



WAVERTON
INVESTMENT MANAGEMENT

EUROPEAN INCOME FUND A GBP

FUND FACTSHEET - AS AT 30 NOVEMBER 2017

OBJECTIVES

FUND AIM

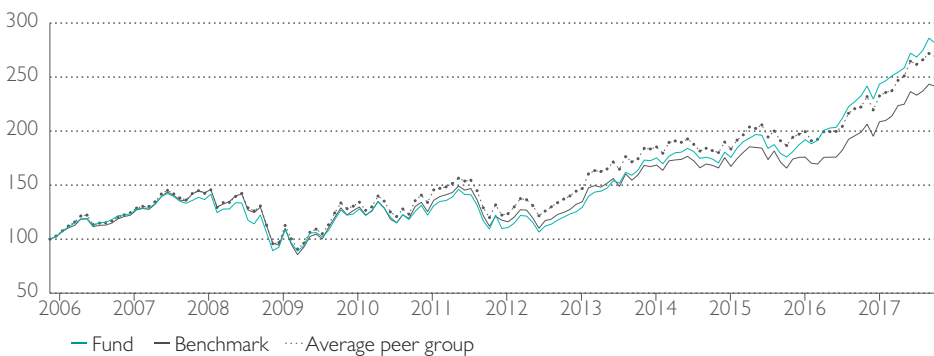
The investment objective is to generate income and capital growth by investing in a concentrated portfolio of equities selected from European markets. Overwhelmingly, but not exclusively, the managers invest in companies that are at the larger end of the capitalisation scale.

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
Portfolio (%)	0.9	-0.2	17.3	24.3	58.2	127.9	185.6
Benchmark (%)	-1.6	-1.0	15.5	23.4	37.3	82.2	141.0
Morningstar Peer Group (%)	-1.2	-0.5	16.3	23.2	42.3	87.6	177.5
Quartile	1	2	2	2	1	1	2

DISCRETE CALENDAR YEAR PERFORMANCE

Period	2016	2015	2014	2013	2012
Fund (%)	26.8	9.4	0.2	35.4	16.9
Benchmark (%)	18.6	5.1	-0.7	25.3	16.0

STANDARDISED PERFORMANCE

Period 1 year to	30/11/2017	30/11/2016	30/11/2015	30/11/2014	30/11/2013
Fund (%)	24.3	22.6	3.7	4.6	37.7

PORTFOLIO SUMMARY

COUNTRY		SECTOR		TOP 10 HOLDINGS	
Sweden	14.8%	Industrials	21.6%	Topdanmark AS DKK1	3.4%
France	12.8%	Consumer Staples	16.9%	Linde AG NPV (ASD 24/10/2017)	3.4%
Germany	11.8%	Materials	13.0%	Loomis AB Series 'B'	3.3%
Denmark	8.9%	Health Care	12.7%	Swedish Match AB SEK1.2	3.3%
Spain	8.7%	Financials	7.5%	LivaNova plc Ord £1	3.1%
Portugal	8.3%	Consumer Discretionary	7.3%	Novo Nordisk AS DKK0.2 Series B	3.0%
Switzerland	7.9%	Energy	6.8%	British American Tobacco Ord 25p	2.9%
Other	7.5%	Telecommunication Services	4.8%	LafargeHolcim Ltd CHF2 (Regd)	2.9%
Norway	7.3%	Utilities	3.6%	Energias de Portugal SA €1 (Regd)	2.9%
United Kingdom	6.4%	Cash	5.7%	Deutsche Telekom AG (Regd)	2.9%
Italy	5.6%				
Total	100.0%	Total	100.0%	Total	31.1%

The Fund outperformed by 2.5% in November, with most sectors adding value. It came about from stocks including Euler Hermes, Eramet, LivaNova and ENAV, between them adding 1.6% to performance. Euler's strength was a result of a bid for the minorities from the largest shareholder Allianz. This stock has doubled since we first bought it in 2011 and at €66 is now fully valued. We have sold the stock and recycled the proceeds into more compelling ideas such as Husqvarna and Orange.

Husqvarna contributed -0.2% to performance on news that the co-operation with Sears, one of their larger clients in the US, has ceased. Although on the face of it, it was a negative to lose a partner of Sear's renown, this particular distribution channel never did more than cover costs and was not profitable. Sears itself is in some trouble. A meeting with the CEO suggests to us that this does not alter the positive long-term thesis we have for the stock. The more significant development for the long-term prospects of the company's earnings is the planned and on schedule roll out of robotic and electric products in the US during 2018. The strengthening of the salesforce and distribution is now in place to help drive this segment's growth which has a meaningful competitive advantage. We grow ever more comfortable with the quality of the management and its focus on shareholder returns. The stock trades on a 2018 P/E of 16 and we took advantage of recent share price weakness to take the holding up from 2% to 2.8%.

Over the month we also sold Akzo which we bought ahead of the failed bid from PPG. We originally bought this deeply unloved company at a time when it had been substantially derated. Earnings growth had consistently failed to be delivered in the prior 5 years largely due to the weak European consumer paint market and the deep cycle in the shipping industry. We felt that both had troughed and would move from being headwinds to tailwinds. Meanwhile management were working hard to cut costs.

Despite the fact that hostile bids for Dutch companies usually fail because of the prevalence of anti-takeover statutes, we were hopeful that, like the failed bid for Unilever by Kraft which garnered management to focus on returns, Akzo's management would be similarly motivated by the bid from PPG. We have been disappointed by developments since and believe that with a 2018 P/E of 17 the shares are no longer a compelling proposition (having bought them on P/E of 13 in 2016). Both the CEO and CFO resigned citing 'stress'; the new management's intention is to split the business in two, but the proposal to merge the coatings business with Axalta was unexpected and unwelcome. If the underlying business was doing particularly well we might find justification for holding on to the stock, but with the increased uncertainty and more compelling ideas elsewhere we sold the entire position at a 33% profit.

We continue to look for wealth creating growth companies that can grow their dividends, and are excited as ever about the huge value to be unlocked by European companies' ever increasing focus on shareholder returns.

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	£36.7m
No. of Holdings	40
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 (%)	10.2
Index Volatility (%)	11.4
Sharpe Ratio	1.5
Information Ratio	1.1
Tracking Error	4.7
Alpha (%)	0.2
Beta	0.8
Active Share (% - Current)	84.7

FUND INFORMATION

Share class	ISIN	Minimum	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
A GBP	LU0968447606	1,000,000 GBP	0.75%	INC	1.97	2.42%	1.45%
L GBP	LU0968447515	500,000 GBP	1.00%	INC	1.86	2.39%	1.41%

CONTACT DETAILS

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Marketing Contact
Charles Scott Plummer
csp@waverton.co.uk
www.waverton.co.uk

CONTACT DETAILS

Marketing Contact
Jonno Ross
jross@waverton.co.uk
www.waverton.co.uk

AUTHORISED CORPORATE DIRECTOR

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.

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