



WAVERTON
INVESTMENT MANAGEMENT

WAVERTON STERLING BOND FUND A GBP

FUND FACTSHEET - AS AT 31 MAY 2018

OBJECTIVES

FUND AIM

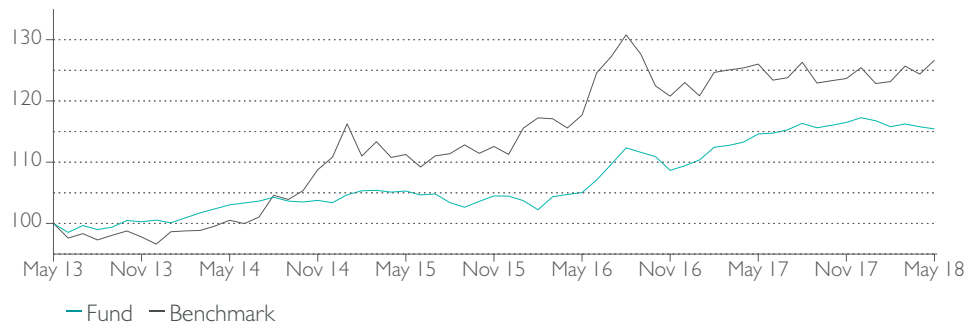
The investment objective of the Waverton Sterling Bond Fund is to achieve capital growth and income through investment in UK and international government and corporate bonds.

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 (%)	-0.3	-0.3	-1.6	0.7	9.6	15.4	38.5
Benchmark (%)	1.8	2.8	1.0	0.5	13.8	26.6	61.7
Peer Group (%)	0.3	0.7	-0.9	-0.1	11.3	23.4	61.4
Quartile	3	4	3	1	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	31/05/2018	31/05/2017	31/05/2016	31/05/2015	31/05/2014
Fund (%)	0.7	9.1	-0.2	2.2	3.0

PORTFOLIO SUMMARY

CREDIT QUALITY

AAA	17.5%
AA	17.8%
A	10.9%
BBB	28.6%
BB	7.5%
B	1.1%
NR	8.9%
Cash	7.7%
Total	100.0%

SECTOR

Financial	49.1%
Government	35.6%
Energy	3.4%
Utilities	2.2%
Consumer, Cyclical	1.1%
Communications	0.6%
Consumer, Non-cyclical	0.3%
Cash	7.7%
Total	100.0%

CURRENCY

British Pound	88.6%
US Dollar	5.3%
Mexican Peso	3.1%
Indian Rupee	1.7%
Brazilian Real	1.4%
Euro	-0.1%
Total	100.0%

TOP 10 ISSUERS

UK Gilt	15.1%
US Treasury Long Dated	10.8%
Lloyds Bank	5.8%
Barclays Bank	5.5%
US Treasury Inflation	4.7%
Phoenix Group	3.7%
Pershing Square	3.3%
Aqua + Inv (Swiss Re)	3.0%
Petroleos Mexicanos	2.8%
HSBC	2.6%
Total	57.3%

COMMENTARY

During May the Waverton Sterling Bond Fund fell 0.3%, compared with a rise of 1.8% for the Markit iBoxx Sterling Gilt Index.

The Gilt market turned sharply positive from the 22nd May as the political situation in Italy started to look more uncertain. With populist parties in Italy suggesting that they might push for debt forgiveness from the ECB (however unlikely that prospect may be) it led the markets to believe that the EU's stance in Brexit negotiations would probably be even harder and that the chances of a 'no-deal' or hard Brexit had increased.

In the background however, economic data at the end of the month was surprisingly strong, helped by the recent weakness in Sterling, which helps the export sector. This has pushed the 5 year forward inflation swap back up to 3.4%, in sharp contrast to the yield on the 10 year Gilt at 1.23% at month end. Such a negative real yield looks completely unsustainable to us, though admittedly it is unclear when it might normalize, especially as Brexit negotiations rumble on.

Credit spreads have widened of late, particularly in Financials, where a flatter yield curve is unhelpful. HSBC also decided to reclassify certain Tier 2 securities which caused some of its perpetual Tier 2 bonds to fall sharply in value. Consequently, the bank may have to answer questions as to whether it misled investors in recent regulatory submissions. Unfortunately the fund was a holder of these HSBC bonds, costing about 0.5% of NAV.

Elsewhere the fund benefited from under-hedging of its USD bonds (by around 5% of NAV) as the US Dollar rallied by 3.5% versus Sterling over the month. The fund was also helped by an investment in a BNP bond which is linked to the spread between senior financials and investment grade CDS; a form of credit hedge. The spread widened mainly due to Italian bank CDS, leading to 14% rally in that bond.

FUND MANAGER



Jeff Keen

FUND DETAILS

FUND FACTS

Launch Date	11th January 2010
Morningstar Category	Global Flexible Bond - GBP Hedged
Benchmark	Markit iBoxx GBP Gilts TR
Fund Size	£162.7m
No. of Holdings	64
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 (%)	3.7
Duration	7.3
Sharpe Ratio 3Y	0.7
Running Yield (%)	4.1
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	9.32	4.28%	0.94%
B GBP	IE00B5BD4N33	1,500 GBP	1.00%	INC	9	4.28%	1.19%
P GBP	IE00BGQYPR94	1,500 GBP	0.40%	INC	9.4	4.27%	0.59%

CONTACT DETAILS

MARKETING CONTACT

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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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