



## RWC Continental European Equity Fund

31st January 2020

### Fund Aim

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

|          |            |
|----------|------------|
| Fund AUM | €51.9m     |
| Team AUM | €427.4m    |
| Firm AUM | €17,727.9m |

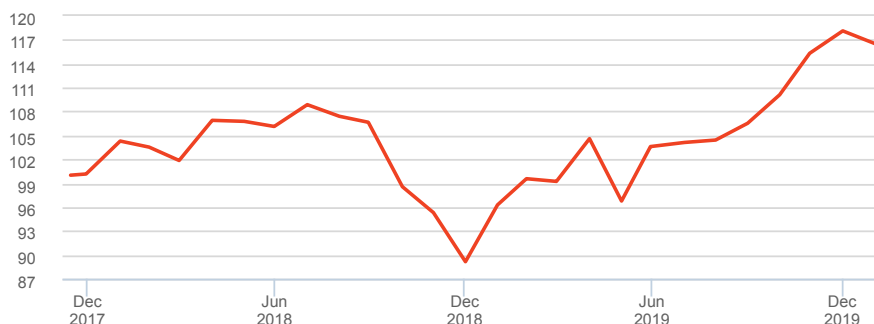
### Fund Details

|                          |                                  |
|--------------------------|----------------------------------|
| Managers                 | Graham Clapp<br>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                | 116.53        | -1.35 | 5.84 | -1.35 | 21.05 | 16.53 |
| MSCI Europe ex UK TR |               | -0.80 | 3.47 | -0.80 | 18.94 | 11.61 |

### Discrete Monthly Performance - Class B EUR (%)

|      | Jan   | Feb   | Mar   | Apr  | May   | Jun   | Jul  | Aug   | Sep   | Oct   | Nov   | Dec   | Year   |
|------|-------|-------|-------|------|-------|-------|------|-------|-------|-------|-------|-------|--------|
| 2020 | -1.35 | -     | -     | -    | -     | -     | -    | -     | -     | -     | -     | -     | -1.35  |
| 2019 | 8.00  | 3.42  | -0.34 | 5.41 | -7.49 | 7.07  | 0.50 | 0.29  | 2.02  | 3.36  | 4.73  | 2.44  | 32.52  |
| 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 |

### Commentary

The MSCI Europe ex UK Index had a weak start to the year, falling -0.80%, as investors weighed the potential impact that the 2019-nCoV (coronavirus) could have on both the Chinese and global economies. Incidentally, companies with high exposure to China, travel, or commodities performed poorly during the month. We are following closely the potential negative impact the virus may have on portfolio companies, as well as aiming to identify companies where any negative impact has already been priced into the shares, creating a positive risk/reward if fears around the virus subside.

The fund modestly underperformed, falling -1.35%. Positive stock selection within sectors could not offset negative allocation effects, where we suffered from an overweight position in Consumer Discretionary and an underweight position in Utilities.

After selling Wirecard in 2018 we looked to rebuild the position during 2019 as the company's revenue recognition and acquisition activities were scrutinized by the Financial Times. The stock rebounded in January up 24% as the company took further steps to provide clarity over its operations and accounting principles. The company continues to grow strongly by winning customers to whom they provide online payment solutions. The CEO is confident that the investigations have had little impact on trading, and we look forward to the conclusions of the KPMG audit. We have taken gains in the stock multiple times in the past, having first owned it as a team in 2008.

Hearing aid manufacturer Sonova rose 11%. In November 2018, the company launched its latest generation Phonak hearing aid, the Audéo Marvel. We expected this product to recapture market share lost to the competitor Demant in recent years. Demant had managed to gain market share and outgrow Sonova following the successful launch of its Oticon Opn hearing aid in 2016, which was launched whilst Sonova had an inferior prior-generation product. Since its launch, Marvel has continued to show superiority, and in January published data from the Veterans Affairs showing Marvel had increased its market share to above 50% December, from below 30% in December 2018. We expect this trend to continue and that Sonova can continue to outgrow the market.

Radiotherapy company Elekta performed poorly in January, falling 12%. The company is currently suffering from a change to the reimbursement environment in the US market which is causing uncertainty to its order book development. Whilst this has been a short-term negative, we think the long-term driver of Elekta's business will be its new product, the Elekta Unity MR-linac Unity, an MRI guided linac. Elekta's Unity machine offers a unique proposition, as it gives radiotherapists the ability to image whilst treating a patient, providing greater efficacy. We expect Elekta to capture greater market share with this new product as a result, and given a much higher selling price this will be significantly accretive to earnings despite some cannibalisation of the legacy business. Earnings may remain volatile in the short term as the company completes this transition.

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 | 98.0 |
| Cash     | 2.0  |

**Top Ten Long Positions (%)**

|                          |     |
|--------------------------|-----|
| HelloFresh SE            | 3.8 |
| Novo Nordisk A/S Class B | 3.5 |
| Ingenico Group SA        | 3.1 |
| Alten SA                 | 2.8 |
| Sonova Holding AG        | 2.7 |
| Safran S.A.              | 2.5 |
| Fielmann AG              | 2.5 |
| Bayer AG                 | 2.4 |
| Wizz Air Holdings Plc    | 2.4 |
| DCC Plc                  | 2.4 |

**Security Breakdown**

|                              |      |
|------------------------------|------|
| Total No. of Securities Held | 51   |
| Top Ten Positions*           | 28.2 |

**Market Cap Breakdown (% of NAV)**

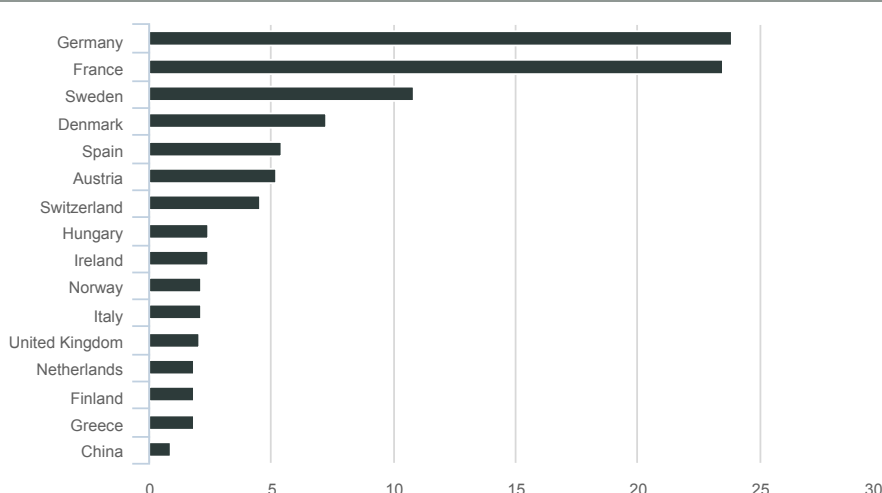
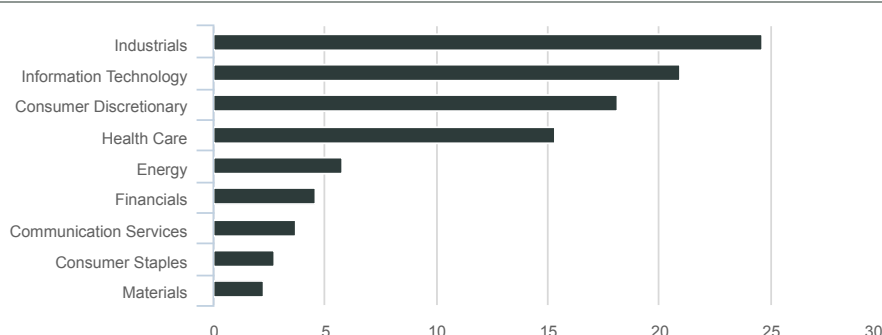
|                 |      |
|-----------------|------|
| > \$25bn        | 22.0 |
| \$10bn - \$25bn | 22.6 |
| \$1bn - \$10bn  | 51.5 |
| < \$1bn         | 3.9  |

**Statistical Analysis**

|              | <b>Fund</b> |
|--------------|-------------|
| Active Share | 89.1        |

**Additional Share Class NAV & Performance**

| Share Class | NAV    | 1 Month (%) | YTD (%) |
|-------------|--------|-------------|---------|
| B EUR       | 116.53 | -1.35       | -1.35   |
| B GBP       | 111.67 | -2.13       | -2.13   |
| R GBP       | 106.62 | -2.12       | -2.12   |
| S EUR Dist. | 115.84 | -1.34       | -1.34   |

**Geographic Breakdown (%)**

**Sector Breakdown (%)**


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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