



WAVERTON
INVESTMENT MANAGEMENT

WAVERTON CAUTIOUS INCOME FUND P GBP

FUND FACTSHEET - AS AT 31 MAY 2018



OBJECTIVES

FUND AIM

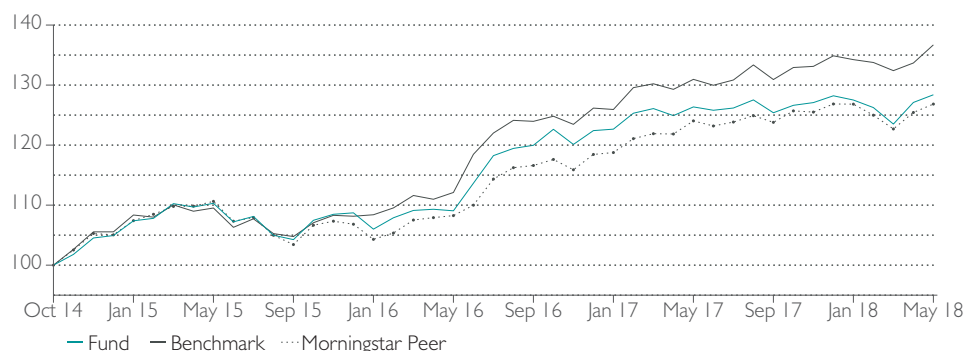
The investment objective of the Waverton Cautious Income Fund is to provide holders with a reasonable level of income and maintain the real value of the capital over the medium to long term. The yield of the Fund may alter as interest rate and market conditions change.

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 (%)	1.0	1.7	0.1	1.6	16.4	28.4
Benchmark (%)	2.3	2.2	1.4	4.4	24.8	36.7
Average Peer Group (%)	1.1	1.5	0.0	2.2	14.8	26.9
Quartile	3	2	2	3	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	31/05/2018	31/05/2017	31/05/2016
Fund (%)	1.6	15.9	-1.1

PORTFOLIO SUMMARY

ASSET ALLOCATION



Asset	%	Projected Yield (%)
Equities	53.9%	1.5%
Fixed Income	19.6%	1.0%
Alternatives	17.7%	0.9%
Cash	8.8%	0.0%
Total	100.0%	3.3%

TOP 10 HOLDINGS

iShares MSCI World UCITS ETF	8.1%
Waverton Sterling Bond Fund 'A' Inc £	6.3%
iShares MSCI Far East ex Japan Fund £ UCITS ETF	4.6%
Morant Wright Nippon Yield Fund 'B' £ Inc	3.9%
T.Bailey Fund SVS APTUS Global Fins B Inc	3.8%
Channel Islands Property	3.5%
RWC Global Emerging Markets B £	3.5%
Schroder European Alpha Income Z Inc	3.1%
Helical Bar 4% Convertible Bond 17/06/2019	3.0%
JP Morgan Accrual Note W/OF FTSE100 / EUROSTOXX50	2.6%
Total	42.4%

COMMENTARY

The dollar was once again strong throughout May, putting pressure on those (principally emerging) countries with large fiscal deficits, most notably Argentina and Turkey. In addition to the global-liquidity-tightening effect of a rising dollar, oil prices also rose throughout the month at the same time that the Federal Reserve continued along its quantitative tightening policy. This reduction in dollar liquidity to the global financial system is a risk to the broadly positive global outlook we continue to have. The next move in the dollar will be instructive as to what to expect from risk-assets for the foreseeable future. For example, tightening liquidity conditions will lead the market to continue to question whether the outlook is as rosy for Emerging Markets as it was at the beginning of the year.

In the final few days of the month political risk returned to Europe with a vengeance following Italian President Sergio Mattarella's rejection of the 5SM/League coalition government's proposal of Paolo Savona for finance minister. The BTP market sold-off sharply along with Italian equities and European banks in particular. The risk-off mood spread to the UK and US in a bid for safe haven assets such as US Treasuries and UK Gilts. We thought it interesting that the market reacted so negatively to what is ostensibly a good result for Europe: the rejection of a Eurosceptic finance minister in what remains the second most indebted country in the EU (Greece being the most: 132% plays 180%, respectively).

The negative mood seemed fleeting as risk assets bounced on the final day of the month, however we would caution that Italy's problems have not been solved: the short term political "good news" ought to be kept in perspective – Italy has the largest Target2 liability in Euros of all European Member States and the country has done relatively little since the Sovereign Debt Crisis to fix its banking system. Given the structural vulnerability of the Italian banking system, a key datapoint to watch is deposit flows: should flows out of Italian banks rise materially we could legitimately see another Grexit-type situation play out in 2018. This is not our base case, but the probability has risen given that investors and depositors alike will be reassessing their exposure to Italy and applying a political risk premium to the country. Italy is not out of the woods yet.

The fund was up 1% in May, with all asset classes contributing positively to returns. Equities drove performance, with the bulk of positive absolute returns coming from our North American equity allocation. By sector, our tech, industrials and energy allocations were the drivers of returns, while financials detracted from absolute performance in the wake of the Italian situation. The largest detractor from performance was our USD/GBP hedge, as the dollar continued to strengthen beyond what we had anticipated. Most Alternatives were positive performers; indeed the only detractor was Montalake Dunn (CTA) which suffered in the final choppy week.

FUND MANAGER



James Mee

FUND MANAGER



Luke Hyde-Smith

FUND DETAILS

FUND FACTS

Launch Date	16th October 2014
Morningstar Sector	GBP Moderate Allocation
Benchmark	Waverton Cautious Index*
Fund Size	£41.3m
No. of Holdings	43
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

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	10.85	4.04%	1.57%
P GBP	IE00BQ1KPP09	1,500 GBP	0.40%	INC	11.06	4.03%	1.22%

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

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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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