



WAVERTON
INVESTMENT MANAGEMENT

**WAVERTON PLATFORM PORTFOLIO SERVICE
BALANCED PORTFOLIO**

Quarter 3 2018

OBJECTIVES

PORTFOLIO OBJECTIVE

The Waverton Balanced Portfolio is intended for investors with a medium attitude to risk and a minimum time horizon of 6 years. The portfolio seeks a longer-term return of 3.0% above inflation measured by the Consumer Price Index (CPI).

PORTFOLIO TYPE	INDICATIVE RETURN: CPI+	Expected Risk
Growth	3.5%	High
Balanced	3.0%	Medium
Cautious	2.5%	Low
Defensive	2.0%	
Conservative	1.5%	

PORTFOLIO OVERVIEW

The portfolio seeks to provide a diversified interest in a variety of asset classes and the realistic prospect of capital growth and income over the longer term within acceptable risk parameters. Importantly, we expect little correlation between equities, bonds and selected alternative asset classes so the portfolio should provide some degree of protection during periods of equity market weakness.

The portfolio is invested through a mix of four specialist Waverton funds: Sterling Bond Fund, Global Core Equity Fund, Tactical Equity Fund and the Alternatives Fund.

THIRD PARTY RISK PROFILES



PERFORMANCE

PERFORMANCE (NET OF FEES) TO 30TH SEPTEMBER 2018

Period	Q3 2018	YTD	2017	2016	2015	2014	2013	Since Inception (31.12.11)
Portfolio (%)	2.5	3.7	9.4	10.1	2.6	5.6	16.2	71.5
CPI+ Indicative Return* (%)	1.4	3.8	6.1	5.6	4.2	4.6	6.1	43.7

STANDARDISED PERFORMANCE

Period 1 year to	30/09/18	30/09/17	30/09/16	30/09/15	30/09/14
Portfolio (%)	7.6	8.2	13.7	-0.5	6.3

Performance displayed is the Waverton Balanced Portfolio available through third party platforms. The portfolio is invested through a mix of four Waverton Funds: Sterling Bond, Global Core Equity, Tactical Equity & Alternatives. The Waverton Global Core Equity funded was introduced in Q4 16. Performance is shown net of fees. Fee of 0.5% per annum to 31st March 2014 and 0.4% per annum thereafter.

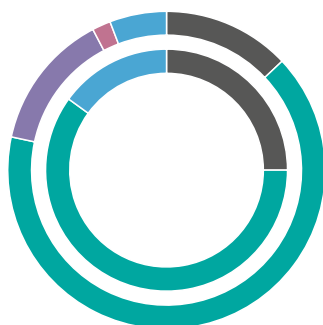
*The CPI+ Indicative Return was CPI+4.0% until 31st December 2016 and CPI+3.0% thereafter to reflect our current return expectations.

Risk Warning: Past performance is no guarantee of future results and the value of such investments and their strategies may fall as well as rise, you may not get back your initial investment, capital security is not guaranteed.

Source: Waverton, Bloomberg, & Morningstar.

ASSET ALLOCATION

CURRENT ASSET ALLOCATION



Asset	Strategic Weight (Inner)	Tactical (Outer)
Fixed Income	25.0%	13.0%
Equities	60.0%	65.4%
Alternatives	0.0%	14.0%
Hedging	0.0%	1.9%
Cash	15.0%	5.8%
Total	100.0%	100.0%

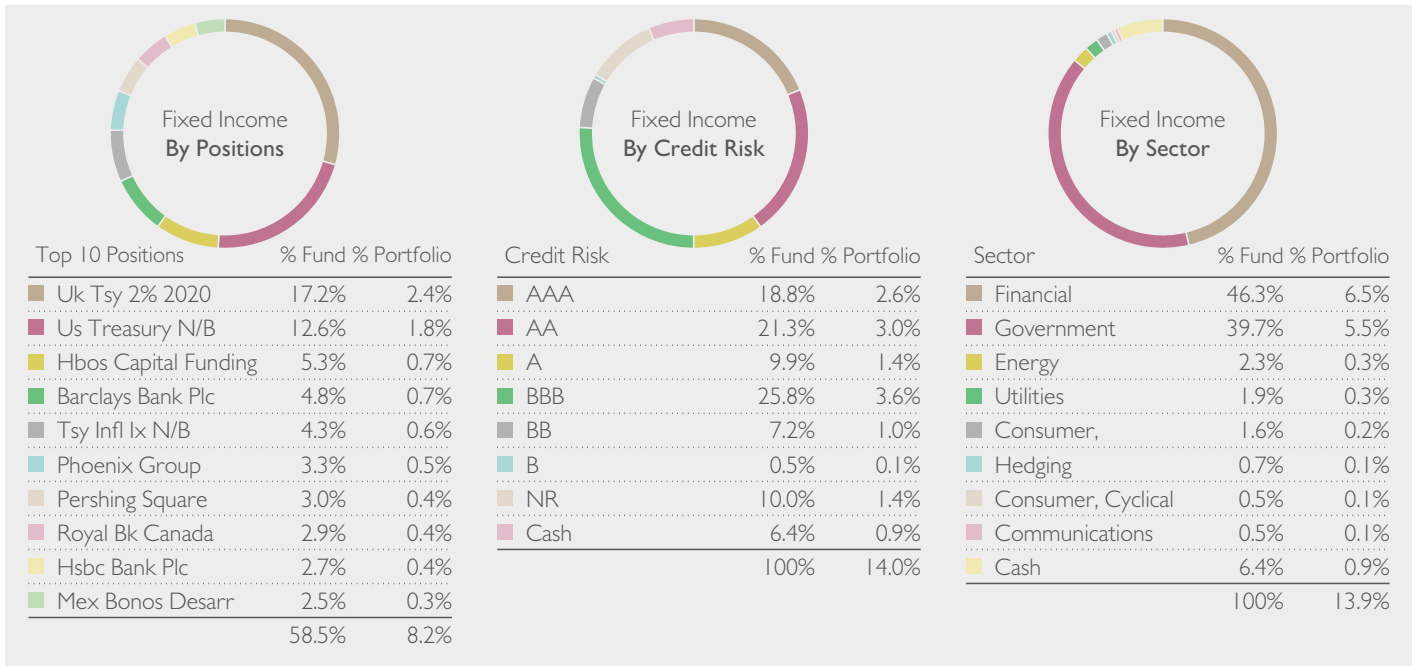
PORTFOLIO ASSET ALLOCATION

Asset Class Ranges	Minimum	Maximum
Cash & Fixed Income	15%	60%
Equities	40%	80%
Alternatives	0%	30%

Please see overleaf for a detailed breakdown of the holdings within each asset class.

FIXED INCOME

The Waverton Sterling Bond Fund's objective is to achieve capital growth and income through direct investment in UK and International government and corporate bonds.



EQUITIES

The Portfolio's equity holdings are divided between Core Equities (typically 60% of the holdings) and Tactical Equities (typically 40% of the holdings).

CORE EQUITIES

The Waverton Global Core Equity Fund is a diversified portfolio of approximately 200 global developed market equities. The Fund takes no regional or sector biases so the asset allocation will always closely reflect that of global equity markets. Investment is through directly held equities.

NORTH AMERICAN	% of Fund	% of Balanced Portfolio	UK	% of Fund	% of Balanced Portfolio	CONTINENTAL EUROPEAN	% of Fund	% of Balanced Portfolio
Microsoft	2.5%	1.0%	BP	0.9%	0.4%	Nestle Sa	1.0%	0.4%
Amazon.com	2.5%	1.0%	Tate & Lyle	0.4%	0.2%	Novartis 'R'	0.6%	0.3%
Apple	2.4%	1.0%	London Stock Exchange Group	0.4%	0.2%	Roche Holding	0.6%	0.2%
Exxon Mobil	2.3%	0.9%	Aviva	0.4%	0.1%	BASF	0.6%	0.2%
JPMorgan Chase	1.9%	0.8%	Reckitt Benckiser	0.4%	0.1%	Safran	0.5%	0.2%
Visa 'A'	1.4%	0.6%	Diageo	0.3%	0.1%	Upm-Kymmene	0.5%	0.2%
Johnson & Johnson	1.2%	0.5%	Berkeley Group	0.3%	0.1%	LVMH	0.5%	0.2%
Verizon Communications	1.2%	0.5%	HSBC Holdings Plc	0.3%	0.1%	Lundbeck, H.	0.5%	0.2%
Alphabet 'A'	1.2%	0.5%	Anglo American	0.3%	0.1%	Bayer	0.5%	0.2%
Other (93 Positions)	46.9%	19.1%	Other (7 Positions)	1.8%	0.7%	Other (32 Positions)	9.8%	4.0%

JAPANESE	% of Fund	% of Balanced Portfolio
Toyota Motor	1.0%	0.4%
Sumitomo Mitsui Financial Group	0.5%	0.2%
East Japan Railway	0.5%	0.2%
Itochu	0.4%	0.2%
Shionogi	0.4%	0.2%
KDDI	0.4%	0.2%
Daiichi Sankyo	0.4%	0.2%
Maeda Road Construction	0.4%	0.2%
Konica Minolta	0.4%	0.2%
Other (16 Positions)	4.2%	1.7%

ASIA PACIFIC EX JAPAN	% of Fund	% of Balanced Portfolio
BHP Billiton (UK)	0.5%	0.2%
Macquarie Group	0.4%	0.2%
Wesfarmers	0.3%	0.1%
Northern Star Resources	0.3%	0.1%
GPT Group	0.3%	0.1%
Commonwealth Bank of Australia	0.3%	0.1%
National Australia Bank	0.3%	0.1%
Orica	0.2%	0.1%
Link REIT	0.4%	0.1%
Other (8 Positions)	2.6%	0.4%

EQUITIES CONTINUED

TACTICAL EQUITIES

The Waverton Tactical Equity Fund provides an exposure to a variety of market themes in which we have high conviction. Investment is principally through third party specialist funds.

HOLDINGS	Region	% of Fund	% of Balanced Portfolio
Hermes Asia Ex Japan Equity Fund	Asia Pacific	12.6%	3.4%
Lindsell Train Japanese Equity Fund	Japanese	7.9%	2.1%
T Bailey Aptus Global Financials B Fund	Emerging Market	7.4%	2.0%
RWC Global Emerging Markets Fund	Global	7.2%	2.0%
Driehaus US Micro Cap Equity Fund	North American	6.8%	1.8%
Smith & Williamson AI	Global	5.9%	1.6%
MI Metropolis Valuefund	Hedging	4.7%	1.3%
Waverton Protection Strategy	Global	4.3%	1.2%
BNY Mellon Japan Small Cap Equity Focus Fund	Japanese	3.9%	1.1%
Magallanes European Equity Fund	Continental European	3.8%	1.0%
LF Milton European Opportunities Fund	Asia Pacific	3.6%	1.0%
Fundsmith LLP Equity Fund	UK	3.3%	0.9%
MI Chelverton UK Equity Growth Fund	Global	3.2%	0.9%
Fidelity China Special Situations Plc	Emerging Market	2.9%	0.8%
Ocean Dial Gateway To India Fund	Continental European	2.8%	0.8%
Prusik Asian Equity Income Fund	Asia Pacific	2.8%	0.8%
Riverstone Energy Ltd Ord	Global	2.8%	0.8%
Draper Esprit Plc	UK	2.7%	0.7%
Legal & General UC ROBO Global Robotics & Automation ETF	Continental European	2.5%	0.7%
LF Lindsell Train UK Equity Fund	Global	2.5%	0.7%
SPDR MSCI Europe Energy UCITS ETF	Global	2.1%	0.6%
Tosca Micro Cap UCITS Fund	UK	1.9%	0.5%
SocGen Oct 19 Expiry 105% Call Option			
GBPUSD	Hedging	0.5%	0.1%

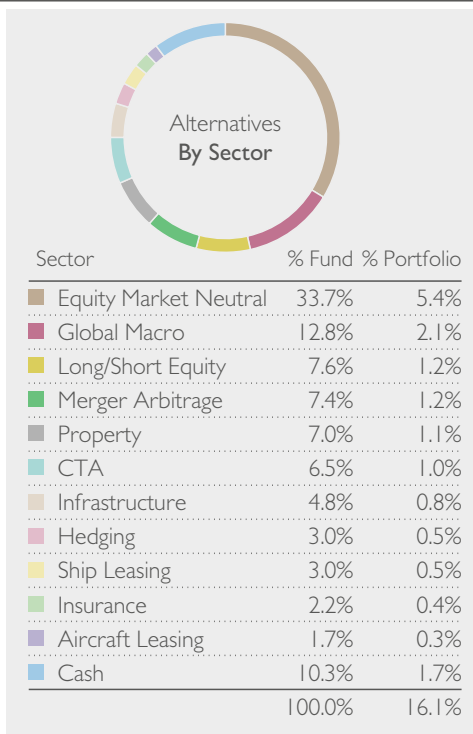
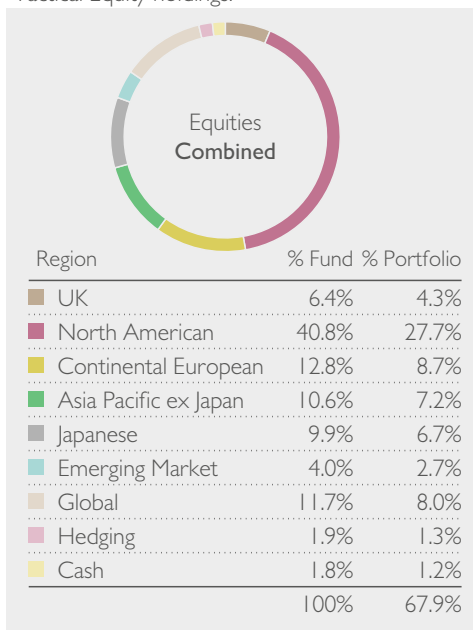
ALTERNATIVES

The Waverton Alternatives Fund aims to provide capital appreciation through the investment in various alternative asset classes with a significantly lower volatility than the equity market.

Asset Backed	% of Fund	% of Balanced Portfolio
Channel Islands Property	4.7%	0.8%
Tufton Oceanic Assets Ltd	3.0%	0.5%
GCP Student Living	2.3%	0.4%
CATCo Reinsurance Opportunities Fund	2.2%	0.4%
Amedeo Air Four Plus Limited (DNA4)	1.7%	0.3%
3i Infrastructure	1.2%	0.2%
GCP Infrastructure	1.2%	0.2%
HICL Infrastructure	1.2%	0.2%
International Public Partnerships	1.2%	0.2%
Hedging	% of Fund	% of Balanced Portfolio
Waverton Protection Strategy	3.0%	0.5%
High Volatility	% of Fund	% of Balanced Portfolio
Alpine Merger Arbitrage Fund	7.4%	1.2%
Odey Absolute Return Fund	7.1%	1.1%
BlueBay Global Sovereign Opportunities Fund	6.7%	1.1%
MontLake Dunn WMA UCITS Fund	6.5%	1.0%
JP Morgan Global Macro Opportunities	6.1%	1.0%
Polar Capital UK Absolute Equity	0.5%	0.1%
Low Volatility	% of Fund	% of Balanced Portfolio
Old Mutual UK Specialist Equity Fund	9.9%	1.6%
F&C Real Estate Equity Long/Short Fund	8.2%	1.3%
Phileas Long/Short Europe	7.9%	1.3%
Jupiter Absolute Return Fund	7.7%	1.2%
Cash	% of Fund	% of Balanced Portfolio
Cash	10.3%	1.7%

REGIONAL ALLOCATION

The chart below shows the overall equity regional allocation for the combined Core and Tactical Equity holdings.



Definitions:

Asset Backed - A fund whose income payments are derived from a specified pool of underlying assets.

High Volatility - An investment strategy where the daily realised volatility may exceed 7.5%. Can be "market-directional" in nature.

Low Volatility - An investment strategy where the daily realised volatility is unlikely to exceed 7.5%.

COMMENTARY

In the three months to the end of September the MSCI All Country World Index rose 5.6%. In this environment the portfolios performed well and the core models rose between 1.1% and 3.1%.

Our fixed income exposure provided a negative return of -1.0% during the quarter, a small outperformance of the Gilt index. That came from our more conservative duration exposure, higher income and a minor currency gain. Generally we have been edging to a more conservative credit stance over recent quarters so that it provides a much lower level of correlation with the risk assets in the wider portfolio. We are now 55% invested in credit (lowest since 2010) and the average credit rating is A-.

The Core Equity portfolio performed broadly in-line with the benchmark. Stock selection from recent purchases in Consumer Discretionary companies, such as US retailer Five Below and World Wrestling Entertainment, continued their outperformance from Q2. Other relatively high quality and stable US companies like Jack Henry and Bright Horizons also contributed to performance. These gains were offset to some extent by weakness in Japanese exporters like Toyota Motor and Misumi, and less positive news flow from health care companies such as Bayer and Lundbeck.

The robust portfolio construction of the Core continues to dampen the impact of macro themes or factors– including the widespread regional dispersions seen in Q3 - enabling stock wealth creation and valuation to drive long-term performance.

The Tactical Equity exposure lagged in the period, largely as a result of its structural underweight to the US. Within Tactical we made little change to the top down positioning of the fund over the quarter, but added two new holdings in September. The first of these, the Miton European Opportunities fund provides access to the mid cap growth opportunity in the continental European equity markets. The second holding purchased was the listed venture capital fund, Draper Esprit. The company is unique in scale, size and structure and the team have a proven track record in backing successful early stage Technology companies. Current portfolio holdings such as Graphcore (AI computing chip), Ledger (crypto-currency wallet), Revolut (digital bank) and TransferWise (FX platform) appear particularly promising at this juncture.

The Alternatives made a positive contribution in the period. Hedge fund performance has been mixed with the lower volatility strategies generally producing positive returns whilst the higher volatility strategies had more difficulty. In terms of real assets, our four infrastructure funds performed particularly well and have now recouped the losses they experienced at the end of last year on political concerns. Our two property funds also posted useful returns.

We feel that maintaining our current levels of exposure to risk assets is appropriate at this stage. Rising rates are a concern but as long as they are rising in response to a healthy economy we should not be too concerned about a US recession. The outcome to the Brexit negotiations is looking more binary now and this is leading to increased levels of volatility in Sterling. As a result we have instigated a partial currency hedge within our portfolios to negate the effect of a strong bounce in Sterling in the event of a 'soft' Brexit deal being agreed.

FUND DETAILS

Investment Manager	Waverton Investment Mgmt
Annual Management Charge (AMC)	0.4%
Ongoing Charge - Strategic (Inc. AMC & Transaction charges)	0.98%
Ongoing Charge - Current Tactical (Inc. AMC & Transaction charges)	1.08%
Dealing Frequency	Daily
Base Currency	Sterling
Launch Date	31st December 2011
Minimum Investment	None

CONTACT DETAILS

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