



RWC Continental European Equity Fund

31st May 2019

Fund Aim

To provide capital return and income to investors by investing primarily in Continental European equity securities

Fund AUM	€65.5m
Team AUM	€163.3m
Firm AUM	€14,365.2m

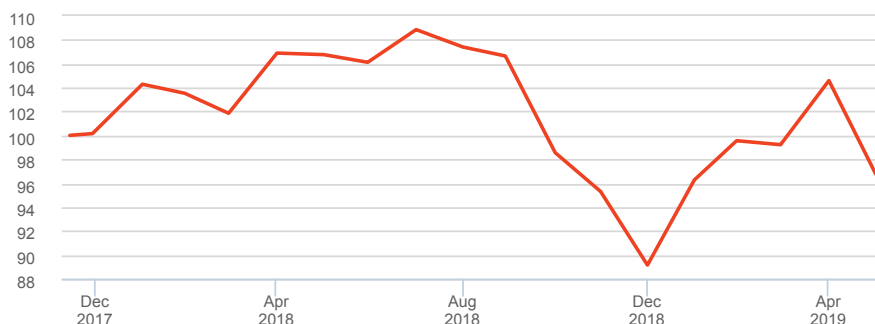
Fund Details

Managers	Graham Clapp Edward Rumble Russell Champion
Launch Date	14th December 2017
Structure	UCITS IV Lux SICAV
Domicile	Luxembourg
Share Classes	EUR, GBP
Minimum Investment	
Share Class B	10,000,000
Share Class R	25,000
Share Class S	100,000,000
Annual Management Charge	
Share Class B	0.80%
Share Class R	0.80%
Share Class S	0.60%
Distribution Frequency	Semi-Annual
XD Dates	28 Jun, 31 Dec
Pay Dates	11 Jul, 14 Jan
Dealing - Subscriptions	Daily
Dealing - Redemptions	Daily
Dealing Cut Off	13:00 CET
Administrator	Brown Brothers Harriman
Auditor	PricewaterhouseCoopers (LUX)

Fund Codes

Share Class	ISIN	Sedol	Bloomberg
B EUR	LU1697531488	BF8F669	RWCEBEC LX
B GBP	LU1697531561	BF8F6R0	RWCEBGC LX
R GBP	LU1697531728	BF8F744	RWCERGC LX
S EUR Dist.	LU1966011980	BJVM698	RWCESED LX

Cumulative Performance - Class B EUR



Cumulative Performance (%)

	NAV per Share	1M	3M	YTD	1Y	SI
B EUR	96.75	-7.49	-2.81	8.54	-9.37	-3.25
MSCI Europe ex UK TR		-4.75	1.17	11.68	0.33	-1.14

Discrete Monthly Performance - Class B EUR (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	8.00	3.42	-0.34	5.41	-7.49	-	-	-	-	-	-	-	8.54
2018	4.13	-0.73	-1.62	4.95	-0.12	-0.60	2.58	-1.34	-0.70	-7.59	-3.30	-6.47	-10.99
2017	-	-	-	-	-	-	-	-	-	-	-	0.15	0.15

Commentary

The MSCI Europe-Ex UK Index sold off -4.7% in May leaving the index +11.7% year to date. The fund underperformed partly due to sector allocation where we have an underweight in the defensive Consumer Staples and Utilities sectors. But the main issue was in stock picking where despite solid results stocks were driven by macro sentiment and not by changes to underlying earnings expectations.

Disposable endoscope producer Ambu fell -46% in May, after the CEO of 10 years, unexpectedly had his contract terminated following disagreement with the board. We initially bought the position in Q4 2018 on the thesis that disposable endoscopes can continue to grow rapidly, taking market share from existing reusable technologies, and that Ambu could enter new indications which were being underappreciated by the market. The departure of the CEO is a blow to the company as he has been key in driving the reusable endoscope market over the last decade. We had a below average size position in the company given the risks involved, and the premium multiple that the shares were trading on and have maintained our holding given the market opportunity has not changed since his departure.

Faurecia fell -25% as the auto sector was negatively impacted by US trade policy as well as worsening sales in China. In April, China wholesale sales fell by 18% compared to falls of 18%, 17% and 7% in the first three months of the year. The data for the first three months of the year had been supportive of an expected improvement for the sector in the second half of the year. Therefore, the sharp step down in April was not viewed favourably by the market as it failed to support the notion of a sequential improvement in YOY growth rates. Sentiment on automobile stocks was further impacted in May by Donald Trump's trade policy. The announcement of an increase in tariffs to 25% on Chinese imports reduced the prospect of a US - China trade deal that the market had been expecting. The surprise imposition of 5% tariffs on Mexican imports at the end of the month further worsened sentiment concerning the future of world trade, and therefore the automobile sector. We had reduced our position size as the share price had rallied strongly since we initiated the position in December 2018, but we continue to believe the market is overly bearish on the impact on earnings from the forecasted production contraction.

Our recently purchased position in Axel Springer was the top performer in May, up +10%. The company announced that its Executive Board is in negotiations with private equity firm KKR about a potential strategic investment. The statement talks about KKR being a long-term investor. This may be an expression of frustration at the share price of Axel Springer which was the reason we found the shares attractive in March. It may also be the case that a KKR partnership may be being sought to fund a larger acquisition as the European classified market consolidates. Our sum of the parts analysis in March suggested a price of €65 on a one-year view and with the shares trading at €56, we continue to hold our position.

Please note Firm AUM includes emulation account values from the previous month-end.

Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested.

Total Fund returns are calculated on a NAV-NAV basis net income reinvested and are shown net of all fees.

Source: RWC

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Exposure Summary (%)

Equities	94.4
Cash	5.6

Top Ten Long Positions (%)

Novo Nordisk A/S Class B	4.0
Kone Oyj Class B	3.9
Amadeus IT Group SA Class A	3.8
MOTOR OIL (HELLAS) CORINTH REFINERIES S.A.	3.8
EssilorLuxottica SA	3.7
Axel Springer SE	3.7
Kerry Group Plc Class A	3.4
Erste Group Bank AG	3.3
Publicis Groupe SA	2.9
Bayer AG	2.9

Security Breakdown

Total No. of Securities Held	40
Top Ten Positions*	35.4

Market Cap Breakdown (% of NAV)

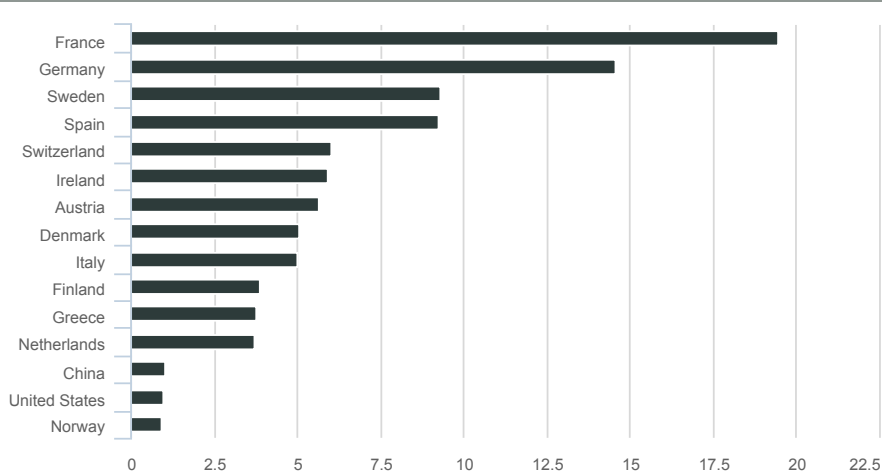
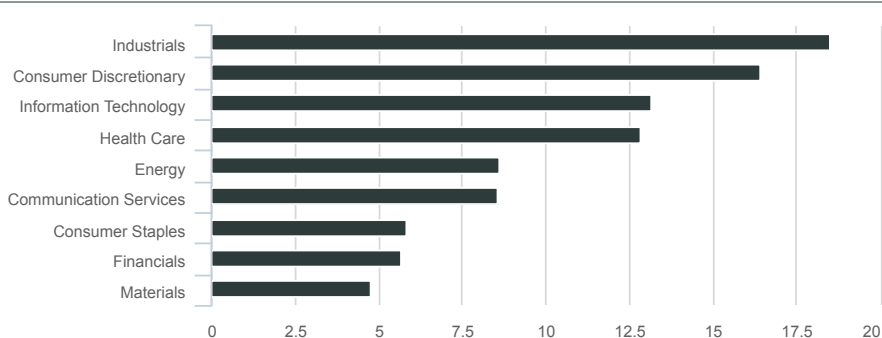
> \$25bn	28.6
\$10bn - \$25bn	22.2
\$1bn - \$10bn	46.3
< \$1bn	2.9

Statistical Analysis

	Fund
Active Share	91.4

Additional Share Class NAV & Performance

Share Class	NAV	1 Month (%)	YTD (%)
B EUR	96.75	-7.49	8.54
B GBP	97.52	-4.86	6.91
R GBP	93.13	-4.87	6.87
S EUR Dist.	97.55	-7.48	-2.45

Geographic Breakdown (%)

Sector Breakdown (%)


The S EUR DIST Share class launched on 29/03/2019.

The information above may differ from figures published elsewhere due to differences in the standard deviation calculation methodology used. The above figures are quoted based upon the population methodology.

*Percentage of NAV.

Source: MDO, Factset (using GICS Sector Classifications via MSCI).

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