



WAVERTON
INVESTMENT MANAGEMENT

WAVERTON CAUTIOUS INCOME FUND P GBP

FUND FACTSHEET - AS AT 31 AUGUST 2018



OBJECTIVES

FUND AIM

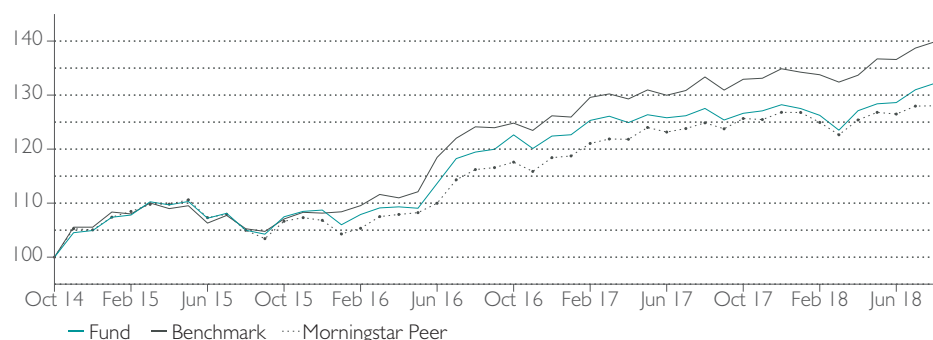
The investment objective of the Waverton Cautious Income Fund is to provide holders with a reasonable level of income and maintain the real value of the capital over the medium to long term. The yield of the Fund may alter as interest rate and market conditions change.

INVESTMENT STYLE

The Fund has a multi-asset structure and invests in a diversified portfolio of equities, government and corporate bonds mainly through third party funds but also with some direct holdings. The Fund will maintain a relatively concentrated portfolio with a high degree of flexibility.

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 P 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. The Waverton Cautious Index is a composite benchmark of 45% MSCI AC World Index TR, 17.5% Iboxx Sterling Gilts Index, 17.5% Iboxx Sterling Corporates Index, 20% GBP 1 month LIBOR.

Period	1 Month	3 Months	YTD	1 Year	3 Years	Inception Oct 14
Portfolio (%)	0.9	2.9	3.1	3.6	25.9	32.2
Benchmark (%)	0.8	2.3	3.7	4.9	32.9	39.8
Average Peer Group (%)	0.0	1.0	0.9	2.5	22.1	28.2
Quartile	1	1	1	1	2	2

DISCRETE CALENDAR YEAR PERFORMANCE

Period	2017	2016	2015
Fund (%)	4.7	12.6	3.6
Benchmark (%)	6.9	16.7	2.5

STANDARDISED PERFORMANCE

Period 1 year to	31/08/2018	31/08/2017	31/08/2016
Fund (%)	3.6	6.8	13.8

PORTFOLIO SUMMARY

ASSET ALLOCATION



Asset	%	Projected Yield (%)
Equities	50.3%	1.5%
Alternatives	21.2%	1.0%
Fixed Income	19.4%	0.8%
Cash	9.1%	0.0%
Total	100.0%	3.3%

TOP 10 HOLDINGS

Waverton Sterling Bond Fund 'A' Inc £	5.1%
iShares MSCI World UCITS ETF	5.0%
Morant Wright Nippon Yield Fund 'B' £ Inc	3.7%
Channel Islands Property	3.4%
US Treasury 2.25% 15/11/2027 \$100/\$100	3.2%
iShares S&P 500 UCITS ETF	3.1%
RWC Global Emerging Markets B £	3.1%
Apple Inc Com	2.5%
Microsoft Corporation Com US\$0.0000125	2.4%
Twelve Capital Fund SICAV Twelve Insurance Best Ideas	2.3%
Total	33.8%

COMMENTARY

The Fund was up 0.89% in August, with positive contributions from all asset classes. By sector, the portfolio reflected a trend we are seeing within global equity markets where leadership has shifted from cyclical sectors (energy, industrials, materials and the like) to defensives (healthcare, utilities, telcos, etc.). We have also written previously about a narrowing of equity market performance, principally into tech, which again we see and have benefitted from this month as Apple and Amazon continue their relentless march onwards (indeed both recently crossed the trillion-dollar valuation mark). The dollar was also a positive contributor to the fund as sterling weakened further in August courtesy of some Brexit risk headlines. North America was our strongest equity region, while a number of Alternatives holdings were also positive contributors over the period, notably Biopharma Credit Plc.

At a headline level, earnings expectations generally continue to rise. However, looking beneath the surface it is noteworthy that cyclicals have been underperforming defensives and emerging markets (EM) continue to underperform developed markets (DM). The persistence in broad-based EM weakness may speak more to investor sentiment than fundamentals which, if is the case, will very likely provide idiosyncratic investment opportunities to those willing and able to do the work. As EMs continue to underperform we are spending an increasing amount of our time on understanding the fundamentals behind the headlines.

During the month we have done a fair bit in our bond allocation: we used cash inflows to take a position in Regional Reit's 2024s, added to our US Treasury position and initiated a new 10/2 curve-steepening position. Regional Reit is a diversified secondary property investment vehicle with a weighted average unexpired lease term (WAULT) of 3.5 years and a well-detailed plan to raise occupancy to 90%. The portfolio is sub-50% loan to value with an interest cover of 3.8x. Both the Fixed Income and Alternatives Teams have met with management separately to discern the risks to the business and are comfortable with the business plan and leverage levels. We added to the 10Y US Treasury as the yield moved towards 3%, and it is likely that we will continue to build this position at similar levels. This has been a good trade to date as the yield on the 10Y has declined towards 2.88% at the time of writing.

As at the end of the month the fund was just under 50% invested in equities, 20% in bonds and the remainder in alternatives and cash. The portfolio's exposure to foreign currency remains sizeable at c.50%, reflecting both the natural outcome of global investing and the decision to remain unhedged while we await further clarity on the government and European Commission's Brexit position.

FUND DETAILS

FUND FACTS

Launch Date	16th October 2014
Morningstar Sector	GBP Moderate Allocation
Benchmark	Waverton Cautious Index*
Fund Size	£44.0m
No. of Holdings	58
Domicile	Ireland
Sedol	BQ1KPO1
Bloomberg Code	WAVCIPG ID
Fund Type	OEIC
Base Currency	GBP
Other Currencies	None
Ex Dividend Dates	Jan 31st, Apr 30th, Jul 31st and Oct 31st

*Waverton Cautious Index: 45% MSCI AC World Index, 17.5% Iboxx Sterling Gilts Index, 17.5% Iboxx Sterling Corporate Index, 20% GBP LIBOR 1 Month

FUND INFORMATION

Share class	ISIN	Minimum investment	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
B GBP	IE00BQ1KPP02	1,500 GBP	0.75%	INC	11.06	3.97%	1.57%
P GBP	IE00BQ1KPO19	1,500 GBP	0.40%	INC	11.28	3.96%	1.22%

Note: The Cautious Income Fund P share class is only available through Financial Advisers

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. Clients should note that yields on investments may fall or rise dependent on the performance of the underlying investment and more specifically the performance of financial markets. As such, no warranty can be given that the expressed yields will consistently attain such levels over any given period. 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 Administrator, RBC Investor Services (Ireland).

Sources: Waverton, Morningstar.

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FUND MANAGER



James Mee

FUND MANAGER



Luke Hyde-Smith

RISK PROFILE

