For more information on the investment approach with respect to sustainability and non-financial criteria, please refer to Annex I of the Fund's prospectus supplement or [www.ericsturdza.com](http://www.ericsturdza.com).
- In identifying investments which allows the Fund to promote such characteristics, Eric Sturdza Investments has established a two-pillar framework; consisting initially of an exclusion list and secondly ESG integration. Additional information in this regard is available here; <https://ericsturdza.com/about-us/environmental-social-governance-esg/>.
- In order to evaluate the ESG risks, access to externally sourced ESG research from Sustainalytics has been secured, with risks categorised across five levels, negligible to severe, with detailed analysis of each environmental, social and governance risk at a company level available.
- Each established investment position is monitored, with oversight provided by Eric Sturdza Investments' ESG Committee and Risk Committee. For high or severely rated companies the ESG Committee engages with the Investment Adviser to understand the business case for holding the position.
- The Investment Adviser actively engages with the underlying companies in order to satisfy itself that the companies follow good practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.
- Eric Sturdza Investments' also emphasises the importance of using its voting rights in order to ensure a culture of strong corporate governance, aiming to vote on all proxies and utilises a leading voting services provider to assist with this.

The above serves as a guidance to the Investment Adviser's investment approach at the time of production and is subject to change without notice.

# Our ESG Approach

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To comply with requirements issued by the French authorities (AMF position DOC-2020-03), Eric Sturdza Investments and the Investment Adviser will also:

- Ensure the average ESG risk rating of the Fund's portfolio will be better than the average ESG risk rating of the universe into which the Fund can invest, which has been defined as securities listed or traded on a Recognised Exchange.
- The proportion of the Fund's portfolio with an ESG rating must be higher than:
  - 90% for equities issued by large capitalisation companies whose registered office is located in developed countries, debt securities and money market instruments with an investment grade credit rating, or sovereign debt issued by developed countries;
  - 75% for equities issued by large capitalisation companies whose registered office is located in emerging countries, equities issued by small and medium capitalisation companies, debt securities and money market instruments with a high yield credit rating or sovereign debt issued by emerging countries.

# Allocation: Investment Policy

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- **Portfolio Set-up**
  - Between 51% and 80% of NAV is invested in equities and equity-related instruments, with a US-bias.
  - Between 20% and 49% of NAV is invested in global fixed income and related instruments, with a strong emphasis on G7 government issues, investment grade securities and money market instruments.
- **Allocation**
  - Dynamic adjustment of allocation between asset classes to take advantage of evolving market conditions and risk reward profiles.
  - Under normal market conditions we seek 60-70% equity exposure and 30-40% fixed income exposure.

Please note that the “Investment Policy” outlined above is the prevailing policy of the Investment Adviser at the time of the production of this document and as such is subject to change over time depending on market conditions and other criteria.

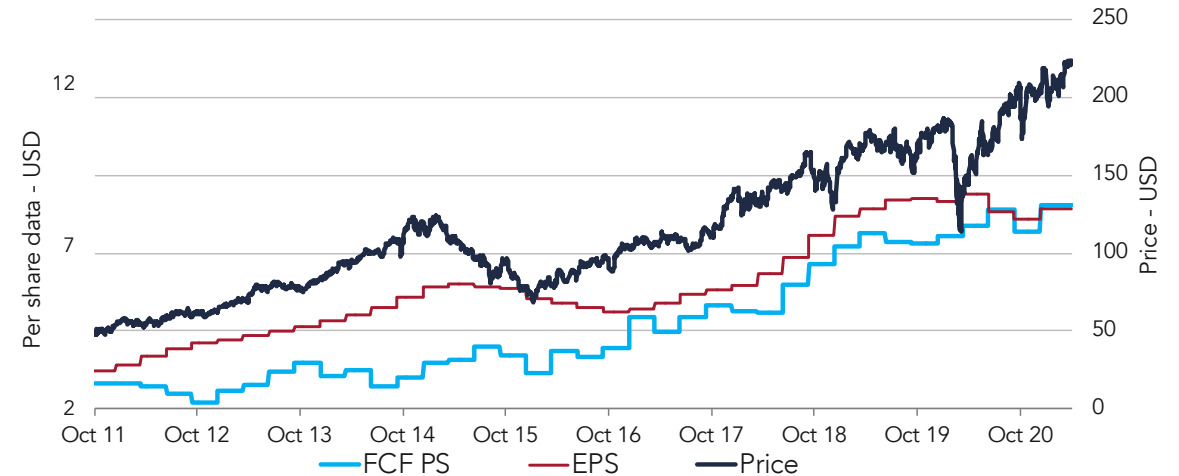
# Investment Example: Union Pacific

## A transportation “champion”

Union Pacific Corporation is a major rail transportation company, hauling a variety of goods, including agricultural, automotive, and chemical products, from all major West Coast and Gulf Coast ports to eastern gateways and connects with the Canadian and Mexican transportation systems.

### Investment considerations

1. Universe Screening: US Large Cap, wide coverage.
2. Initial Screens: Net debt/EBITDA = 2.4, steady and increasing profit margins (to 26%), consistent trajectory of profits, cash flows with strong growth around 10-15% p.a., reasonable valuation, ongoing margin opportunities, inflation-linked pricing, significant barriers to entry.
3. Risks: Oil-related activity, global growth & trade, significant capital consumption business (CFO-FCF).



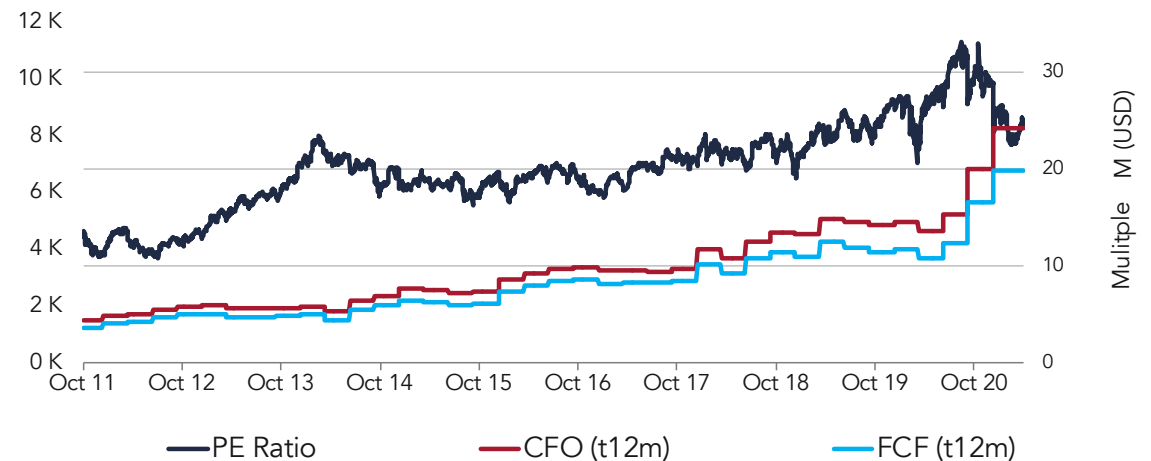
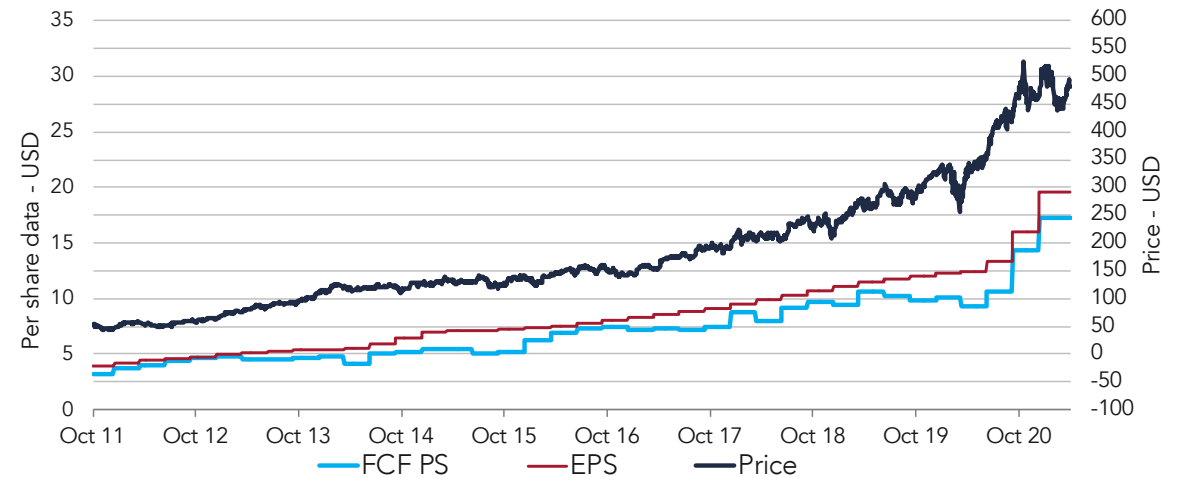
# Investment Example: Thermo Fisher Scientific

## A Leader in Medical Instruments

Thermo Fisher Scientific manufactures scientific instruments, consumables, and chemicals for the pharmaceutical and biotech companies, hospitals, clinical diagnostics laboratories and research institutions. The company is a worldwide leader in next generation equipment enabling superior analysis and health research.

### Investment considerations

1. Universe Screening: US Large Cap, wide coverage
2. Initial Screens: Net debt/EBITDA = 2.5, steady and increasing profit margins (to 13%), consistent trajectory of profits, cash flows with growth in low double digits p.a., reasonable valuation, ongoing growth from technical leadership, growth acquisitions and increasing penetration in emerging markets. High barriers to entry.
3. Risks: defensive nature & visibility sparked a re-rating. Sector multiples render growth by acquisitions less accretive.



# Fixed Income

## TIPS – An Inflation Trade Opportunity

In August 2019, US Treasury Inflation-Protected Securities Breakeven rates (US TIPS B/E) reached levels well below the Federal Reserve’s targeted inflation, at 2%. A position on the long end of the TIPS curve was initiated based on:

- US TIPS B/E are too depressed, the market expecting 1.57% headline CPI for the next 30 years!
- the position can be considered not only as a hedge against inflation but also against potential increase in credit/equity markets volatility.

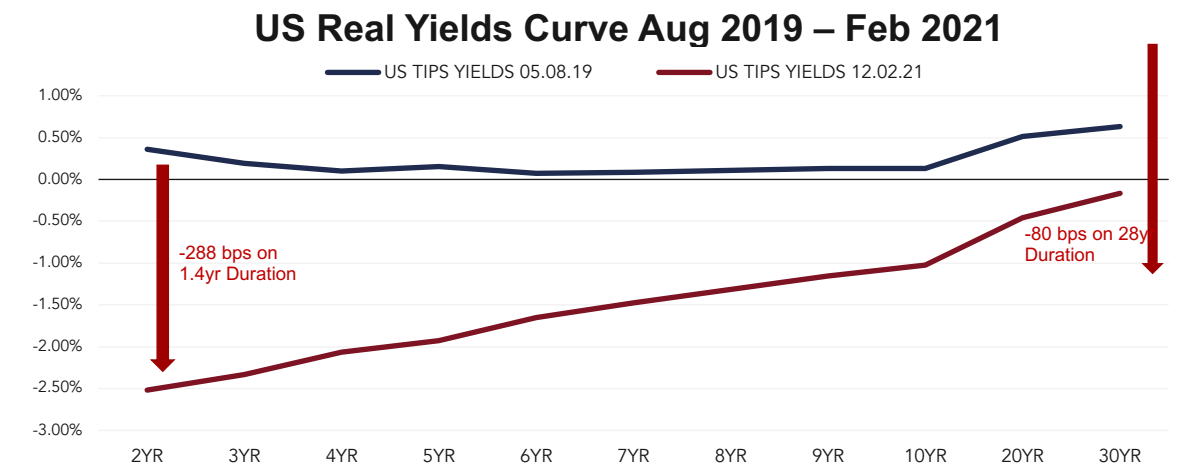
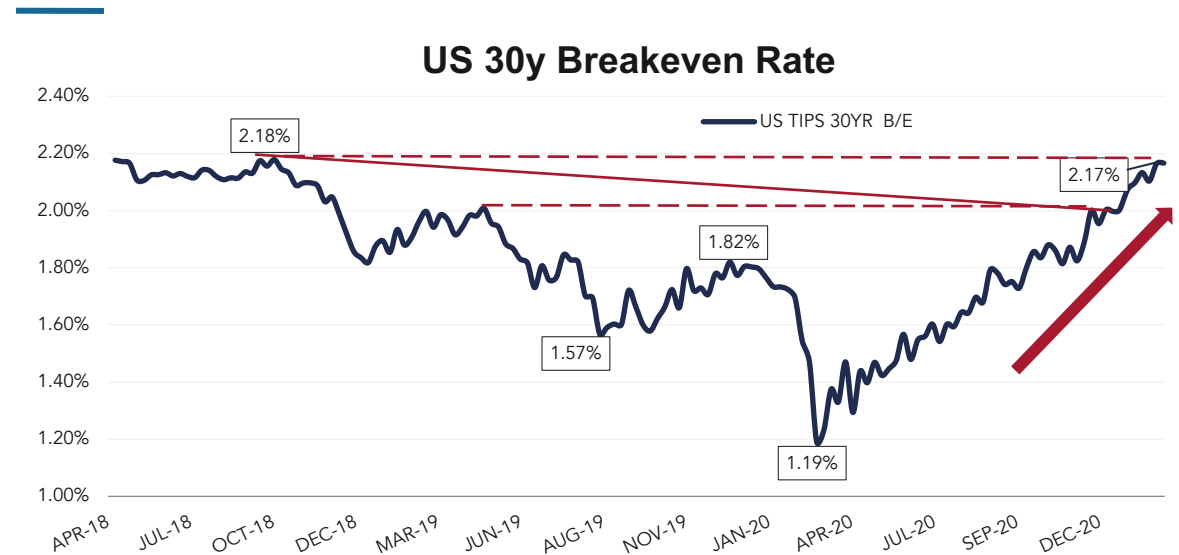
After normalising in Q3/Q4 2020, US TIPS B/E collapsed in March 2021 following the COVID-19 pandemic. Central Banks and Governments promptly implemented monetary and fiscal measures in order to support an economic recovery.

After their technical downtrend resistance was broken in early September 2020, US 30YR TIPS B/E retraced their entire 2020 correction and started to price in more than 2% headline CPI, the Fed’s new flexible approach becoming official.

In February 2021, the US 30YR B/E was back to Q3 2018 levels. The position was closed based on:

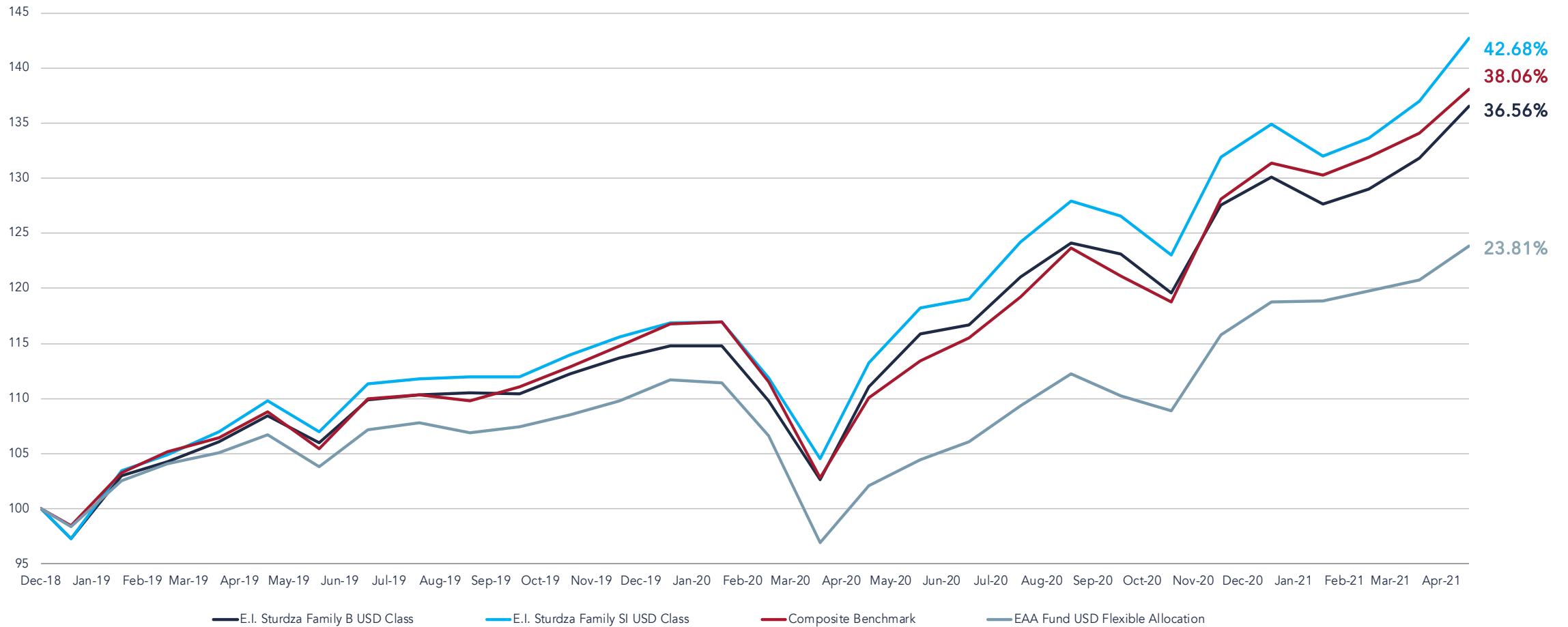
- 30y B/E are back to their long term average (2.18%).
- Reduced risk/reward based on increased rates volatility and potential rising real rates driven by stronger than expected growth in the H2 2021.

**TOTAL RETURN +25.1% CONTRIBUTION +73 BPS!**





# Fund Performance



Source: Morningstar, Eric Sturdza Investments and Banque Eric Sturdza S.A., Bloomberg Data, provided as at the end of April 2021. Composite Benchmark comprises of 60% MSCI World NR USD + 20% BBgBarc US GovtCredit TR USD + 20% SOFR. Past performance is not an indicator of future performance.

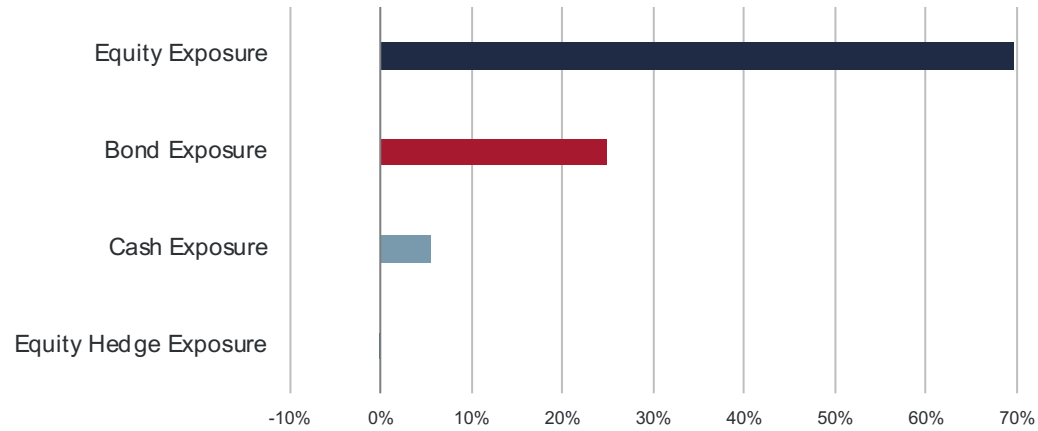
# Fund Track record Since Inception (B USD Class)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2021	B USD	-1.85	1.02	2.19	3.59									4.96
	Index*	-0.79	1.19	1.69	2.96									5.10
	Relative	-1.07	-0.16	0.51	0.64									-0.14
2020	B USD	0.02	-4.34	-6.58	8.22	4.35	0.69	3.73	2.59	-0.85	-2.83	6.66	1.96	13.33
	Index*	0.14	-4.69	-7.76	7.03	3.03	1.83	3.27	3.73	-2.05	-1.94	7.80	2.55	12.45
	Relative	-0.13	0.35	1.17	1.19	1.32	-1.13	0.46	-1.13	1.20	-0.90	-1.15	-0.60	0.88
2019	B USD	5.87	1.25	1.72	2.28	-2.25	3.59	0.45	0.15	-0.07	1.66	1.25	1.00	18.02
	Index*	4.92	1.83	1.26	2.17	-3.07	4.26	0.37	-0.52	1.16	1.63	1.67	1.78	18.67
	Relative	0.95	-0.58	0.46	0.11	0.82	-0.67	0.08	0.67	-1.23	0.03	-0.43	-0.78	-0.65
2018	B USD												-2.73	-2.73
	Index*												-2.48	-2.48
	Relative												-0.25	-0.25

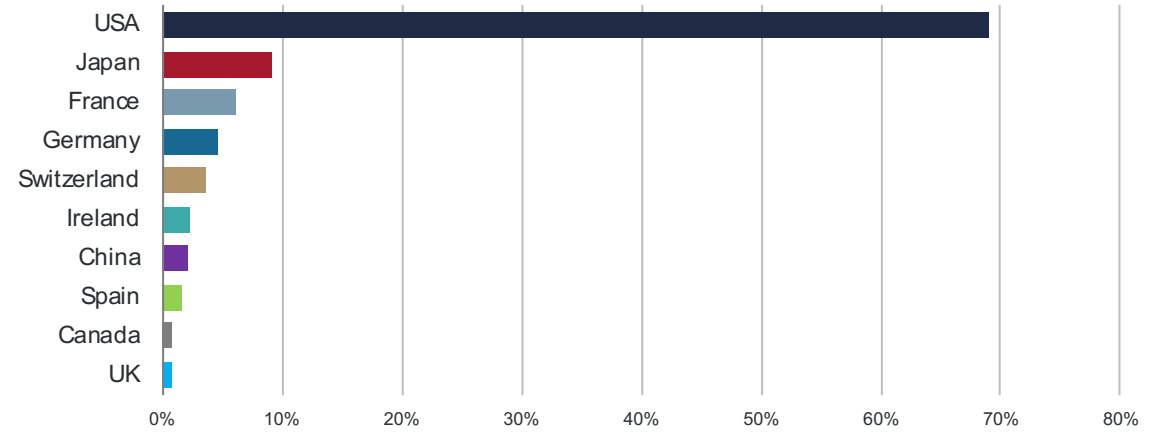
Source: Morningstar and Bloomberg Port. Net performance displayed. \*The Performance Benchmark components are:  
60% MSCI World NR USD + 20% BBgBarc US GovtCredit TR USD + 20% SOFR. Please note that past performance is not indicative of future results.

# Portfolio Exposure

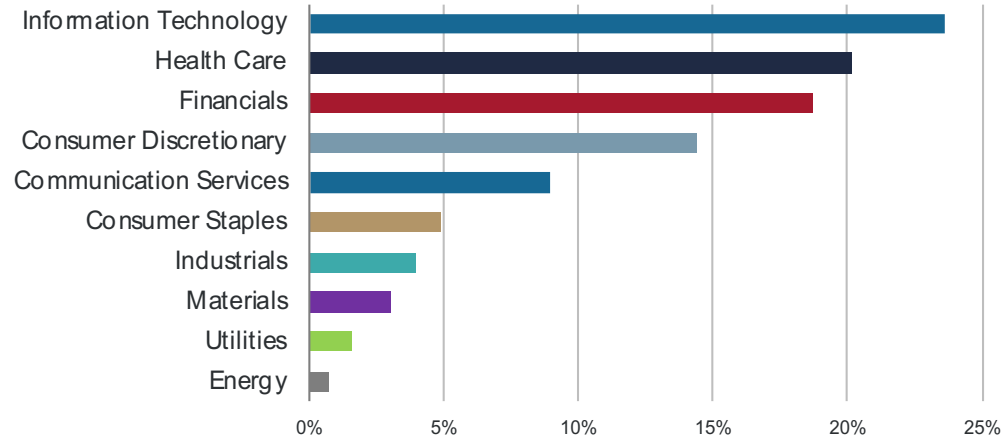
## Asset Class



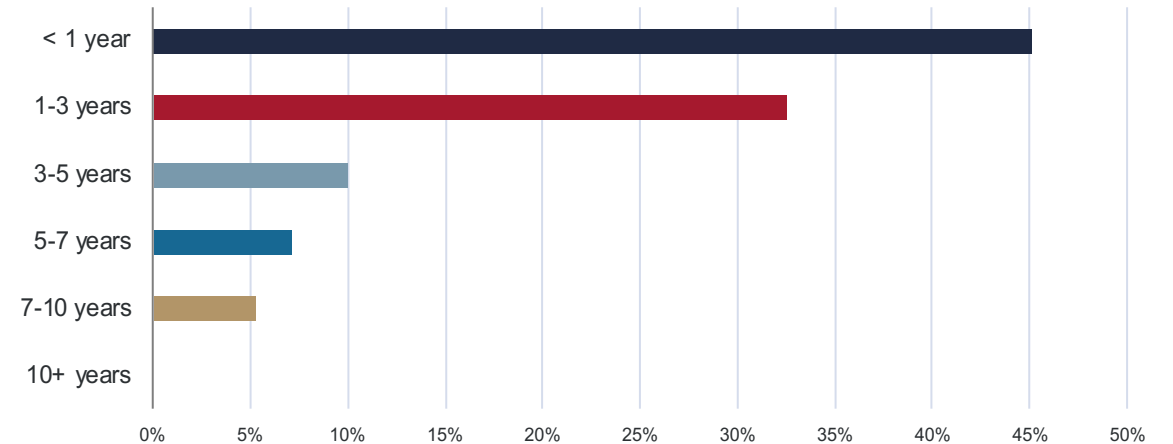
## Equity Geographical Allocation\*



## Equity GICS Sector Allocation\*

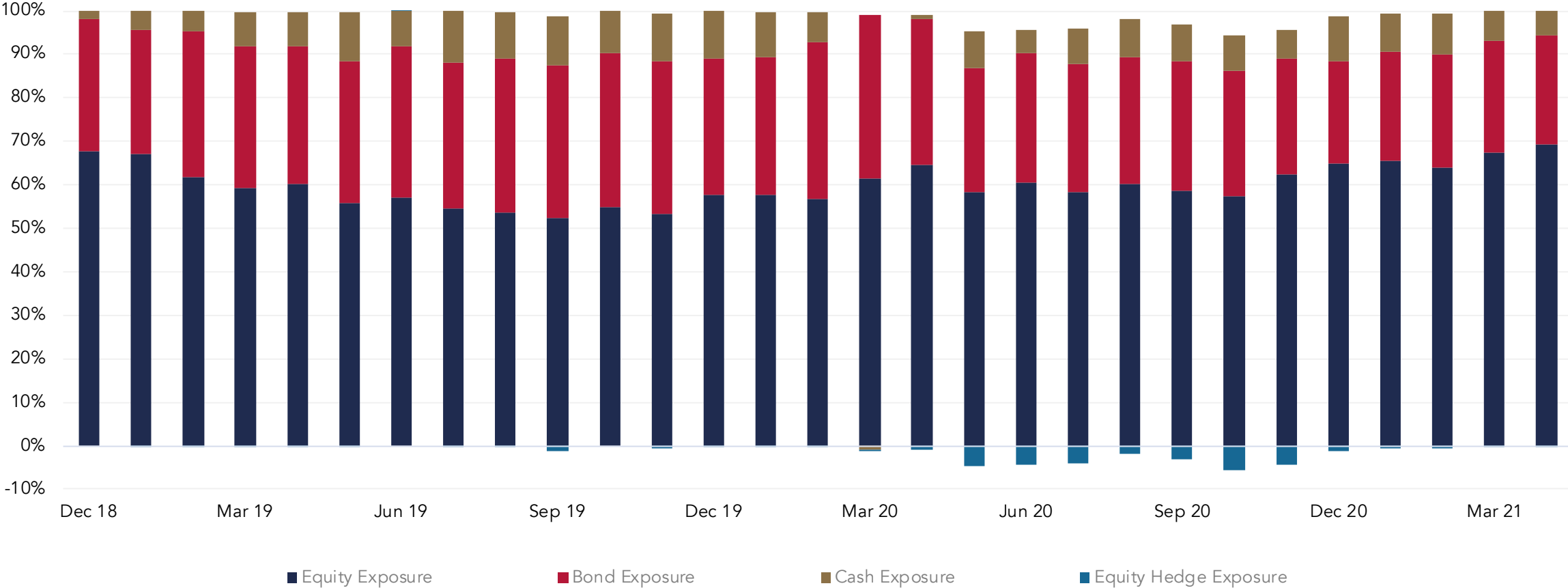


## Fixed Income Maturity Allocation\*



Source: Banque Eric Sturdza S.A., Bloomberg Data, provided as at end of April 2021. \*Note: Allocation data has been aggregated up to 100%.

# Asset Class Exposure Evolution

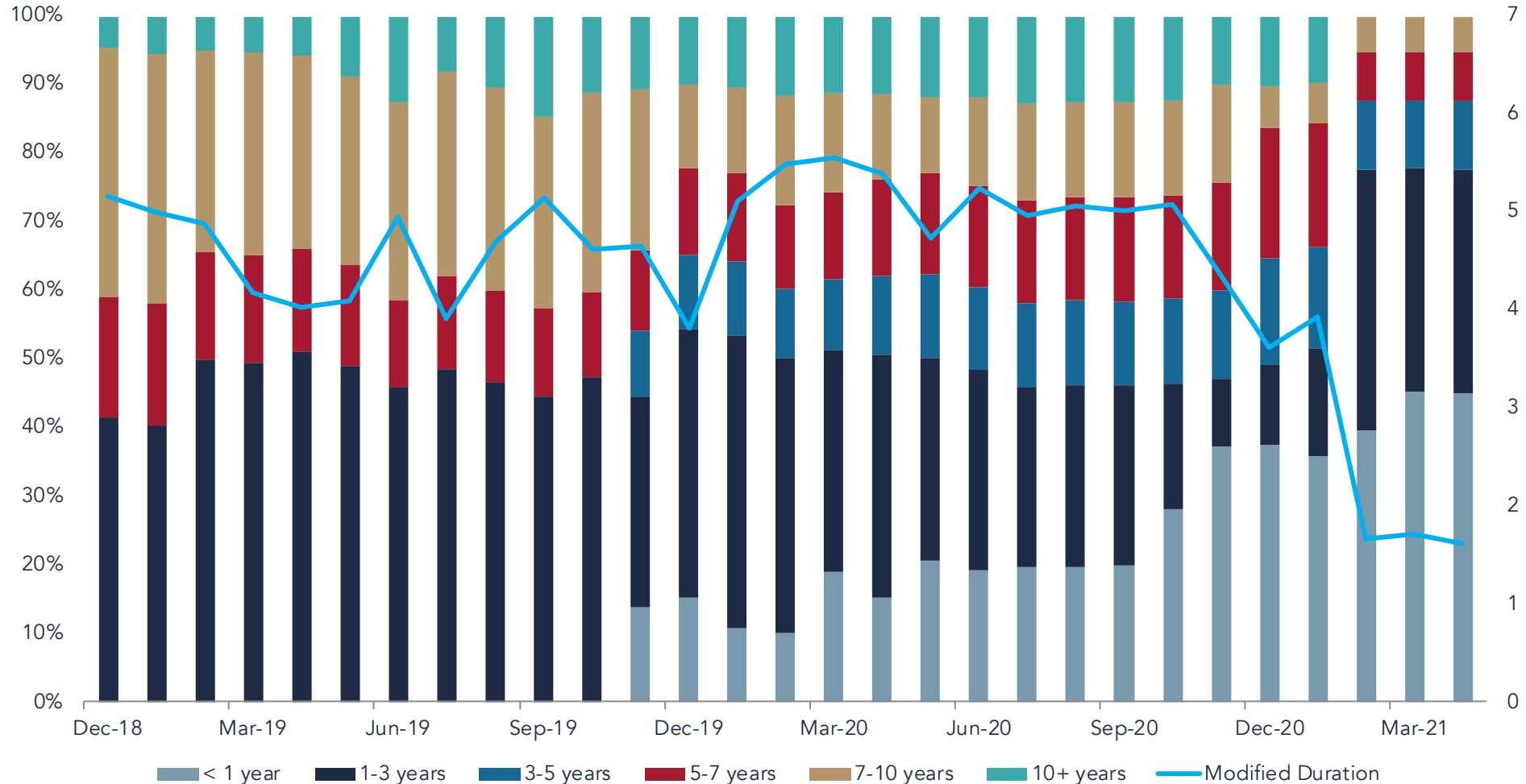


Source: Banque Eric Sturdza S.A., Bloomberg Data, provided as at end of April 2021. Past performance is not an indicator of future performance.

# Fixed Income Portfolio Characteristics

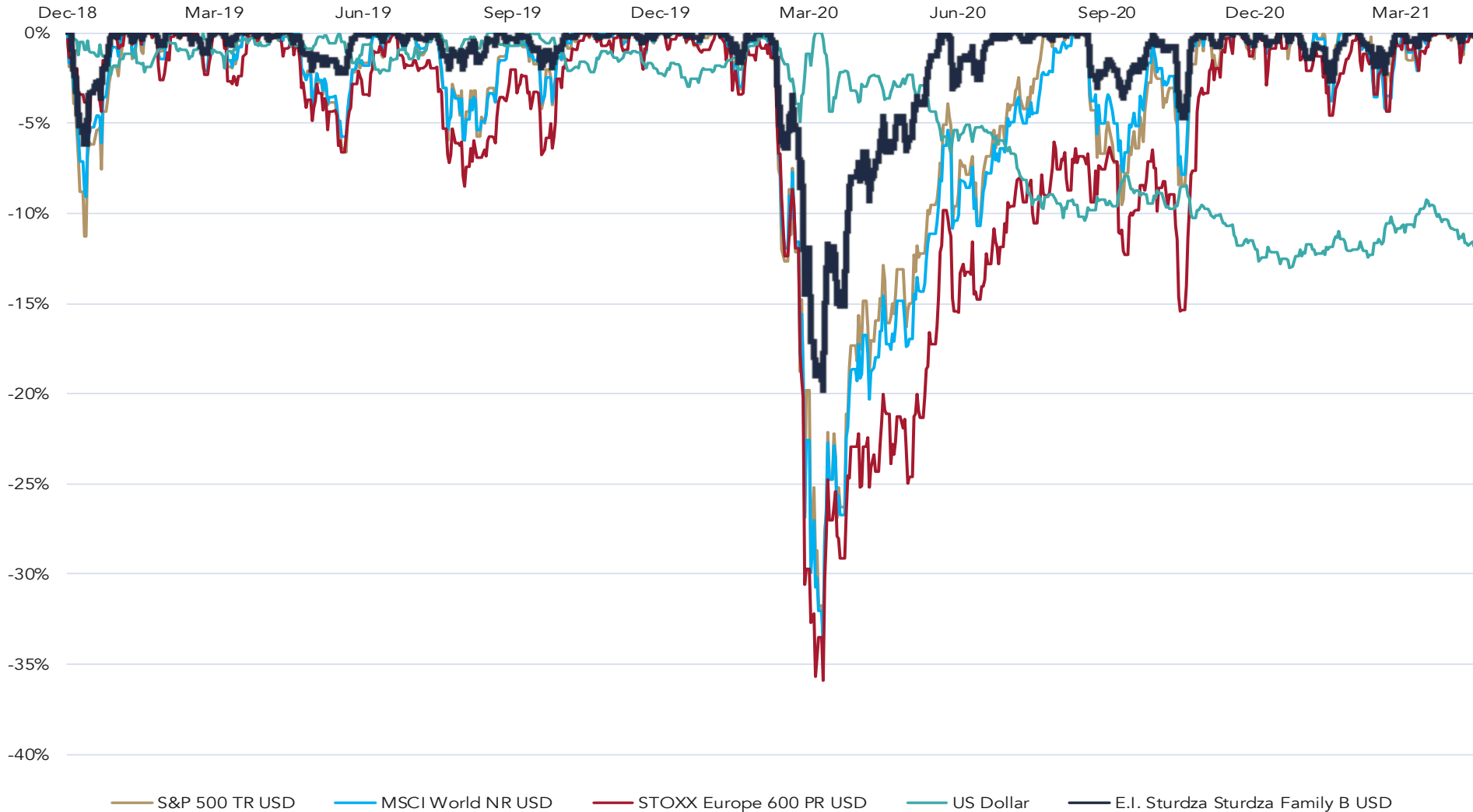
Maturity Allocation

Modified Duration



Source: Banque Eric Sturdza S.A., Bloomberg Data, provided as at end of April 2021.  
 Past performance is not an indicator of future performance. Note: Maturity allocation has been aggregated up to 100%.

# Diversification Impact on Fund Drawdowns



Source: Banque Eric Sturdza S.A., Morningstar, provided as at end of April 2021. Past performance is not an indicator of future performance..

# Risk Management: Eric Sturdza Investments

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- **Risk Management is key to investment strategy of Eric Sturdza Investments and the Company has developed and adapted a control framework for each of the funds under management.**

A significant proportion of resources and personnel within Eric Sturdza Investments are allocated to the function of risk control and oversight.

Eric Sturdza Investments looks at risk and control from three perspectives:

1. Portfolio and Asset Risk.
2. Operational Risk and Portfolio Monitoring, including investment constraints and restrictions.
3. Legal and Regulatory Risk, including compliance.

There is a dedicated Operations team at Eric Sturdza Investments that is responsible for daily oversight of portfolio monitoring, investment restrictions and constraints, counterparty exposure and operational risk. This role is usually performed by at least two individuals for each fund.

Additionally, a higher level portfolio and asset risk management oversight role is conducted by the Portfolio Risk Management team, that analyses areas such as asset allocation, performance and attribution analysis, risk-profile, risk-adjusted performance, liquidity analysis as well as evidence of style drift.

Any areas of concern arising out of either team's review are escalated within the Portfolio Risk Management team and to Senior Management. Depending on nature, concerns may be escalated directly to the Board of Directors.

# Summary of Terms

<b>Name of the Fund</b>	Sturdza Family Fund	<b>Current AUM</b>	USD 303.99m (as at 30/04/2021)
<b>Investment Manager &amp; Distributor</b>	E.I. Sturdza Strategic Management Limited, Guernsey, part of the Eric Sturdza Group	<b>Available Share Classes</b>	A, B and SI USD / GBP (H) / EUR (H) / CHF (H)
<b>Investment Adviser</b>	Banque Eric Sturdza S.A., Geneva	<b>Registered for Sale</b>	AT, CH, DE, ES, FI, FR, IE, IT, LU, NL, NO, SV, UK
<b>Dealing / NAV</b>	Daily	<b>Minimum Subscription</b>	A Class: - B Class: 1 million SI Class: 10 million
<b>Reporting Benchmark</b>	60% MSCI World Net Dividends Index (NDDUWI), 20% Bloomberg-Barclays US Aggregate Gov/Credit Total Return Value Unhedged USD (LUGCTRUU) and 20% of SOFR (SOFFRATE)	<b>Management Fee</b>	A Class: 1.50% B Class: 1.00% SI Class: 0.75%
<b>Depository</b>	The Bank of New York Mellon SA/NV, Dublin Branch	<b>Performance Fee</b>	15% subject to a High-Water Mark and performance fee hurdle rate. Applicable in relation to A and B classes only. Performance Fee Benchmark: 3m Tbill yield + 2.5% (representing the performance fee hurdle rate)
<b>Administrator</b>	SS&C Financial Services (Ireland) Limited	<b>Placement Fee</b>	0.00%
<b>Irish Legal Counsel</b>	Dillon Eustace, Ireland		
<b>Auditors</b>	KPMG, Ireland		

(H) denotes that the stated currency class is hedged to the Fund's base currency.



# Dual-Benchmark Approach

## Reporting Benchmark

- Benchmark composite, comprised of
  - 60% MSCI World Net Dividends Index (NDDUWI).
  - 20% Barclays US Aggregate Gov/Credit Total Return Value Unhedged USD (LUGCTRUU).
  - 20% SOFR (SOFFRATE).

## Performance Fee Hurdle Rate

- Benchmark composite, comprised of
  - 50% \* (3m Tbill + 5.0%) *Equity Allocation*
  - +
  - 50% \* (3m TBill) *Fixed-Income Allocation*

Resulting in the combined benchmark: 3m Tbill yield + 2.5%
- Serves as basis for the calculation of performance fees for the professional and institutional share class.

Please note that the “Dual-Benchmark Approach” outlined above is the prevailing approach of the Investment Adviser at the time of the production of this document and as such is subject to change over time depending on market conditions and other criteria.

# Disclaimer

**WARNING:** The contents of this document have neither been reviewed nor endorsed by the Central Bank of Ireland or any other regulatory authority. If you are in any doubt about any of the contents of this document you should obtain independent professional advice.

The investment policy of the Fund may result in the Net Asset Value of the Fund having high volatility; however the Investment Manager will strive to limit the volatility of the Fund's returns.

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