



WAVERTON
INVESTMENT MANAGEMENT

EUROPEAN CAPITAL GROWTH FUND I EUR

FUND FACTSHEET - AS AT 28 FEBRUARY 2018

OBJECTIVES

FUND AIM

The investment objective is to generate capital growth by investing in a concentrated portfolio of equities selected from European markets. Overwhelmingly, but not exclusively, the managers invest in companies that are at the larger end of the capitalisation scale.

INVESTMENT STYLE

The Fund invests in wealth creating companies at attractive valuations. Building concentrated portfolios from the bottom up, unconstrained by the composition of the Fund's benchmark index, the managers seek to make a small number of long-term investments, primarily in growing companies, with strong management and operating in favourable business environments.

PERFORMANCE

PERFORMANCE SINCE INCEPTION



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 I EUR 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 Apr 01
Portfolio (%)	-1.7	0.6	-0.1	8.9	17.4	84.1	208.4
Benchmark (%)	-3.7	-1.7	-1.3	7.3	8.2	54.8	91.6
Morningstar Peer Group (%)	-3.7	-1.4	-1.0	9.1	12.0	60.1	123.0
Quartile	I	I	I	2	I	I	I

DISCRETE CALENDAR YEAR PERFORMANCE

Period	2017	2016	2015	2014	2013
Fund (%)	11.4	6.2	16.0	6.8	32.3
Benchmark (%)	11.4	2.4	10.7	6.4	22.1

STANDARDISED PERFORMANCE

Period 1 year to	28/02/2018	28/02/2017	29/02/2016	28/02/2015	28/02/2014
Fund (%)	8.9	15.4	-6.6	22.1	28.4

PORTFOLIO SUMMARY

COUNTRY		SECTOR		TOP 10 HOLDINGS	
Germany	20.7%	Industrials	27.7%	Eramet €3.05	4.2%
Sweden	17.3%	Materials	16.9%	Linde AG NPV (ASD 24/10/2017)	4.0%
France	16.2%	Health Care	15.1%	Novartis AG CHF0.50 (Regd)	3.8%
Switzerland	8.0%	Consumer Staples	13.0%	Swedish Match AB SEK1.2	3.4%
Denmark	7.9%	Financials	9.0%	Loomis AB Series 'B'	3.3%
Finland	6.9%	Consumer Discretionary	7.4%	Gaztransport Et Techniga SA €0.01	3.1%
United Kingdom	5.8%	Energy	5.9%	Novozymes A/S Series 'B' DKK2	3.0%
Norway	5.5%	Telecommunication Services	2.4%	Marine Harvest ASA NOK7.5	3.0%
Spain	4.3%	Cash	2.5%	Air Liquide €5.50	3.0%
Portugal	2.9%	Total	100.0%	LivaNova plc Ord £1	2.9%
Other	4.4%			Total	33.9%
Total	100.0%				

COMMENTARY

The Fund outperformed by about 2% in February. The market fell 3.7% in euros and the Fund by 1.7% with our underweight in financials contributing about a quarter of the relative performance. The vast majority of Continental

European companies have December year ends so February is a busy month for fourth quarter corporate results. At the time of writing this newsletter most have reported: Eramet and Marine Harvest had our best monthly stock returns. We met both management teams shortly afterwards and feel all the correct decisions are being made. Fortunately most of our stocks have reported favourably, although there have been four disappointments, namely Bayer, Loomis, BATS and Lafarge.

US Steel Tariffs:

Recent news has been dominated by Trump's proposal to introduce heavy trade tariffs on steel and aluminium. It is impossible to know how this will pan out, but with equity valuations at a high markets are vulnerable to bad news. Last time steel tariffs were introduced in 2002, the Trade Partnership Worldwide calculated that 200,000 US citizens lost their jobs, as the resulting rise in the US steel price made the metal transformers globally uncompetitive. That was more people than were employed in the steel industry at that time! Tariffs were lifted the following year. On balance, as with last time, we feel it will not escalate into a full trade war as the effects become apparent and the US rows back under pressure from inside and outside. Boosting these two industries will be, in the short term at least, at the expense of value-added component manufacturers, which have rebounded in recent years. Higher import prices for industrial materials will encourage firms to move more production outside of the US. Over the years there have been many import tariffs on commodities that have come and gone. For example, last year the Portuguese paper company Navigator, which the fund holds, had 25% import tariffs slapped on its paper only to see the tariff sharply cut to below 2% on appeal.

Stock of the month:

The best defensive companies tend to be the ones that show reasonable earnings growth on reasonable ratings. We particularly like companies that are at the bottom of their earnings cycle and have recently bought into Metso, a leading mining equipment supplier. Miners focusing on costs while commodity prices have been depressed means Metso has seen its turnover nearly halve since the 2012 capex peak. However, operating margins have held up amazingly well at 8-9%, having been supported by a focus on high margin service revenues and prudent management. It has no net debt. Years of cost cutting has left the mining equipment fleet ageing, now at a record average age of 10 years. Thus, the mining capex cycle has to only turn up very modestly, encouraged by firming commodity prices, to make future new equipment orders very likely. New technology should add some icing on the cake. Metso's new rock crusher, which cuts operational costs by 10% and enables 10% higher uptime compared to traditional crushers, is a key product area that it claims offers one of the biggest technology changes for 30 years.

FUND DETAILS

FUND FACTS

Launch Date	4th April 2001
Morningstar Category	Europe Ex-UK Large Cap Equity
Benchmark	MSCI Europe ex UK TR
Fund Size	€152.2m
No. of Holdings	37
Domicile	Luxembourg
Sedol	BD5NVN4
Bloomberg Code	ZENECGI:LX
Fund Type	SICAV
Base Currency	EUR
Other Currencies	GBP
Ex Dividend Dates	20th February

FUND INFORMATION

Share class	ISIN	Minimum	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
I EUR	LU0968447358	1,000,000 EUR	0.75%	INC	2.7	0.89%	1.01%
L EUR	LU0968447275	500,000 EUR	1.00%	INC	2.62	0.57%	1.30%
I GBP	LU0968447432	1,000,000 GBP	0.75%	INC	1.96	0.97%	1.01%
R GBP	LU0986115417	10,000 GBP	1.25%	INC	183.98	0.00%	1.55%

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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 ACD, Casa4 Funds. Sources: Waverton, Morningstar.

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