



**WAVERTON**  
INVESTMENT MANAGEMENT

# WAVERTON STERLING BOND FUND A GBP

FUND FACTSHEET - AS AT 31 JULY 2019

## OBJECTIVES

### FUND AIM

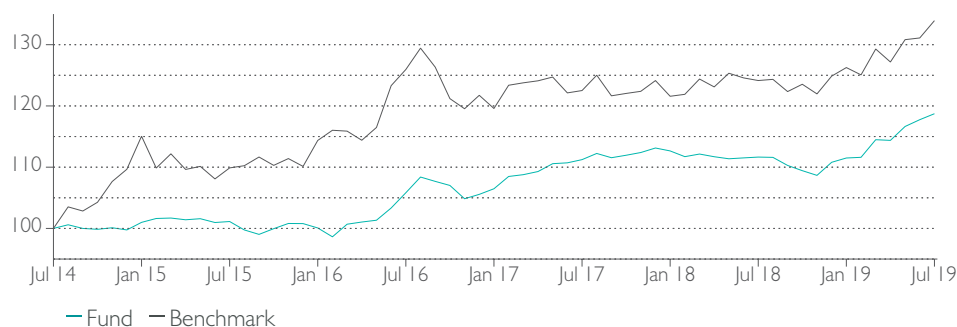
The investment objective of the Waverton Sterling Bond Fund is to achieve capital growth and income through investment in UK and international government and corporate bonds.

### 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 (%)	0.8	3.8	7.2	6.3	12.2	18.7	47.7
Benchmark (%)	2.2	5.3	7.3	7.9	6.3	33.9	72.8
Peer Group (%)	1.4	3.7	7.4	6.4	8.9	26.9	72.2
Quartile	4	3	3	3	1	4	4

### DISCRETE CALENDAR YEAR PERFORMANCE

Period	2018	2017	2016	2015	2014
Fund (%)	-2.1	7.2	4.7	1.0	2.8
Benchmark (%)	0.6	2.0	10.1	0.6	13.9

### STANDARDISED PERFORMANCE

Period 1 year to	31/07/2019	31/07/2018	31/07/2017	31/07/2016	31/07/2015
Fund (%)	6.3	0.4	5.1	4.6	1.1

## PORTFOLIO SUMMARY

CREDIT QUALITY		SECTOR		CURRENCY		TOP 10 ISSUERS	
AAA	19.4%	Government	42.5%	British Pound	88.4%	UK Gilts	18.3%
AA	22.0%	Financial	39.6%	US Dollar	4.3%	US Treasuries	13.4%
A	9.7%	Utilities	2.7%	Indian Rupee	3.0%	US Treasury Inflation	4.4%
BBB	30.0%	Communications	1.7%	Mexican Peso	2.8%	Barclays Bank	3.9%
BB	3.4%	Energy	1.7%	Indonesian Rupiah	0.7%	Lloyds Bank	3.8%
B	0.5%	Consumer, Non-cyclical	1.3%	Euro	0.7%	Royal Bank of Canada	3.0%
NR	7.1%	Industrial	1.0%	Brazilian Real	0.1%	Phoenix Group	2.9%
Cash	7.9%	Consumer, Cyclical	0.8%	<b>Total</b>	<b>100.0%</b>	Mexican Government	2.3%
<b>Total</b>	<b>100.0%</b>	Other	0.8%			HSBC	2.3%
		Cash	7.9%			Pershing Square	2.0%
		<b>Total</b>	<b>100.0%</b>			<b>Total</b>	<b>56.3%</b>

## COMMENTARY

During July the Waverton Sterling Bond Fund provided a return of 0.8%, compared with 2.2% for the Markit iBoxx Sterling Gilt Index.

Duration continued to be a strong driver of returns in global bond markets during the month with the Gilt index reaching a yield of just 1.1%. The monthly income due to holders is minimal but small changes in yield can generate significant movements in the price. In the last 3 months Gilts returned 5.3%, of which 5.0% came from the duration effect. A movement of just 0.08% in yield is enough to move the price by 1%. Gilts have never been so sensitive to yields and are therefore potentially a very risky asset.

We have continued to favour using call options on the US long bond to gain our duration exposure, combined with convexity if the economic outlook worsens. In a more positive economic scenario, duration will become a negative but our downside will be limited to the option premium, which is modest.

We have also invested in a Sterling put which has appreciated in value as Sterling has weakened on Brexit worries. Our rationale is that a hedge against Sterling weakness may serve as a useful hedge against the UK bank exposure in the portfolio, should we experience a severe slowdown in the UK.

The economic clouds are darkening, so with credit spreads close to recent lows we took the opportunity buy some insurance in the shape of a put option on sub-investment grade CDS. We have spent a small amount of NAV on an option which will pay handsomely if we go into a serious credit sell off.

### 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	£206.1m
No. of Holdings	80
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	7.6
Sharpe Ratio 3Y	1.0
Running Yield (%)	3.6
Yield to Maturity (%)	3.1

### FUND INFORMATION

Share class	ISIN	Minimum investment	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
A GBP	IE00B5BD4F58	1,500 GBP	0.75%	INC	9.43	4.02%	0.91%
B GBP	IE00B5BD4N33	1,500 GBP	0.75%	INC	9.22	2.74%	1.12%
P GBP	IE00BGQYPR94	1,500 GBP	0.40%	INC	9.63	3.29%	0.57%

## 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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