



**WAVERTON**  
INVESTMENT MANAGEMENT

# EUROPEAN DIVIDEND GROWTH FUND A GBP

FUND FACTSHEET - AS AT 31 MAY 2018

## OBJECTIVES

### FUND AIM

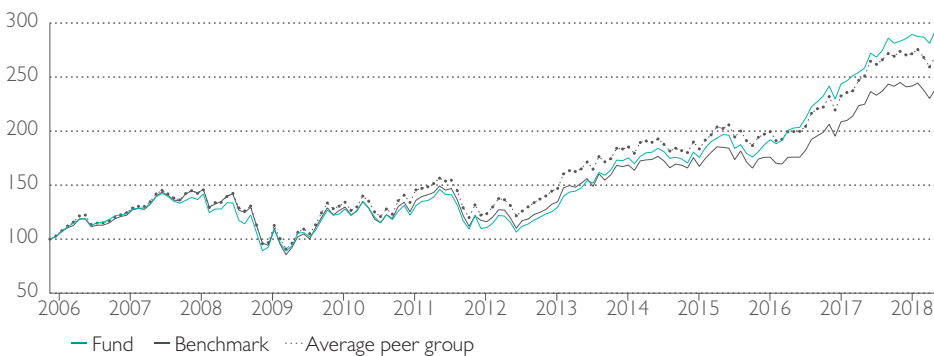
The investment objective is to generate income and capital growth by investing in a concentrated portfolio of equities selected from European markets. Overwhelmingly, but not exclusively, the managers invest in companies that are at the larger end of the capitalisation scale.

### 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 Retail 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
<b>Portfolio (%)</b>	<b>0.1</b>	<b>2.3</b>	<b>1.4</b>	<b>7.9</b>	<b>49.7</b>	<b>90.5</b>	<b>193.7</b>
Benchmark (%)	-0.9	-0.4	-1.9	0.2	28.6	51.8	137.0
Morningstar Peer Group (%)	0.4	0.9	-0.4	2.3	31.5	58.2	179.7
Quartile	3	1	1	1	1	1	2

### DISCRETE CALENDAR YEAR PERFORMANCE

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

### STANDARDISED PERFORMANCE

Period 1 year to	31/05/2018	31/05/2017	31/05/2016	31/05/2015	31/05/2014
<b>Fund (%)</b>	<b>7.9</b>	<b>33.7</b>	<b>3.7</b>	<b>6.6</b>	<b>19.4</b>

## PORTFOLIO SUMMARY

COUNTRY		SECTOR		TOP 10 HOLDINGS	
Sweden	21.3%	Industrials	24.5%	Linde AG NPV (ASD 24/10/2017)	4.2%
Germany	18.0%	Materials	17.8%	Novartis AG CHF0.50 (Regd)	4.2%
France	12.6%	Health Care	15.9%	Eramet €3.05	3.8%
Portugal	11.9%	Consumer Staples	9.2%	Swedish Match AB SEK1.2	3.8%
Switzerland	7.2%	Consumer Discretionary	6.3%	Novo Nordisk AS DKK0.2 Series B	3.4%
Finland	6.1%	Telecommunication Services	6.1%	Galp Energia SGPS SA €1	3.3%
Denmark	5.1%	Energy	5.9%	Metso Oyj	3.3%
Italy	5.0%	Financials	5.3%	Deutsche Telekom AG (Regd)	3.2%
Spain	5.0%	Utilities	3.5%	Husqvarna AB Series 'B'	3.1%
Other	4.9%	Cash	5.5%	Energias de Portugal SA €1 (Regd)	3.0%
United States	2.8%	<b>Total</b>	<b>100.0%</b>	<b>Total</b>	<b>35.2%</b>
<b>Total</b>	<b>100.0%</b>				

Sources: Waverton Investment Management, Morningstar.

## COMMENTARY

Markets have been moving sideways for most of this year making stock and sector picking more important than ever. Largely by avoiding banks, we added 0.2% while the market fell by 0.9%. Healthcare and Materials also added to our performance but the small Information Technology sector where we have nothing (and which has almost no yield stocks) was strong. We really prefer to get our technology shares through our real world businesses which can combine their products with knowhow and so build moats. These help provide pricing power and high margin. Some firms like Elekta have unique products that could be industry changing in cancer radiotherapy treatment. Our best shares in the month were some of our largest holdings such as Linde (whose merger with Praxair is progressing well) and Swedish Match (whose Zyn tobacco free nicotine pouch product is growing rapidly in the USA).

At the other end of the scale, Pandora, the jewellery retailer, hurt the portfolio with its overreliance on charm jewellery. Earnings downgrades have reduced its valuation to single digit P/E consensus in 2019. Any improvement in the situation would lead to significant upside in the share price while in the meantime it yields over 5%. It suffers from the same internet pressures that all retailers face, though their manufacturing capability and own product range mitigate this to some extent.

Last month was full of largely negative news on European politics. There was a brief moment when it looked as though Italy was on the brink of a constitutional crisis and bank shares collapsed, but a pragmatic solution was found and financials rallied back sharply. Politics are often overemphasised in their importance except when government reforms help (or hinder). These "crises" have created many wonderful buying opportunities over the years.

Significant portfolio changes:

We recently visited Stockholm and Berlin for conferences, and met with managements of the Fund's two new holdings, both of which are very much at the "value" end of the market. SSAB may only be the 47th biggest steel company, but it dominates the product areas or geography in which it operates. The plate steel business in Mobil USA is a significant beneficiary not only of Trump steel tariffs but the pickup in various industries where their products are used such as oil & gas, wind turbines, and mining. They dominate Nordic steel distribution having merged with their Finnish competitor recently and are no. 1 worldwide in specialist high strength steels. Probably debt free in mid-2019, their dividend paying capability is significant.

Deutz, the maker of low emission diesel engines for agriculture, fork lift trucks and other heavy machinery, is strangely finding competition reducing while demand remains good. Some of their competitors have been unwilling/unable to invest in the latest low emission technology. Hence they are to become sole supplier to fork lift maker Kion. They also have an all-electric and hybrid engine range in the pipeline for rolling out. After a decade of problems, they now appear to be well placed.

Our Sampo position was sold after 5 years of strong dividends and good performance. We have significant concerns that new IT based financial service companies (such as Avanza and Protector) use their low cost internet offering to increasingly disrupt banks and insurance markets with initial focus on price sensitive customers.

### 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	20-Feb 2017 (1.02p), 19-Jul 2017 (3.75p)

### RISK STATISTICS

#### 3Y Annualised

Fund Volatility (%)	10.0
Index Volatility (%)	11.3
Sharpe Ratio	1.4
Information Ratio	1.2
Tracking Error	4.8
Alpha (%)	8.3
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	2.01	2.48%	1.01%
L GBP	LU0968447515	500,000 GBP	1.00%	INC	1.9	2.49%	1.30%

## CONTACT DETAILS

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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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### DOMICILIARY AGENT

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