



## WAVERTON

INVESTMENT MANAGEMENT

# CAUTIOUS INCOME FUND

## DOWNSIDE PROTECTION IN CHALLENGING CONDITIONS

As markets experienced a Brexit-related bout of volatility, the Waverton Cautious Income Fund continued to display low downside participation (45% relative to global equity markets), benefitting from a healthy allocation to Gilts and hedging strategies within Alternatives.

The Fund looks to maintain exposure to income-generating assets where the managers see value in the opportunities themselves. This is the case for active funds as much as it is for direct fixed income holdings. What this high allocation means, however, is that holders of the fund will necessarily be subject to the gyrations of markets as they weigh the pros and cons of new information; Brexit being a perfect example.

In order to offset some of the mark-to-market risk, we allocate to some non-yielding securities with the specific purpose of hedging equity and duration risk within the portfolio. Encouragingly, these have protected the portfolio well in the recent drawdown period.

Looking at month-to-date figures (to 20/06/2016), we see that our allocation to Montlake Dunn CTA, Gold and the Waverton Protection Strategy have all contributed positively to performance. Couple this with our allocation to UK Gilts (10Y and 30Y), and we can see clearly the benefits of diversification and cautious portfolio construction.

In this period, the fund was up +0.53% (to 17/06/2016), +1.19% ahead of the peer group which returned minus 0.63%.

We continue to position the portfolio cautiously, with a 43% allocation to equities, 21% in fixed income and 25% in alternatives. The ~11% cash allocation protects the fund from volatile periods, while also offering dry powder with which to invest in periods of risk-off (assuming no change to fundamentals); we took advantage of market volatility in the January drawdown, and expect to do so again in future.

by James Mee & John Bellamy (as at 22nd June 2016)

### FUND MANAGERS



JAMES MEE



JOHN BELLAMY

## PERFORMANCE

Performance to 20 <sup>th</sup> June 2016	MONTH TO DATE	YEAR TO DATE	1 YEAR	SINCE INCEPTION*
Cautious Income Fund	0.53%	0.85%	2.36%	9.63%
Morningstar Peer Group Average Return	-0.63%	0.60%	-0.40%	6.99%
Quartile Ranking	1	2	1	1

\*Inception 13th October 2014  
Morningstar Peer Group: GBP Moderate Allocation  
Source: Morningstar/Waverton

## RISK WARNING

The value of investments and the income from them can go down as well as up and investors may not recover the amount of their original investment. The sterling value of overseas investments, and the income from them, will fluctuate as a result of currency movements. Past performance is not a guide to future performance. Performance is displayed **net of fees** and assumes income is reinvested.

## INVESTMENT OBJECTIVE

The Waverton Cautious Income Fund is designed as a core holding for investors who require a regular level of income whilst at the same time maintaining, over the medium to longer term, the real value of their investment.

Long-Term Objective	Projected Yield Income	Risk Category
CPI+3.5%	3.5%	Medium

## FUND DETAILS

Inception	October 2014	Dealing Frequency	Daily
Domicile	Ireland	Minimum Initial Purchase	1,500GBP
Structure	OEIC	Initial Charge	Nil
ISIN / SEDOL	Share Class B: IE00BQ1KPP02 / BQ1KPP0 Share Class P: IE00BQ1KPP19 / BQ1KPP1	AMC	Share Class B: 0.75% amc Share Class P*: 0.40% amc
Unit Type	Income	Ongoing Charge (Including AMC)	Share Class B: 1.65% Share Class P: 1.30%
Currency	Sterling	Current Projected Yield	3.50% pa
Fund Benchmark	Composite Benchmark of: 45% FTSE All World Index (Total Return) 35% FTSE Actuaries UK Gilt Series (Total Return) 20% GBP 1 Month LIBOR	Dividend Frequency	Quarterly

\*Note: P Share Class available to financial advisers through third party platforms.

For more information please see the Fund Factsheet or visit our website: [www.waverton.co.uk](http://www.waverton.co.uk)

All data as at 29th February 2016

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## RISK WARNING

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<http://www.waverton.co.uk/investment-funds/fund/>

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