



**WAVERTON**  
INVESTMENT MANAGEMENT

# WAVERTON CAUTIOUS INCOME FUND P GBP

FUND FACTSHEET - AS AT 30 SEPTEMBER 2017

## OBJECTIVES

### FUND AIM

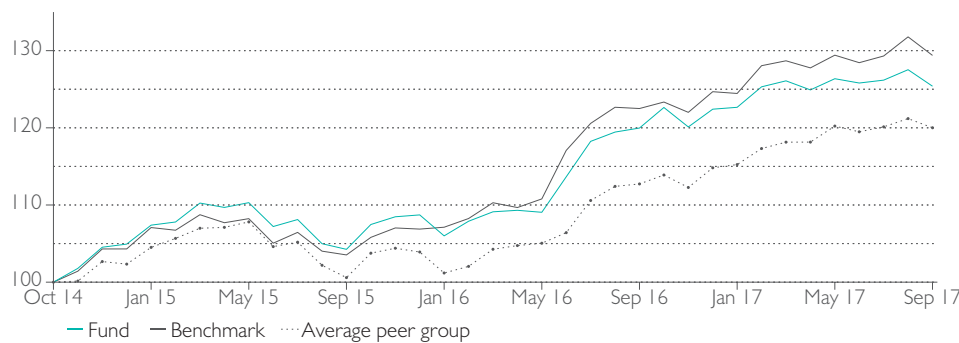
The investment objective of the Waverton Cautious Income Fund is to provide holders with a reasonable level of income and maintain the real value of the capital over the medium to long term. The yield of the Fund may alter as interest rate and market conditions change.

### 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	Inception Oct 14
Portfolio (%)	-1.7	-0.3	2.4	4.5	25.4
Benchmark (%)	-1.8	0.7	3.8	5.6	30.9
Average Peer Group (%)	-0.9	0.5	4.4	6.0	23.6
Quartile	4	4	4	3	2

### DISCRETE CALENDAR YEAR PERFORMANCE

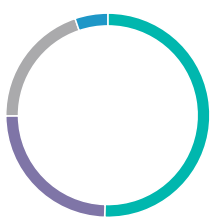
Period	31/12/2016	31/12/2015
Fund (%)	12.6	3.6
Benchmark (%)	16.7	2.5

### STANDARDISED PERFORMANCE

Period 1 year to	30/09/2017	30/09/2016
Fund (%)	4.5	15.1

## PORTFOLIO SUMMARY

### ASSET ALLOCATION



Asset	%	Projected Yield (%)
Equities	50.5%	1.6%
Alternatives	24.4%	1.0%
Fixed Interest	19.9%	1.0%
Cash	5.2%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>3.6%</b>

### TOP 10 HOLDINGS

Power Shares High Dividend Low Vol (UCITS)	7.4%
Waverton Sterling Bond Fund 'A' Inc £	7.3%
Somerset Emerging Markets Dividend Growth A Fund Inc	6.2%
Schroder European Alpha Income Z Inc	6.0%
Morant Wright Nippon Yield Fund 'B' £ Inc	5.1%
SSGA SPDR S&P US Dividend Aristocrats US\$	5.1%
GCP Student Living Plc Ord 1p	5.1%
Channel Islands Property	4.2%
HICL Infrastructure Ord 0.01p	3.9%
Guinness Global Equity Income Fund 'Z'	3.2%
<b>Total</b>	<b>53.5%</b>

## COMMENTARY

Equity markets were down in September in GBP terms, as was the government bond index. In local currency terms, Japan and Europe outperformed, while Asia and EM were weak as the dollar strengthened.

The fund was down 1.7% in September, driven by a stronger sterling, particularly in the first half of the month. Over the month the fund was ahead of the gilt market and only slightly behind the equity market in GBP terms. In addition to currency factors, our infrastructure positions (which sit in the Asset Backed portion of our Alternatives allocation) saw some weakness as shadow chancellor John McDonnell said "we'll bring these contracts and staff back in-house" at the Labour Party Conference. We saw this as a buying opportunity, and added to our position in HICL at a 7% premium to Net Asset Value. Our view is that the probability of nationalisation becoming a reality is sufficiently small to believe the return justifies the risk. We will of course watch rhetoric closely, and in the meantime are happy to be paid a dividend to wait.

In September we sold our position in Valeant Pharmaceuticals 2021s for a 9.6% total return in 2 months. This was a special situation opportunity which we took profitably. We recycled the money into Alcatel Lucent 2029s; Alcatel were bought by Nokia in 2016, who in 2017 announced the intention to tender for the bonds in order to "streamline Nokia's capital structure". Importantly, the tender price for the bonds can be at a premium to par, hence our yield to maturity may be higher than what is quoted. To date they have tendered for c\$400m of \$1.36bn; we expect they will tender for a second tranche in early 2018. Nokia is net cash and we are confident of the creditworthiness of the company. We remain positive on the cyclical outlook for the global economy however we are aware of the ever-present risks to capital. We therefore continue to diversify and seek opportunities to hedge where appropriate.

### 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	£35.6m
No. of Holdings	38
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	10.96	3.61%	1.61%
P GBP	IE00BQ1KPQ19	1,500 GBP	0.40%	INC	11.14	3.61%	1.27%

## CONTACT DETAILS

### MARKETING DIRECTOR

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### ADMINISTRATOR

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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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