



**WAVERTON**  
INVESTMENT MANAGEMENT

# WAVERTON CAUTIOUS INCOME FUND P GBP

FUND FACTSHEET - AS AT 31 JANUARY 2018

## OBJECTIVES

### FUND AIM

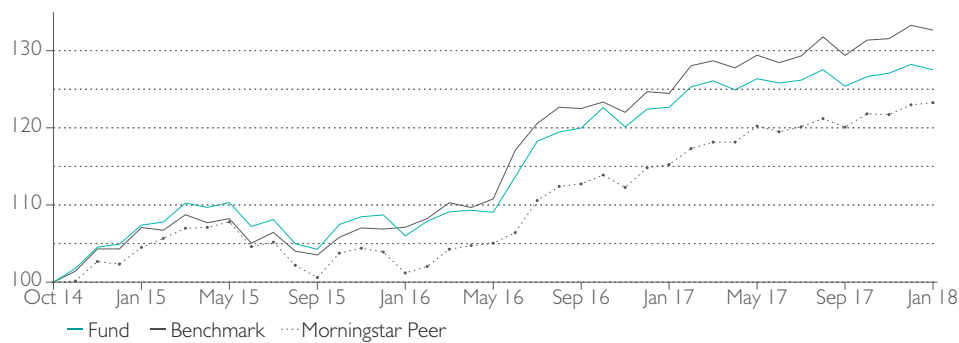
The investment objective of the Waverton Cautious Income Fund is to provide holders with a reasonable level of income and maintain the real value of the capital over the medium to long term. The yield of the Fund may alter as interest rate and market conditions change.

### 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 (%)	-0.5	0.7	-0.5	4.0	18.7	27.5
Benchmark (%)	-0.5	1.0	-0.5	6.6	23.9	34.2
Average Peer Group (%)	0.0	0.9	0.0	6.8	18.0	26.8
Quartile	4	3	4	4	3	2

### DISCRETE CALENDAR YEAR PERFORMANCE

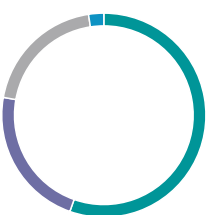
Period	2017	2016	2015
Fund (%)	4.7	12.6	3.6
Benchmark (%)	6.9	16.7	2.5

### STANDARDISED PERFORMANCE

Period 1 year to	31/01/2018	31/01/2017
Fund (%)	4.0	15.7

## PORTFOLIO SUMMARY

### ASSET ALLOCATION



Asset	Projected %	Yield (%)
Equities	55.4%	1.5%
Alternatives	22.4%	1.0%
Fixed Interest	19.8%	0.9%
Cash	2.4%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>3.4%</b>

### TOP 10 HOLDINGS

Somerset Emerging Markets Dividend Growth A Fund Inc	6.9%
Waverton Sterling Bond Fund 'A' Inc £	6.7%
T.Bailey Fund SVS APTUS Global Fins B Inc	6.4%
Morant Wright Nippon Yield Fund 'B' £ Inc	5.9%
Schroder European Alpha Income Z Inc	5.5%
GCP Student Living Plc Ord Ip	4.3%
iShares MSCI Far East ex Japan Fund £ UCITS ETF	4.3%
Channel Islands Property	3.9%
3i Infrastructure Ord	3.9%
Helical Bar 4% Convertible Bond 17/06/2019	3.2%
<b>Total</b>	<b>51.0%</b>

## COMMENTARY

January started well for the Fund, with large holdings in HICL, 3IN and GCP Student Property all benefitting NAV. Strong positive contributors throughout the month were Becton Dickinson in the US, our holding in Aptus Financials, Schroder European Alpha Income and Montlake Dunn (CTA). Our GBP/USD hedge was also a key positive contributor during the period. However, the final two weeks of the month saw our Asset Backed bucket within Alternatives continue its weak run of form from the back-end of 2017; the bucket contributed -0.93% to the month's performance overall, bringing the fund into negative territory, finishing January down -0.88%. HICL, GCP Student Living and 3i Infrastructure all reversed strong early-January gains and ended up being negative contributors to performance.

This month we wanted to give some colour to the HICL situation, and detail surrounding our consequent action. HICL's weakness in particular stems from the politicisation of PFI & PPP contracts which began in Q4 2017. Carillion's insolvency was further bad news for the sector and indeed HICL (although price moves were overdone on the news), while the National Audit Office's (NAO) report on the wider PFI sector was the final nail in the coffin. The underlying portfolio continues to do what we expect of them and the management team continue to focus on sensible capital allocation and dividend growth. However, the combination of what has now become bi-partisan (i.e. Labour and Conservative party) antipathy towards the sector with the NAO's damning report leaves little room for share price appreciation in the foreseeable future. Furthermore, the long-duration nature of the underlying asset (inflation-linkage notwithstanding) is less appealing in a rising inflation, rising interest rate environment. We sold the position in January, having held it since inception of the Fund.

We retain a pro-cyclical, pro-reflation positioning within equities, which benefitted the fund during January; we had strong contributions from our equity positions, in particular from Financials, to which we have a material overweight. We remain slightly overweight equity, but go into February with just under 7% in cash on a lookthrough basis. Finally, we expect a 0.95% dividend yield payment for Q4 to be paid this month, providing an annualised income yield of 3.8%.

### FUND MANAGER



James Mee

### FUND MANAGER



John Bellamy

## FUND DETAILS

### FUND FACTS

Launch Date	16th October 2014
Morningstar Sector	GBP Moderate Allocation
Benchmark	Waverton Cautious Index
Fund Size	£38.1m
No. of Holdings	39
Domicile	Ireland
Sedol	BQ1KPQ1
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

### DISTRIBUTION TECHNOLOGY RISK PROFILE



### FUND INFORMATION

Share class	ISIN	Minimum investment	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
B GBP	IE00BQ1KPP02	1,500 GBP	0.75%	INC	10.94	3.47%	1.61%
P GBP	IE00BQ1KPQ19	1,500 GBP	0.40%	INC	11.14	3.46%	1.27%

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

## 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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