WAVERTON
INVESTMENT MANAGEMENT

EUROPEAN CAPITAL GROWTH FUND I EUR

FUND FACTSHEET - AS AT 30 SEPTEMBER 2017

OBJECTIVES

FUND AIM

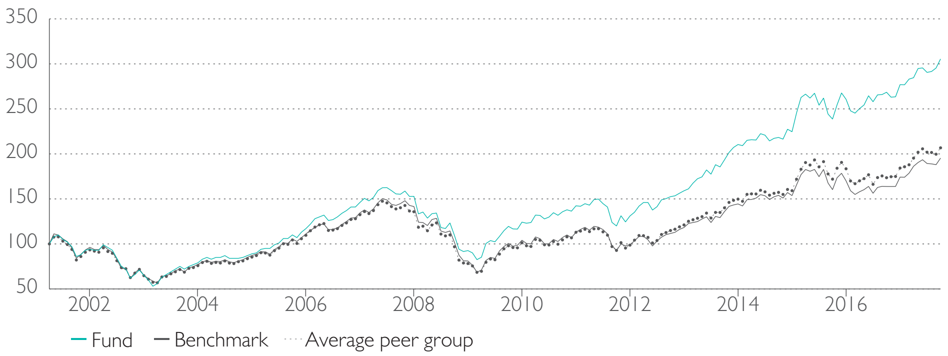
The investment objective is to generate capital growth by investing in a concentrated portfolio of equities selected from European markets. Overwhelmingly, but not exclusively, the managers invest in companies that are at the larger end of the capitalisation scale.

INVESTMENT STYLE

The Fund invests in wealth creating companies at attractive valuations. Building concentrated portfolios from the bottom up, unconstrained by the composition of the fund's benchmark index, the managers seek to make a small number of long-term investments, primarily in growing companies, with strong management and operating in favourable business environments.

PERFORMANCE

PERFORMANCE SINCE INCEPTION



Risk Warning: Past performance is no guide to future performance. The value of holdings may fall as well as rise and investors may not get back their initial investment.

Important information: Performance displayed is for the I EUR Share Class. Performance is calculated on a NAV to NAV basis and does not take into account any initial fees. Performance is displayed net of fees and assumes income is reinvested.

Period	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	Inception Apr 01
Portfolio (%)	**3.4**	**5.1**	**10.3**	**13.8**	**40.0**	**100.3**	**205.5**
Benchmark (%)	3.9	3.2	12.1	19.2	26.8	75.0	95.3
Morningstar Peer Group (%)	3.7	2.5	12.1	18.9	30.7	77.7	124.6
Quartile	4	1	3	4	1	1	1

DISCRETE CALENDAR YEAR PERFORMANCE

Period	2016	2015	2014	2013	2012
Fund (%)	**6.2**	**16.0**	**6.8**	**32.3**	**21.3**
Benchmark (%)	2.4	10.7	6.4	22.1	19.4

STANDARDISED PERFORMANCE

Period 1 year to	30/09/2017	30/09/2016	30/09/2015	30/09/2014	30/09/2013
Fund (%)	**13.8**	**12.5**	**9.3**	**12.8**	**26.9**

PORTFOLIO SUMMARY

COUNTRY

Germany	20.2%
Sweden	16.9%
Denmark	12.8%
France	12.7%
Switzerland	7.6%
Spain	7.4%
Finland	4.8%
Norway	4.1%
Netherlands	3.9%
Portugal	3.3%
Other	6.2%
Total	**100.0%**

SECTOR

Industrials	24.2%
Health Care	17.2%
Materials	14.4%
Consumer Staples	13.5%
Financials	9.5%
Energy	6.0%
Consumer Discretionary	5.1%
Telecommunication Services	3.0%
Cash	7.0%
Total	**100.0%**

TOP 10 HOLDINGS

Topdanmark AS DKK1	3.5%
Linde AG	3.5%
Loomis AB Series 'B'	3.4%
Novozymes A/S Series 'B' DKK2	3.3%
Air Liquide €5.50	3.2%
Kion Group AG	3.1%
Elekta Instrument AB	3.1%
Galp Energia SGPS SA €1	3.1%
Deutsche Telekom AG (Regd)	3.0%
LafargeHolcim Ltd CHF2 (Regd)	3.0%
Total	**32.3%**

Sources: Waverton Investment Management, Morningstar.

COMMENTARY

In euro terms the Fund was up 3.4% over the month, 0.5% off the index's pace. The underperformance was a consequence of not owning the strongest performing industrials; Siemens, Daimler and BASF (up between 8 to 10%) and owning jewellery retailer Pandora (-6%) and Spanish supermarket chain DIA (-7%).
Over the 3Q the fund was up 5.1%, the index only 3.2%. YoY the funds numbers have been underwhelming; 13.8% vs 19.2%; the result of our much discussed and continuing anti-bank stance which hurt our relative numbers, particularly in 4Q16 and 1Q17.

We mentioned Dia and Pandora, both retailers, last month. It is always an interesting investment conundrum when a sector with earnings growth is hugely out of favour and lowly rated. We took the decision to keep the former and sell the latter. With Pandora the market seems convinced that its very high EBIT margin of 36% is not sustainable when even Hermes only achieves 32%. The shares continued to de-rate to 11x 2017's earnings. Our original investment thesis was that the industry's heavily fragmented nature, Pandora's amazing manufacturing efficiency and impressive cash flow underpinning shareholder returns would drive the share price further. The share price fall would usually be a trigger for us to buy more, the truth is however that the earnings visibility has become much less clear to us. It is for this reason that the decision was made to sell.

One of our best stocks last month was Loomis (+10%), the cash management firm. Since it came to the stock market in 2008 EBITA margins have doubled to 12%. At its recent Capital Markets Day it targeted a further improvement to 12-14% by 2021. Should there be no acquisitions the target is 14%. Management have initiated many interesting growth initiatives. One of them, Safepoint, is the cash management service for retailers which has high profitability and growth rates. Every time we re-visit management we are inclined to add to the holding as we feel it is a compelling story; it is now one of the Fund's largest holdings. If it were not for the market's fear that cash in society will go the way of the Yellow Pages very soon, Loomis' stock would trade at a significant premium to the market as opposed to the current slight premium. In Sweden, cash in circulation has fallen significantly in recent years but Loomis' profits have held up as a shrinking market has encouraged banks to outsource more of their cash management operations. Interestingly in other regions, euro and dollar cash levels in circulation do nothing but increase.

Last month we saw numerous companies where the mood is generally upbeat, despite the 10% euro appreciation against the dollar this year. We remain heavily overweight industrials and slightly overweight pharmaceuticals, adding to the Lundbeck on its recent setback when the highly regarded CEO resigned to join Teva. We remain underweight financials and utilities; both are besotted with volume gains in non-growth markets, a sin against our process. One utility we met (admittedly investor relations) argued that a rights issue was good as it would increase liquidity in the shares. Another (again IR) stated that dividends were a bad idea as the major shareholder, the Spanish government, didn't need the money! Our stance on these sectors has cost us 3 percentage points of relative performance YTD. Stocks like Loomis are much more attractive longer term, we are confident of it.

FUND MANAGER

Chris Garsten

FUND MANAGER

Charles Glasse

ANALYST

John Buckland

FUND DETAILS

FUND FACTS

Launch Date	4th April 2001
Morningstar Category	Europe Ex-UK Large Cap Equity
Benchmark	MSCI Europe ex UK TR
Fund Size	€141.4m
No. of Holdings	37
Domicile	Luxembourg
Sedol	BD5NVN4
Bloomberg Code	ZENECGI:LX
Fund Type	SICAV
Base Currency	EUR
Other Currencies	GBP
Ex Dividend Dates	20th February

RISK STATISTICS

3Y Annualised	
Fund Volatility (%)	12.1
Index Volatility (%)	13.7
Sharpe Ratio	1.4
Information Ratio	0.7
Tracking Error	5.0
Alpha (%)	5.6
Beta	0.8
Active Share (% - Current)	86.3

FUND INFORMATION

Share class	ISIN	Minimum	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
I EUR	LU0968447358	1,000,000 EUR	0.75%	INC	2.70	0.89%	1.01%
L EUR	LU0968447275	500,000 EUR	1.00%	INC	2.61	0.57%	1.30%
I GBP	LU0968447432	1,000,000 GBP	0.75%	INC	1.95	1.03%	1.01%
R GBP	LU0986115417	10,000 GBP	1.25%	INC	182.33	0.55%	1.55%

CONTACT DETAILS

MARKETING CONTACT

Charles Scott Plummer
csp@waverton.co.uk
+44 (0)20 7484 7429
www.waverton.co.uk

MARKETING CONTACT

Jonno Ross
jross@waverton.co.uk
+44 (0)20 7484 7491
www.waverton.co.uk

AUTHORISED COPORATE DIRECTOR

Casa4 Funds
www.casa4funds.com