



WAVERTON
INVESTMENT MANAGEMENT

EUROPEAN CAPITAL GROWTH FUND I EUR

FUND FACTSHEET - AS AT 31 JANUARY 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 (%)	1.7	1.5	1.7	13.3	27.8	94.6	213.7
Benchmark (%)	2.5	-0.1	2.5	14.2	20.1	62.0	98.9
Morningstar Peer Group (%)	2.8	0.7	2.8	14.6	23.3	68.4	131.5
Quartile	4	1	4	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	31/01/2018	31/01/2017	31/01/2016	31/01/2015	31/01/2014
Fund (%)	13.3	11.7	1.0	17.3	29.8

PORTFOLIO SUMMARY

COUNTRY		SECTOR		TOP 10 HOLDINGS	
Germany	21.3%	Industrials	26.9%	Linde AG NPV (ASD 24/10/2017)	4.2%
Sweden	17.2%	Materials	16.9%	Novartis AG CHF0.50 (Regd)	4.0%
France	15.8%	Health Care	15.4%	Eramet €3.05	3.7%
Denmark	9.0%	Consumer Staples	12.9%	Loomis AB Series 'B'	3.6%
Switzerland	8.2%	Financials	9.9%	Gaztransport Et Techniga SA €0.01	3.3%
Finland	5.9%	Consumer Discretionary	7.4%	Swedish Match AB SEK1.2	3.2%
United Kingdom	5.8%	Energy	6.1%	Novozymes A/S Series 'B' DKK2	3.2%
Norway	4.8%	Telecommunication Services	2.5%	Air Liquide €5.50	3.1%
Spain	4.5%	Cash	2.0%	British American Tobacco Ord 25p	3.0%
Portugal	2.9%			Novo Nordisk AS DKK0.2 Series B	2.9%
Other	4.5%				
Total	100.0%	Total	100.0%	Total	34.1%

COMMENTARY

The Fund underperformed by about 0.8% in January. The market was strong, rising 2.5% in euros, with financials leading the way. Despite being underweight Banks for much of the month we were showing positive relative performance as Elekta, Eramet, GTT and Topdanmark all did well. Unfortunately at the month end our largest holding Loomis reported disappointing 4Q results, mainly due to France, and the shares fell 10%. They are now on a P/E discount to the market for a company that we feel has excellent long term growth prospects so we remain committed to the position.

Recently investors have begun to wonder if we are exiting the 10 year paradise of "growth without inflation". This was after news that average U.S. hourly earnings rose 2.9% (year on year) in January. It has been on a steady upward trend since 2010. Further, the unemployment rate, at 4.1%, is also low compared to levels reached at the peak of previous economic cycles (3.8% in 2000 and 4.4% in 2006). Consequently, US interest rates are on the rise. The current federal funds rate is 1.5% and the Federal Reserve has signalled it will raise rates to 3% by 2020. Conversely in Europe, while unemployment is falling, core inflation remains subdued and below the ECB's target of 2%, helped by a strong euro. In its last macroeconomic projections, the ECB said that headline inflation would be 1.5% in 2017 and only 1.2% in 2018. Thus it intends to keep key interest rates unchanged for another year.

Whilst this is very much a stock picking fund, we have to ask: Are we facing the beginning of a major trend reversal, or merely a 5-10% correction? We think the latter for a number of reasons. First, bond investors don't seem too fearful of accelerating inflation indicated by Bloomberg estimates of for US rate expectations which are about 0.25% below Fed guidance. Secondly, we are relatively sanguine of rising metal/oil prices as they priced in weak US dollars and as a percentage of western GDP input are relatively unimportant. Thirdly, rising wage rates will merely encourage further automation of which there is ever greater potential. Finally, the internet continues to help deflation. This is particularly apparent in the food retail sector. By the end of spring 2018, privately owned French retailer Leclerc will launch a home delivery service in Paris. The group currently has just one store in Paris and its home delivery service basket "Leclerc chez moi" will be priced 15% to 20% below competitors. Michel Edouard at Leclerc has stated that he will "take on the Amazon challenge in the most expensive French city". Currently Leclerc has very limited share in Paris, which is dominated by Casino (c40% share) and Carrefour (c30%).

In conclusion we see this post month end fall as a normal stock market markdown post a very strong 2017. The key is to buy into companies that meet our five wealth creating criteria, of which there are many, and try to ignore much of the background 'noise'

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	€154.1m
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 (%)	10.8
Index Volatility (%)	12.8
Sharpe Ratio	1.4
Information Ratio	0.4
Tracking Error	5.0
Alpha (%)	3.5
Beta	0.8
Active Share (% - Current)	87.0

FUND INFORMATION

Share class	ISIN	Minimum	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
I EUR	LU0968447358	1,000,000 EUR	0.75%	INC	2.75	1.75%	1.01%
L EUR	LU0968447275	500,000 EUR	1.00%	INC	2.66	1.13%	1.30%
I GBP	LU0968447432	1,000,000 GBP	0.75%	INC	1.97	1.98%	1.01%
R GBP	LU0986115417	10,000 GBP	1.25%	INC	185.23	0.54%	1.55%

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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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