

# WAVERTON

INVESTMENT MANAGEMENT

## WAVERTON CAUTIOUS INCOME FUND

### 2 YEAR ANNIVERSARY

Launched in October 2014, the Cautious Income Fund is celebrating its two year anniversary. We have taken this timestamp as an opportune moment to reflect on the objectives of the fund and to report on our progress to date.

### TARGET

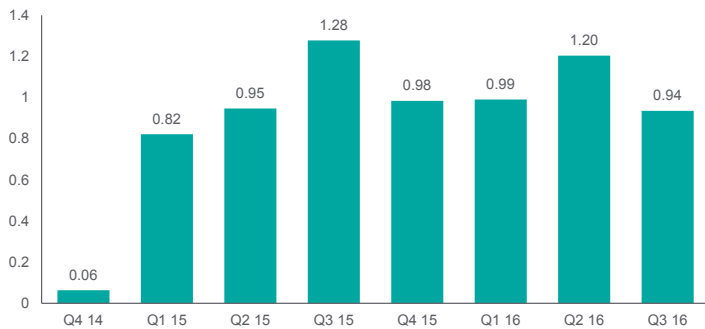
Quite simply, the Fund seeks to provide a reasonable level of income on a consistent and sustainable basis, and to grow capital in line with inflation over the medium-to-long long term.

### WHY DO WE SEEK “CONSISTENCY” OF INCOME?

We believe that the consistency of dividend payments is paramount for investors using the fund for its income. We want investors to be able to plan ahead, with a reasonable level of confidence.

The chart below displays the Fund's income payments since inception. As can be seen, payments consistently range between 0.82% and 1.28% per quarter.

### Cautious Income Fund Quarterly Dividend Payment Since Inception



Sources: RBC Dublin, Waverton

### WHAT DO WE MEAN BY “SUSTAINABILITY”?

One of the effects of Quantitative Easing (QE) has been to compress yields on all asset classes. What this means is that, in order to achieve a high yield, investors are forced to look in riskier parts of the market. We do not play this game; we aim to structure the portfolio such that the underlying investments will be able to pay dividends or coupons even in stressed market scenarios.

### WHY GROW CAPITAL IN LINE WITH INFLATION?

We want to ensure that when investors invest with us, the value of each pound that they invest buys the same amount of goods and experiences in ten, twenty, thirty years' time as it does today. In order to do so, we must grow the capital base in line with inflation.

The chart below indicates the Fund's capital-only return since inception, versus CPI inflation. As can be seen, the capital returns have been materially ahead of inflation over the period.

Cautious Income Fund Capital-Only Return (vs CPI)



Sources: Morningstar, Waverton

Performance displayed is capital returns only calculated on a NAV to NAV basis net of fees, assumes no income is reinvested and does not take into account any initial fees.

### HOW HAVE WE DONE?

Since inception (14/10/2014), the Fund has achieved a 22.2% total return (10.5% per annum). Encouragingly, this places it in the top quartile versus its peer group despite a structurally lower equity weight in a rising equity market.

Fund P class GBP (as at 14th October 2016)	3m	YTD	1 year to 14/10/16	1 year to 14/10/15	SI
Performance (Total Return)	5.2%	12.4%	15.3%	6.4%	22.2%
Percentile Ranking	22	29	19	15	18
Quartile	I	2	I	I	I
Fund Relative to Peer Group Average	+1.2%	+2.4%	+4.2%	+2.8%	+5.2%

Performance displayed is for the P Share Class. Performance is calculated on a NAV to NAV basis and is displayed net of fees assuming income is reinvested  
Source: Morningstar, Fund peer group is Morningstar GBP Moderate Allocation

Importantly, the Fund has returned 22.2% with a volatility of just 6.7% since inception, providing investors a Sharpe Ratio of 1.92. Ranking the peer group by Sharpe Ratio, the Fund sits in the 11th percentile since inception.

**RISK WARNING:** Past performance is no guarantee of future results and the value such investments and their strategies may fall as well as rise. You may not get back your initial investment and capital security is not guaranteed.



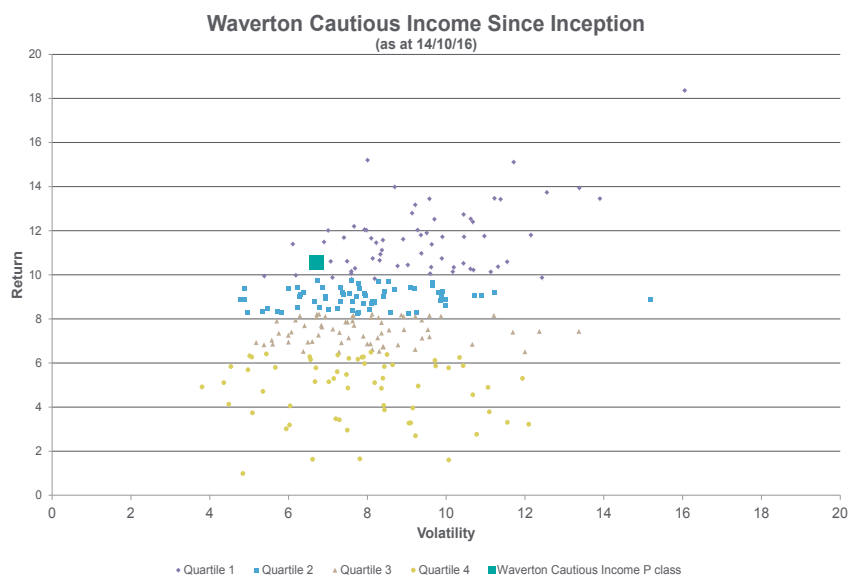
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### HOW HAVE WE DONE?

We can see the Fund's risk adjusted returns in the graph below. The Fund has produced top quartile returns with bottom quartile risk, putting it in the top left sector of the chart.



Sources: Morningstar, Waverton.

Waverton Cautious Income Fund peer group is Mornnigstar GBP Moderate Allocation

### KEY FEATURES

#### Consistent & Sustainable Income

Diversification of income source improves certainty of payment.

#### Downside Protection

Aim to avoid permanent capital loss

#### Grow capital in line with inflation

Seek to maintain real value of capital over time

### FUND INFORMATION (P CLASS):

ISIN: IE00BQ1KPQ19

Pro Forma Yield: 3.5%

Historic Yield: 3.7%

AMC: 0.40%

Ongoing Charge: 1.30%

(Figures accurate as at 30<sup>th</sup> September)

### MEET THE MANAGERS



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### FOR MORE INFORMATION AND DETAILS OF HOW TO INVEST



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**RISK WARNING:** Past performance is no guarantee of future results and the value such investments and their strategies may fall as well as rise. You may not get back your initial investment and capital security is not guaranteed. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment. 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).