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Marketing Communication / Publicité / Financial Promotion addressed to investors in the countries mentioned under “Registration and Target Market Definition”, related to E.I. Sturdza Funds plc – Strategic European Silver Stars Fund – (hereinafter referred to as the “Fund”)

# Strategic European Silver Stars Fund

## Fondsplatform Webinar

A sub-fund of E.I. Sturdza Funds PLC, an Irish open-ended umbrella investment company with variable capital – UCITS (“the Company”), incorporated in Ireland on 27th August 2008 and authorised by Central Bank of Ireland on 26th September 2008.



**ERIC STURDZA**  
**INVESTMENTS**

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Investment Manager and Global Distributor  
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Part of the Eric Sturdza Group

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September 2022

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# Silver Stars Summary

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## Private Equity Style Investing

- Detailed **fundamental** in-house research. One KPI- **Free Cash Flow**;
- In depth industrial approach on **Western European companies**;
- **Long term** investment horizon;
- Rigorous and repeatable investment process done **since 2002**.

## High Conviction & Concentration

- **Concentrated** portfolio - core positions typically ~10%;
- 25 positions in portfolio - Top 5 typically over 30% of portfolio exposure;
- **Differentiated** portfolio - minimal overlap to other funds;
- Fund makes no attempt to have similar exposure to the benchmark.

## Discipline & Prudence

- Position size is a function of risk reward & constrained by max potential loss;
- Large **Margin of safety** required between proprietary valuation and market price;
- **Avoiding permanent loss of capital** as important as performance.

## Primarily leads to S&Mid Caps

- **S&Mid Caps fit the fundamental investment process**;
- Exposures as a result of bottom-up selection with risk management overlay ;
- Large Caps welcome provided same access & level of understanding achievable.

Please note that the number of positions is not guaranteed and can be subject to change.

# Concentrated vs. Diversified

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- Primary goal - disciplined investment decisions with sizeable margin of safety;
- Each position should materially move the needle on portfolio performance;
- Knowing companies inside out is key to our investment process and risk management;
- Filter of selection needs to be as thin as possible;
- Too much diversification could lead to:
  - Holding inherently riskier lower-quality companies;
  - Dampening Fund returns;
  - Undifferentiated results versus a broader index.

**Only deploy capital where outstanding opportunities meet the firm's stringent investment hurdles**

# Active vs. Passive

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- Fundamentals haven't always driven public equity prices in recent times:
  - ✓ Passive investing flows;
  - ✓ Thematic funds;
  - ✓ MiFID 2 research implications.
- Active management has led to the Silver Stars Fund significantly outperforming the benchmark:
  - ✓ Distancing itself from theme investing;
  - ✓ Focusing on people and numbers;
  - ✓ Owning assets rather than shares;
  - ✓ Taking advantage of stock market volatility and illiquidity.
- Continual re-assessment of companies and risk reward analysis:
  - ✓ Deep understanding of businesses - industry fundamentals, unit economics, key decision makers (owners, top management) incentives and objectives;
  - ✓ Only invest at substantial discount to fundamental value based on future cash flows;
  - ✓ Trim positions as they trade towards our fundamental fair value. Do not fall in love;
  - ✓ Temporarily increase cash in the absence of compelling investment opportunities. No idea is an idea.

# Fund Track Record Since Launch 5<sup>th</sup> May 2015

## Absolute & Relative Performance Since Inception



	YTD 2022	2021	2020	2019	Fund Inception	SI Annualised
B EUR Class	-17.47	28.13	26.98	25.04	76.06	8.03
Benchmark	-20.83	24.91	-1.99	26.82	17.10	2.18

Source: Eric Sturdza Investments/Morningstar Direct. Data from launch 05/05/2015 to 31/08/2022. Past performance may not be a reliable guide to future performance. Returns could be reduced, or losses incurred, due to currency fluctuations.

# 2022 H1 Market Volatility

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Three major dislocations in H1 2022:

- Repeated COVID-related lockdowns in China with supply chain and logistics implications;
- Russia's invasion of Ukraine;
- Persistently high headline inflation in the US and now also in Europe.

Negatives throughout H1:

- Central Banks put option no longer present; different situation to March 2009;
- No visibility on inflation, and hence interest rates. A scenario like the 1970's is clearly not priced in at this point;
- Second round inflation effects are driving salary inflation initially in the US, but also now in Europe;
- June's capitulation took place without market volumes and panic.

Some positives emerged at the end of the period:

- Peak of pessimism particularly for European equities;
- Ridiculous valuations in some segments (e.g., Consumer Discretionary);
- Contrary to the sell side, buy side has already incorporated sizeable EPS cuts for 2022 and even more in 2023;
- Corporate balance sheets in Europe are extremely healthy post two years of strong cash generation;
- June showed the first signs of what looked like a capitulation, finally!

# 2022 H2 Top-Down Outlook

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Initial optimism up to mid August:

- H1 results in Europe have lifted investors;
- Hopes of less central bank tightening;
- Investors quick to believe that the worst was behind us.

This positioning proved short lived:

- Federal Reserve reminded us that the urgency of the situation requiring a long and painful monetary tightening;
- ECB have called for a significant interest rate hike in September, in the face of still high inflation;
- Central bankers at Jackson Hole “fighting inflation remains a top priority”.

**Everyone worried about return OF capital, not return ON capital**

# 2022 H2 Bottom-Up Views

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Our views:

- H1 results: corporates results are optically OK from P&L perspective;
- Companies have passed on inflation and captured a positive margin impact by selling inventories.

However, the picture on the cash front is far from being as rosy:

- Rebuilding inventories is costly and will eat away the full P&L improvement;
- Working capital too high across the board; companies promising hefty working capital declines before year end;
- Energy hedges expiring;
- Reduced inventory targets.

Means going to be harder to pass on inflation.

**Investments in companies with strong balance sheets and strong free cash flow generation**

# Conclusions

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- Positioned with significant cash position due to limited visibility.
- Today's portfolio well positioned for inflation with strong balance sheets.
- Shopping list of companies ready to enter at the right levels.
- Portfolio was trading at very attractive levels at year end, now even more upside.
- Corporate activity may boost returns in 2022/23.

# Fund Performance Versus Benchmark

## Annualised Returns %

	1M	3M	1Y	2Y	3Y	5Y	Annualised Inception
B EUR Class	-7.13	-11.10	-16.11	13.76	13.87	6.04	8.03
Benchmark	-6.79	-8.94	-17.65	3.95	2.17	2.76	2.18

## Calendar Year Returns %

	YTD 2022	2021	2020	2019	2018	2017	Fund Inception
B EUR Class	-17.47	28.13	26.98	25.04	-24.48	23.17	76.06
Benchmark	-20.83	24.91	-1.99	26.82	-10.77	10.58	17.10

## 12 Month Returns %

	01/09/2021 - 31/08/2022	01/09/2020 - 31/08/2021	01/09/2019 - 31/08/2020	01/09/2018 - 31/08/2019	01/09/2017 - 31/08/2018
B EUR Class	-16.11	54.24	14.12	-7.00	-2.38
Benchmark	-17.65	31.20	-1.29	2.25	5.10

## Ratings



The Strategic European Silver Stars Fund - B EUR share class has a Morningstar rating of 4 stars overall and 4 stars over 5 Years. Morningstar Rating™ as of 31/08/2022.



Citywire Rating: The rating is based on the Fund Manager's three-year risk-adjusted performance to 30/06/2022.

Source of graphs and tables: Morningstar as at 31/08/2022. **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: MSCI Europe SMID NR EUR Index; prior to 2022: 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.

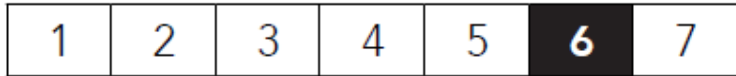
### Reference periods:

- 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](http://ericsturdza.com). Please refer to the glossary at [ericsturdza.com/glossary](http://ericsturdza.com/glossary) for further explanation on specific terminologies.

The B EUR Share Class performance includes the extended track from Fund inception on 05/05/2015.

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



< Lower Risk  
Potentially lower rewards

Higher Risk >  
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, 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/](http://www.ericsturdza.com/literature/).

Calculation Benchmark: Combined benchmark. 31/08/2017 to 31/08/2022

	Alpha	Beta	Sharpe Ratio	Info Ratio	Standard Deviation
A EUR Class	3.37	1.09	0.33	0.36	19.89
Benchmark	-	1.00	0.19	-	16.34

Source of graphs and tables: Morningstar as at 31/08/2022. The B EUR Share Class performance includes the extended track from Fund inception on 05/05/2015. Past performance may not be a reliable guide to future performance. Returns could be reduced, or losses incurred, due to currency fluctuations.

# Risk Management Statement

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- **Risk Management is key to Eric Sturdza Investments' Investment Strategy 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.

We look 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.

# For Further Information, please contact us

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