WAVERTON
INVESTMENT MANAGEMENT

EUROPEAN CAPITAL GROWTH FUND I EUR

FUND FACTSHEET - AS AT 31 DECEMBER 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	1 Year	3 Years	5 Years	Inception Apr 01
Portfolio (%)	**0.6**	**1.0**	**11.4**	**37.3**	**94.0**	**208.5**
Benchmark (%)	-0.5	-0.7	11.4	26.3	64.1	94.0
Morningstar Peer Group (%)	-0.4	0.1	12.4	29.3	69.3	124.9
Quartile	1	1	3	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	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013
Fund (%)	**11.4**	**6.2**	**16.0**	**6.8**	**32.3**

PORTFOLIO SUMMARY

COUNTRY

Germany	19.9%
Sweden	17.5%
France	15.4%
Denmark	10.6%
Switzerland	6.8%
Spain	6.6%
United Kingdom	6.2%
Norway	5.0%
Finland	4.2%
Portugal	3.1%
Other	4.9%
Total	**100.0%**

SECTOR

Industrials	25.8%
Materials	16.8%
Consumer Staples	15.2%
Health Care	13.8%
Financials	10.2%
Energy	6.0%
Consumer Discretionary	4.8%
Telecommunication Services	2.7%
Cash	4.7%
Total	**100.0%**

TOP 10 HOLDINGS

Linde AG NPV (ASD 24/10/2017)	4.3%
Loomis AB Series 'B'	4.0%
Topdanmark AS DKK1	3.6%
Novozymes A/S Series 'B' DKK2	3.5%
Eramet €3.05	3.3%
Swedish Match AB SEK1.2	3.3%
British American Tobacco Ord 25p	3.2%
Air Liquide €5.50	3.1%
Gaztransport Et Techniga SA €0.01	3.0%
Novo Nordisk AS DKK0.2 Series B	3.0%
Total	**34.2%**

Sources: Waverton Investment Management, Morningstar.

COMMENTARY

The Fund outperformed by 1.1% in December, with most sectors adding value. The strongest stocks included Eramet, GTT and BATS, but LivaNova (a recent star) succumbed to profit taking. The Fund's strong run in recent months means that it finished just ahead of the index for the year.

In our view the key to successful investing is to keep the mandate wide (style agnostic), broadly ignore both the index and macroeconomic forecasts and back wealth creating management. Our mantra, broadly speaking can be summed up as "Profit is sanity; volume growth is vanity". We tend to steer clear of CEO's with ambitions 'just to get bigger'. Some of our best investments have been in companies with minimal sales growth but with a policy of returning excess cash flow to shareholders, either through share buybacks or dividends. By no means do we eschew all growth companies, but only favour those with a differentiated product that can continue to grow without compromising pricing power.

The foe of pricing power is the internet. Generally speaking, the increased pricing transparency that the internet brings sector fragmentation. For this reason we are broadly with consensus in our negative view of the general retail sector, but against the consensus with our significant underweight to banking stocks. For the most part, banking stocks in Europe fall down against all five key attributes of a wealth creating company that we look for. In the US, for instance, the Wall Street Journal reports that in recent quarters half of all mortgages are now issued by non-banks! Contrarily, development of digital technology can help industrial manufacturers protect pricing power by offering differentiated service package solutions, rather than selling cheap products in isolation (e.g fork lift trucks included in an integrated warehouse solution). Indeed for many industrials digitalisation / IT software spend is becoming one of their biggest cost centres. It is in providing this integrated offering where the Chinese are currently lagging and Europe excels. Providing one of the reasons for our overweight to European industrials.

We remain sceptical towards telcos where price wars are common and the regulators aggressive. Only this month Spain's regulator lowered wholesale prices 18%, even more than indicated initially. Finally, we have been underweight 'oil' for years due to the sector's habit for value destroying capital expenditure. There are more positive signs of managements' attitude to shareholder returns; even Royal Dutch Shell, for the first time ever, has gone onto our watch list.

We go into 2018 with as much enthusiasm as ever for the prospects of European equities. For us, the biggest driver of investment returns from European equities over the next decade is not only the much discussed macro positives, but the quiet revolution amongst European listed companies making the positive transition to focus on shareholder returns.

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	€150.0m
No. of Holdings	36
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 (%)	11.8
Index Volatility (%)	13.4
Sharpe Ratio	1.5
Information Ratio	0.6
Tracking Error	5.0
Alpha (%)	4.7
Beta	0.8
Active Share (% - Current)	87.7

FUND INFORMATION

Share class	ISIN	Minimum	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
I EUR	LU0968447358	1,000,000 EUR	0.75%	INC	2.73	0.88%	1.01%
L EUR	LU0968447275	500,000 EUR	1.00%	INC	2.63	0.57%	1.30%
I GBP	LU0968447432	1,000,000 GBP	0.75%	INC	1.98	1.01%	1.01%
R GBP	LU0986115417	10,000 GBP	1.25%	INC	185.27	0.54%	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