



WAVERTON
INVESTMENT MANAGEMENT

EUROPEAN CAPITAL GROWTH FUND I EUR

FUND FACTSHEET - AS AT 30 APRIL 2018

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 (%)	3.5	0.0	1.7	6.4	19.7	79.8	213.7
Benchmark (%)	3.8	-2.3	0.1	2.0	7.5	52.2	94.2
Morningstar Peer Group (%)	3.8	-2.4	0.4	3.0	10.5	57.7	126.3
Quartile	3	1	1	1	1	1	1

DISCRETE CALENDAR YEAR PERFORMANCE

Period	2017	2016	2015	2014	2013
Fund (%)	11.4	6.2	16.0	6.8	32.3
Benchmark (%)	11.4	2.4	10.7	6.4	22.1

STANDARDISED PERFORMANCE

Period 1 year to	30/04/2018	30/04/2017	30/04/2016	30/04/2015	30/04/2014
Fund (%)	6.4	15.9	-2.9	21.6	23.5

PORTFOLIO SUMMARY

COUNTRY		SECTOR		TOP 10 HOLDINGS	
Germany	21.4%	Industrials	26.3%	Eramet €3.05	3.9%
Sweden	17.4%	Materials	15.8%	Linde AG NPV (ASD 24/10/2017)	3.7%
France	15.7%	Health Care	15.3%	Swedish Match AB SEK 1.2	3.4%
Switzerland	7.7%	Consumer Staples	13.4%	Novartis AG CHF0.50 (Regd)	3.3%
Denmark	7.1%	Financials	7.8%	Loomis AB Series 'B'	3.1%
Finland	6.7%	Consumer Discretionary	6.7%	Marine Harvest ASA NOK7.5	3.1%
Norway	6.0%	Energy	5.6%	Bayer AG Ord	3.0%
Spain	4.6%	Telecommunication Services	2.4%	Air Liquide €5.50	2.9%
Portugal	3.0%	Cash	6.8%	Elekta Instrument AB	2.8%
United Kingdom	3.0%	Total	100.0%	Safran €0.20	2.8%
Other	7.5%			Total	32.0%
Total	100.0%				

COMMENTARY

The Fund rose by 3.5% in April and the market by 3.8%. The last week of April and the first week of May are very busy for companies reporting their first quarter results. As at month end around 40% of Europe (including the UK) by market cap had reported and earnings per share growth had slowed to 0% year-on-year. This does not come as a total surprise, given the euro strength but does explain why the market is finding it difficult to make new highs. Excluding financials, where we are heavily underweight, EPS for the market as a whole would have been up 6%. Excluding resources, where we are slightly overweight, earnings would have fallen 4%.

Natural resource stocks are not our natural hunting ground on the basis. Earnings Visibility is often a challenge. However in the case of the French miner Eramet (+29%), Madame Bories (installed as CEO a year ago) won us over by her plan to improve the company's profitability. She is delivering on the plan, and the rest of the market is beginning to believe her. On the negative side, Kion (-8.5%) and Novozymes (-6.5%) fell on disappointing results.

Our investment process is overwhelmingly bottom up. We are often invited to comment on the state of European politics, but do not perceive there to be meaningful value add derived from second guessing political outcomes. We invest for the very long term (10 years) in companies in a Continent where the political cycle for most countries is more like three years. We invest in companies and in managements who we have a 'through-the-cycle' trust in, and who will play the political ball that is in front of them far better than any fund manager that we are aware of, including us!

The noise being created by President Trump's trade rhetoric reminds us of the US government's protectionist instincts around the light vehicle tyre industry in 2014, and of the impotence of politicians in dealing with it. At the time, the politicians reacted to the fact that aftermarket tyre imports to the US had reached 61% (excluding Mexico & Canada). In order to boost domestic production the White House imposed stiff import duties against China who were seen as the chief culprit as they had 24% of the light vehicle replacement market. By last year their share of the market had indeed plummeted to 5%, but not to the benefit of local producers. Other countries (mainly Thailand, Indonesia and other ASEAN countries) stepped in to fill the gap. Imports remain at 61% of the market! Ironically this week the European Commission has imposed anti-dumping tariffs on Chinese replacement truck and bus tyres, initially for a period of 6 months. It is therefore entirely logical to us that the share prices of European tyre makers are largely unchanged.

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	€165.5m
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 (%)	10.3
Index Volatility (%)	12.6
Sharpe Ratio	1.2
Information Ratio	0.8
Tracking Error	4.9
Alpha (%)	4.3
Beta	0.8
Active Share (% - Current)	87.3

FUND INFORMATION

Share class	ISIN	Minimum	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
I EUR	LU0968447358	1,000,000 EUR	0.75%	INC	2.76	0.87%	1.01%
L EUR	LU0968447275	500,000 EUR	1.00%	INC	2.67	0.56%	1.30%
I GBP	LU0968447432	1,000,000 GBP	0.75%	INC	1.98	0.96%	1.01%
R GBP	LU0986115417	10,000 GBP	1.25%	INC	186.1	0.24%	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

DOMICILIARY AGENT

Casa4 Funds
 www.casa4funds.com

Risk Warning: Past performance is no guide to future performance. The value of holdings may fall as well as rise. All financial investments involve an element of risk. The level of income from the investment may fluctuate in value. Currency movements may also affect the value of the investment. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency.

For full details of investment risks please refer to the Prospectus. A copy of the full prospectus and the KIID is available from Waverton Investment Management or ACD, Casa4 Funds.

Sources: Waverton, Morningstar.

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