



**WAVERTON**  
INVESTMENT MANAGEMENT

# EUROPEAN CAPITAL GROWTH FUND I EUR

FUND FACTSHEET - AS AT 31 MAY 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 (%)	1.2	2.9	2.9	7.4	18.7	74.2	217.4
Benchmark (%)	-0.9	0.5	-0.8	-0.5	5.4	47.9	92.5
Morningstar Peer Group (%)	0.4	1.8	0.8	1.6	7.7	54.2	129.1
Quartile	2	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	31/05/2018	31/05/2017	31/05/2016	31/05/2015	31/05/2014
Fund (%)	7.4	11.7	-1.1	20.2	22.1

## PORTFOLIO SUMMARY

COUNTRY		SECTOR		TOP 10 HOLDINGS	
Germany	22.9%	Industrials	26.6%	Eramet €3.05	4.0%
Sweden	17.9%	Materials	16.1%	Linde AG NPV (ASD 24/10/2017)	3.9%
France	15.2%	Health Care	15.7%	Swedish Match AB SEK 1.2	3.6%
Denmark	7.7%	Consumer Staples	13.8%	Loomis AB Series 'B'	3.3%
Switzerland	6.7%	Financials	7.9%	Novartis AG CHF0.50 (Regd)	3.2%
Finland	6.4%	Consumer Discretionary	6.6%	Deutsche Telekom AG (Regd)	3.2%
Norway	5.3%	Energy	5.5%	Elekta Instrument AB	3.1%
Spain	4.4%	Telecommunication Services	3.2%	Deutsche Post AG	3.1%
United States	3.0%	Cash	4.6%	Bayer AG Ord	3.0%
Portugal	2.9%	<b>Total</b>	<b>100.0%</b>	Marine Harvest ASA NOK7.5	2.9%
Other	7.5%			<b>Total</b>	<b>33.4%</b>
<b>Total</b>	<b>100.0%</b>				

## COMMENTARY

European equities have been broadly flat year to date, underlining the importance of genuine stock picking in this environment. The fund was up 1.2% in euros in May, the index was down 0.9%. The positive performance when compared to the index was driven by the fact that we own few banks, contributing to more than half of the relative outperformance (1.2%). There was also strong contribution from our healthcare (0.5%) and material stocks (0.7%). The main negative (-0.7%) came from the fund's underweight to information technology, which performed strongly.

Info Tech companies generally screen out on poor and inconsistent Earnings Visibility. There is a long list of European technology giants that have had a major struggle with survival at some point their lives (Wincor Nixdorf, Nokia, Ericsson, Infineon etc). We prefer to get our technology exposure through the industrial sector where it is a value adding differentiator rather than a product in its own right.

Last month was full of largely negative news on European politics. Italy went briefly to the brink of a constitutional crisis and bank shares collapsed, but a pragmatic third way was found and the financials have rallied back sharply. Politics are important in as far as a true reforming government can make things better, as is illustrated by the divergent experiences of Italy and Spain since the crisis. However, 'the politics' can be overemphasised by investors. Since its inception (2001), the fund has meaningfully outperformed the S&P 500 in USD despite political uncertainty and the broader European index having underperformed. These "crises" create wonderful buying opportunities.

We have just purchased the Danish company Ambu, which meets our five key investment attributes. One mega trend in hospitals is the use of disposable products to save time and cut infection rates. The phenomena of single use and disposable rubber gloves (as one example) is now spreading to endoscopic cameras used to examine internal organs such as lungs and digestive system. The operational efficiency improvements means the cost of procedures using Ambu's products are effectively 10% cheaper than re-usable ones. Ambu's strengths underpinning Earnings Visibility are its first mover advantage, distribution capability and low cost of production which should allow it to counter any price actions from incumbent reusable equipment suppliers. While competition will develop the potential for Ambu is extremely exciting. Current broker estimates assume Ambu could achieve around a 7% share of 100m procedures in 20 years. However, the overall market is 140m procedures for the world's developed markets, which means global potential is much bigger and is likely to be growing faster than current consensus estimates. We think the increasing risk of infections from drug resistant bugs could rapidly accelerate the adoption of single-use medical products. Thus conceivably if Ambu achieves a 20% share of 140m procedures in 10 years its earnings could be as much as DKK8bn from the disposable endoscope business alone (7x PER, 14x discounted at 7%), compared to group consensus estimate FY18 DKK375m.

### 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	€167.6m
No. of Holdings	38
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	5.0
Alpha (%)	4.6
Beta	0.8
Active Share (% - Current)	87.2

### FUND INFORMATION

Share class	ISIN	Minimum	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
I EUR	LU0968447358	1,000,000 EUR	0.75%	INC	2.78	0.86%	1.01%
L EUR	LU0968447275	500,000 EUR	1.00%	INC	2.69	0.56%	1.30%
I GBP	LU0968447432	1,000,000 GBP	0.75%	INC	2	0.95%	1.01%
R GBP	LU0986115417	10,000 GBP	1.25%	INC	187.51	0.23%	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.

Issued by Waverton Investment Management Limited. Registered in England No 2042285. Registered Office: 16 Babmaes Street, London, SW1Y 6AH. Authorised and Regulated by the Financial Conduct Authority.