



WAVERTON  
INVESTMENT MANAGEMENT

# WAVERTON STERLING BOND FUND A GBP

FUND FACTSHEET - AS AT 31 AUGUST 2018

## OBJECTIVES

### FUND AIM

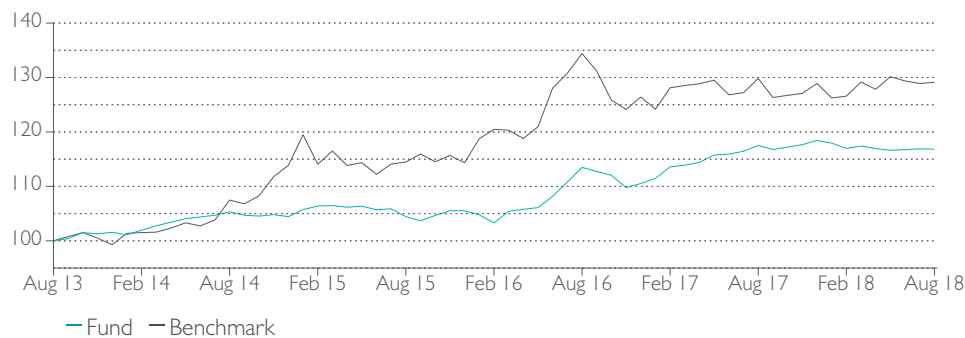
The investment objective of the Waverton Sterling Bond Fund is to achieve capital growth and income through investment in UK and international government and corporate bonds.

### INVESTMENT STYLE

The Fund uses some degree of flexibility in its allocation to duration, credit and currency in order to achieve its investment objectives. Investment decisions are fundamentally driven using a combination of quantitative analysis with qualitative judgement calls. Derivative instruments are also utilised to manage risk.

## PERFORMANCE

### ROLLING PERFORMANCE



**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 A 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 Jan 10
Portfolio (%)	0.0	0.2	-1.4	-0.6	11.9	16.8	38.8
Benchmark (%)	0.2	-0.8	0.2	-0.5	12.8	29.1	60.4
Peer Group (%)	0.2	0.0	-0.8	-0.7	12.3	26.4	61.0
Quartile	4	2	3	2	3	4	4

### DISCRETE CALENDAR YEAR PERFORMANCE

Period	2017	2016	2015	2014	2013
Fund (%)	7.2	4.7	1.0	2.8	3.6
Benchmark (%)	2.0	10.1	0.6	13.9	-3.9

### STANDARDISED PERFORMANCE

Period 1 year to	31/08/2018	31/08/2017	31/08/2016	31/08/2015	31/08/2014
Fund (%)	-0.6	3.6	8.7	-0.8	5.3

## PORTFOLIO SUMMARY

CREDIT QUALITY		SECTOR		CURRENCY		TOP 10 ISSUERS	
AAA	18.5%	Financial	50.6%	British Pound	85.5%	UK Gilts	15.5%
AA	19.7%	Government	38.0%	US Dollar	7.1%	US Treasury Long Dated	12.3%
A	10.4%	Utilities	2.0%	Indian Rupee	3.1%	Lloyds Bank	5.4%
BBB	27.6%	Energy	1.8%	Mexican Peso	3.0%	Barclays Bank	4.9%
BB	6.8%	Consumer, Non-cyclical	0.7%	Brazilian Real	1.2%	US Treasury Inflation	4.5%
B	0.6%	Consumer, Cyclical	0.6%	Euro	0.1%	Phoenix Group	3.4%
NR	10.6%	Communications	0.5%	<b>Total</b>	<b>100.0%</b>	Pershing Square	3.1%
Cash	5.8%	Cash	5.8%			Royal Bank of Canada	3.0%
<b>Total</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>			HSBC	2.8%
						Swiss Re	2.6%
						<b>Total</b>	<b>57.5%</b>

During August the Waverton Sterling Bond Fund fell 0.04%, compared with a rise of 0.15% for the Markit iBoxx Sterling Gilt Index.

The Gilt market moved in a fairly tight range during the month, almost oblivious to the daily headlines on Brexit, trade wars and the threat of populism in Italy. It may have escaped the notice of many observers that the current drawdown in the 10 year Gilt from the peaks in the Summer of 2016 is now the longest since the end of 1979 – 535 trading days. The 10 year Gilt total return index (as provided by Datastream) remains almost 3% below the level reached on 3rd June 2016. Moreover with the 10 year yield below 1.5%, it will take another 2 years to recoup that loss with income alone. Without the benefit of falling yields, which provide capital gains, investors in the UK Gilt index will have to wait 6 years to accumulate a return of just 10%. But they can also lose that overnight if the Gilt yield were to rise from 1.59% to 2.42%. That yield would still represent a level of negative real returns with the RPI at 3.2% in July. We continue to think that trade-off is unattractive, especially as we appear to have entered a period of higher inflation and as exceptional monetary policy is being phased out gradually.

In the short term however, we have to face up to a number of macro risks. The fact that asset prices (e.g. US equities and property prices) seem to be powering ahead should make investors more cautious, not more confident. We continue to see very low levels of implied volatility priced into equity options, which suggests there is some degree of complacency in the markets. In the fund we have adopted a barbell strategy which combines our best ideas in credit with some long duration exposure to UK Gilts and US Treasuries. Some of this latter exposure is in the form of options which have limited downside effect if yields should rise from here.

## FUND MANAGER



Jeff Keen

## ANALYST



James Carter

## FUND DETAILS

## FUND FACTS

Launch Date	11th January 2010
Morningstar Category	Global Flexible Bond - GBP Hedged
Benchmark	Markit iBoxx GBP Gilts TR
Fund Size	£177.8m
No. of Holdings	71
Domicile	Ireland
Sedol	B5BD4F5
Bloomberg Code	JOHBACC ID
Fund Type	OEIC
Base Currency	GBP
Other Currencies	None
Ex Dividend Dates	Jan 31st, Apr 30th, Jul 31st and Oct 31st

## RISK STATISTICS

Fund Volatility 3Y (%)	3.5
Duration	8.4
Sharpe Ratio 3Y	0.9
Running Yield (%)	4.2
Yield to Maturity (%)	3.3

## FUND INFORMATION

Share class	ISIN	Minimum investment	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
A GBP	IE00B5BD4F58	1,500 GBP	0.75%	INC	9.24	4.23%	0.94%
B GBP	IE00B5BD4N33	1,500 GBP	1.00%	INC	8.92	4.24%	1.19%
P GBP	IE00BGQYPR94	1,500 GBP	0.40%	INC	9.33	4.23%	0.59%

## CONTACT DETAILS

## MARKETING CONTACT

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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. 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 Administrator, RBC Investor Services (Ireland).

Peer Group consists of the following Morningstar Categories: GBP Government / Flexible / Diversified / Corporate / Global Flexible - GBP Hedged Bonds. Sources: Waverton, Morningstar, Bloomberg Composite Ratings.

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