



WAVERTON
INVESTMENT MANAGEMENT

EUROPEAN DIVIDEND GROWTH FUND A GBP

FUND FACTSHEET - AS AT 30 JUNE 2018

OBJECTIVES

FUND AIM

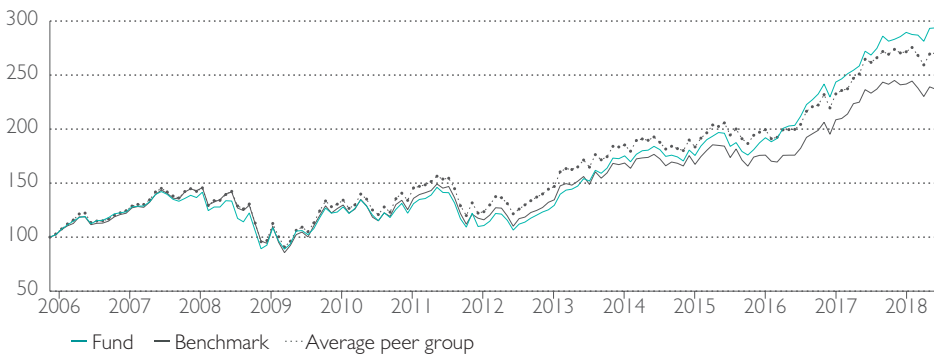
The investment objective is to generate income and capital growth by investing in a concentrated portfolio of equities selected from European markets. Overwhelmingly, but not exclusively, the managers invest in companies that are at the larger end of the capitalisation scale.

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 A GBP 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 Nov 05
Portfolio (%)	-0.6	3.7	0.8	8.7	58.6	92.1	191.8
Benchmark (%)	0.2	3.2	-1.7	1.8	36.8	59.6	137.6
Morningstar Peer Group (%)	-0.5	3.8	-0.9	2.9	38.4	63.9	178.5
Quartile	3	2	1	1	1	1	2

DISCRETE CALENDAR YEAR PERFORMANCE

Period	2017	2016	2015	2014	2013
Fund (%)	18.9	26.8	9.4	0.2	35.4
Benchmark (%)	15.8	18.6	5.1	-0.7	25.3

STANDARDISED PERFORMANCE

Period 1 year to	30/06/2018	30/06/2017	30/06/2016	30/06/2015	30/06/2014
Fund (%)	8.7	26.7	15.2	1.6	19.2

PORTFOLIO SUMMARY

COUNTRY		SECTOR		TOP 10 HOLDINGS	
Sweden	21.1%	Industrials	24.5%	Linde AG NPV (ASD 24/10/2017)	4.4%
Germany	18.6%	Materials	17.1%	Novartis AG CHF0.50 (Regd)	4.3%
Portugal	12.1%	Health Care	15.8%	Swedish Match AB SEK 1.2	4.0%
France	11.7%	Consumer Staples	9.4%	Galp Energia SGPS SA €1	3.4%
Switzerland	7.2%	Consumer Discretionary	6.2%	Novo Nordisk AS DKK0.2 Series B	3.3%
Finland	5.9%	Energy	6.1%	Deutsche Telekom AG (Regd)	3.2%
United Kingdom	5.8%	Telecommunication Services	6.1%	Metso Oyj	3.2%
Italy	5.3%	Financials	5.4%	Securitas AB Series 'B' SEK 1	3.1%
Spain	5.1%	Utilities	3.6%	Energias de Portugal SA €1 (Regd)	3.1%
Denmark	4.9%	Cash	5.7%	Husqvarna AB Series 'B'	3.0%
Other	2.2%	Total	100.0%	Total	35.1%
Total	100.0%				

COMMENTARY

Performance review

Last month the market started to take the threat of a global trade war more seriously. As far as the portfolio was concerned, Eramet (a major outperformer over the last 6 months) was hit hard, knocking 0.9% off the portfolio. However, we are committed to the investment case, believing the changes the new management are making will push up earnings significantly. Nevertheless, as a result the portfolio fell 0.6% in a market which rose 0.2%. We think that any trade war will likely be short lived as it predominantly hurts the participants, most of whom are largely rational. Elekta, the medical technology company, returned 9% in sterling terms over the month on the award of a CE mark for its most important innovative development, the Unity MRI linac machine. A respected leader in the field, the Medical Director of the National Center for Tumor Diseases in Heidelberg recently predicted they could be used in half of all radiotherapy installations in ten years' time.

Novo Nordisk

Generally speaking, European pharmaceutical companies are not dissimilar to oil companies with their lack of focus on shareholder returns. Like oil wells, after 7 to 10 years their products go off patent and lose profitability. Like oil companies they get desperate to replace their winners, often resorting to acquisitions, paying large premiums to other companies' shareholders and issuing shares. Novo is an exception. Importantly, it has all of the five key attributes we look for in a company; the most important being that the management's interests are aligned with shareholders. Novo has historically replaced expiring products from home grown research allowing management to be able to use free cash flow to cancel shares and pay dividends.

Novo is the epitome of a stock we describe as a Steady Grower (it has all five attributes of a wealth creating company) so when the stock collapsed in 2016 on the back of weakening insulin prices - going from a PE of 30x to 14x - it provided the trigger for us to invest. The stock has recovered and now trades on a PE of 19x and is one of our top 5 holdings. The company's newest anti-diabetes GLP1 drug Ozempic (semaglutide) has launched extremely well. Trial results not only lowered blood sugar (HbA1c) levels dramatically, but also brought about the added benefit of 4kg weight loss over one year with no significant side effects except nausea in limited cases. An oral version of the drug is also being trialled; early indications are that results are as good as the injected version, a result that neither we nor the market anticipated back in 2016. It would appear that they could have stumbled upon the first effective weight loss pill, and are planning new trials on non-diabetic obese people.

In terms of potential upside, they may have hit the jackpot. There are about 300 million obese and near obese people in the US and Europe, many of which are in danger of becoming diabetic. If only 1% of these people are prescribed the Novo pills at, for example, \$6,000 a year based on similar product prices, it would become the world's largest drug with sales of \$18bn. This is more than Novo's entire sales of 'big products' (those with over \$500m sales). If the trials and launch continue to go well we expect a further doubling of the shares.

FUND MANAGER



Charles Glasse

FUND MANAGER



Chris Garsten

ANALYST



John Buckland

FUND DETAILS

FUND FACTS

Launch Date	14th November 2005
Morningstar Category	Europe Ex-UK Large Cap Equity
Benchmark	MSCI Europe ex UK TR
Fund Size	£45.8m
No. of Holdings	35
Domicile	Luxembourg
Sedol	BD5NVQ7
Bloomberg Code	ZENEINR:LX
Fund Type	SICAV
Base Currency	GBP
Other Currencies	None
Ex Dividend Dates	19-Jul 2017 (3.75p), 31 Jan 2018 (1.25p)

RISK STATISTICS

3Y Annualised

Fund Volatility (%)	9.1
Index Volatility (%)	10.6
Sharpe Ratio	1.7
Information Ratio	1.2
Tracking Error	4.8
Alpha (%)	9.3
Beta	0.8
Active Share (% - Current)	89.1

FUND INFORMATION

Share class	ISIN	Minimum	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
A GBP	LU0968447606	1,000,000 GBP	0.75%	INC	2.00	2.50%	1.01%
L GBP	LU0968447515	500,000 GBP	1.00%	INC	1.89	2.51%	1.30%

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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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