

Exbury Fund

Rothschild & Co WM SICAV SIF



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Cover: Azaleas and acers in bloom during the Spring at Exbury Gardens

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Wealth Management

Values: All data as at 30th June 2019 (except inflation which is until 31st May 2019 as June 2019 data figures are not yet available). Sources of charts and tables: Rothschild & Co and Bloomberg, unless otherwise stated. Past performance is not indicative of future performance and investments and the income from them can fall as well as rise. Fund performance is shown in pounds sterling, after all fees, in total return, combining income and capital growth. Returns may increase or decrease as a result of currency fluctuations.

Please ensure you read the Important Information section at the end of this document.

Fund manager's review

Equity markets moved higher in the second quarter as volatility arising from a revival of trade tensions was followed by the anticipation of more supportive monetary policy from the US Federal Reserve. As the second quarter ended, the US economic cycle – which still matters most to global portfolios – stood on the brink of eclipsing the decade-long upswing of the 1990s to become the longest US economic expansion ever.

Performance contributions

The fund returned +3.0% in the second quarter. The fund has now returned +5.9%, compared to +3.1% for UK inflation +3%, since inception on 22nd November 2018.

Performance this quarter was driven by our return assets, with positive performance from most positions. Notable contributions came from our companies. These included Cable One (+19.5%) and Charter (+13.9%) where internet subscriber numbers, which are central to our investment case, continued to grow. Linde (+14.7%), producing the second set of results since the merger between Praxair and Linde AG, reported increased earnings and healthy pipeline of projects.

Returns from our diversifying assets were mixed, as we would anticipate given the market environment. With stock markets delivering decent returns, we are not surprised to see the assets we hold to protect the portfolio against meaningful declines in equity markets producing negative returns. This was offset by the gains made by the trend following funds, ACL and CFM, which capitalised on trends across asset classes. Our fixed income holdings also produced small gains as government bond prices increased.

Portfolio activity

Two new fund positions with a focus on Asia were added during the quarter.

The first is the Generation Asia Fund. This fund adopts the long-term, deep research approach we favour in our external managers to companies based in Asia or that derive a significant portion of their revenues from the region. Generation's philosophy is based on a conviction that long-term investing is best practice and sustainability factors, including environmental, social and governance (ESG) factors, can materially affect long-term business profitability. As such, sustainability and financial analyses are fully integrated during the research process, and companies compromising on sustainability for short-term performance will not be considered for inclusion in the fund.

Later in the quarter we added the Albizia Opportunities Fund. This fund focuses on smaller companies in consumer-facing industries in

Southeast Asia. Albizia's team focus on deep fundamental research, looking for companies with high returns on capital, and then spend most of their time questioning why these returns should be sustained. We have known this manager for several years and have seen their approach to responsible investment evolve. They became signatories of the UN-backed Principles for Responsible Investment (PRI) in 2017, and 2018 saw another step up in their consideration of sustainability issues. Given the fund's focus on consumer products, plastic waste is a key issue for consideration. To deepen their understanding, they engaged with other investors and joined the PRI's International Working Group on Plastics where they were the only Asian member. This has enhanced their understanding of the complexity involved in the plastics value chain and put them in a better position to consider engaging with portfolio companies.

These positions were funded by reductions in the Stewart Investors Asia Pacific and Lansdowne Developed Markets SRI funds.

The monitoring of our portfolio is an ongoing process which includes formally reviewing the operating performance of all the companies in the portfolio and considering if position sizes remain optimised. Following such a review, we decided to increase our position in Wells Fargo as we believe our return expectations warranted a larger position size.

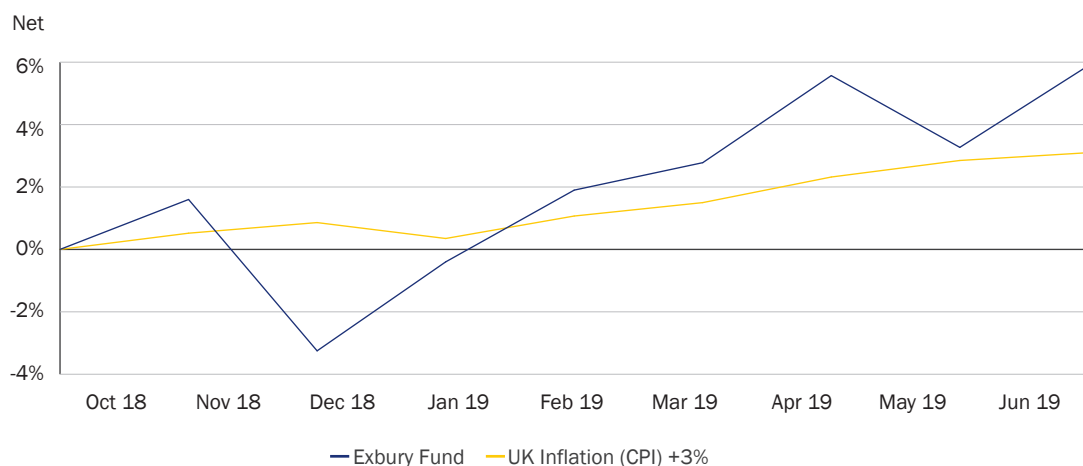
We also increased our position in Ryanair, following a fall in the share price over the quarter. Airlines are a cyclical industry and shorter-term performance can be driven by factors beyond the company's control. However, the company's leading position as the lowest-cost, highest-volume carrier means we expect it to be a net beneficiary as weaker competitors falter when faced with a challenging environment.

Finally, towards the end of the quarter we added a new put option warrant on the S&P 500 index. One of the existing puts was coming up to expiry and protection against a significant decline in this major index could be purchased at a reasonable cost.

Fund performance

Since inception, the Fund has outperformed inflation +3%. As at 30th June 2019, the net asset value per share was £21.24. The Fund size was £17.07 million.

Performance since inception*



Performance comparison – over time (%)

	Q2 2019	2019 YTD	2018	Since inception*
Exbury Fund	3.0	9.4	-3.2	5.9
UK inflation +3%	1.6	2.2	0.9	3.1
UK inflation	0.8	0.7	0.4	1.1
Global equities (in local currencies)	3.2	15.9	-4.5	10.7
Global equities (in sterling)	6.0	16.7	-3.5	12.6
UK government bonds	1.4	5.0	1.8	6.8
Sterling cash	0.2	0.3	0.1	0.4

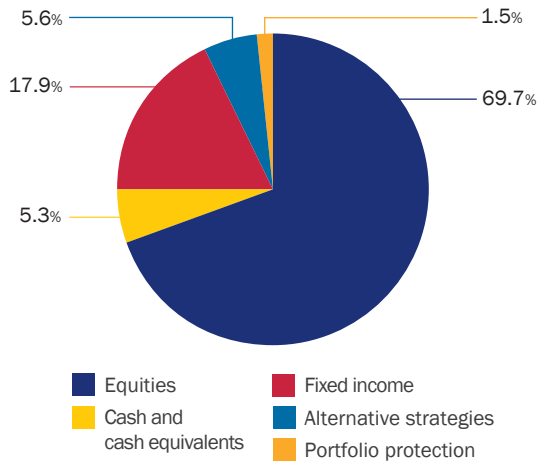
* The Fund inception date was 22nd November 2018.

Indices used: UK inflation (CPI inflation), global equities (MSCI All Country World Index in local currencies and sterling terms), UK government bonds (Bloomberg Barclays Gifts Total Return Index), sterling cash (Barclays Benchmark Overnight GBP Cash Index). All figures are calculated monthly from inception (except inflation which is until 31st May as June 2019 data figures are not yet available. Past performance is not indicative of future performance. The value of investments and the income from them can fall as well as rise.

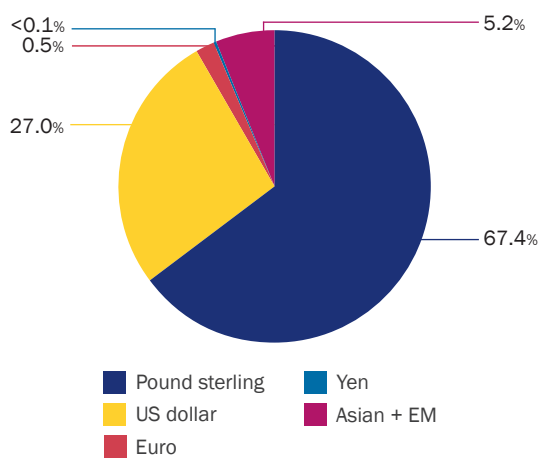
Fund allocations

The Fund is invested across global regions, asset classes and currencies. The fund manager follows a diversified investment approach and aims to preserve and grow the real value of the Fund over the longer term.

Fund holdings by asset class



Fund holdings by currency



Percentages may not sum to 100% due to rounding. The above currency exposure is net of foreign exchange hedges. For the purposes of more accurately managing currency risk, where appropriate, we reflect the currency exposure of certain funds based on the underlying securities held within the fund, rather than the denomination of the fund.

Supporting information

Rothschild & Co WM SICAV SIF – Exbury Fund GBP

Type of fund	A sub-fund of a Luxembourg Société d'Investissement à Capital Variable ("SICAV").
Objective	The objective of the Fund is to preserve and grow the real value of the Fund over the long term through a diversified investment approach, while investing sustainably. The Fund may utilise a wide range of asset classes in order to achieve its objective. These may include equities, cash deposits, bonds, warrants, money market instruments, derivatives and forward transactions, funds (regulated and unregulated), exposure to currencies, commodities and property.
Launch date	22 nd November 2018
Share class	Income and accumulation. Base currency is pound sterling.
Estimated synthetic OCF*	1.55%. This includes the manager's fee (1.00%), other expenses (0.25%) and expenses on underlying fund investments (0.30%**).
Pricing	Valuation day for subscriptions: each business day Valuation day for redemptions: weekly (each Thursday) Settlement period: T+3
Comparators	UK CPI +3%. MSCI All Country World in sterling. Bloomberg Barclays Gilts Total Return Index. Barclays Benchmark Overnight GBP Cash Index.

* The Ongoing Charges Figure (OCF) as calculated from inception to 31st March 2019. The OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund. It is intended to provide a reliable figure that gives the most accurate measure of what it costs to invest in the Fund and is calculated based on the last period's figures. The Synthetic OCF includes the OCF of the underlying fund investments weighted on the basis of their investment proportion in the Fund. From time to time management fees may differ. This will be disclosed and explained to you in good time before you invest.

** This information is not yet available so we have used proxy data from the Rothschild & Co WM SICAV SIF – New Court Fund GBP.

Notes

At Rothschild & Co Wealth Management we offer an objective long-term perspective on investing, structuring and safeguarding assets, to preserve and grow our clients' wealth.

We provide a comprehensive range of services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities.

In an environment where short-term thinking often dominates, our long-term perspective sets us apart. We believe preservation first is the right approach to managing wealth.

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There can be no assurance that an investment will achieve returns at levels comparable to the returns reflected herein. An investors' return may be different than that of the Exbury Fund because of, among other things, differences in the amount of capital at risk, diversification, risk tolerance and portfolio turnover.

No independent party has audited the performance results shown herein, nor has any independent party undertaken to confirm that such results reflect the trading method under the assumptions or conditions of Rothschild & Co's investment process.

The indices referenced herein are well-known market indices which are included merely to show the general trend in the markets for the periods indicated and are not intended to imply that the pro-forma returns were comparable to the indices either in composition or element of risk or that the Exbury Fund's portfolio is benchmarked to the indices. The indices are unmanaged, may or may not be investable, have no expenses and reflect reinvestment of dividends and distributions. Index data is provided for comparative purposes only. A variety of factors may cause an index to be an inaccurate benchmark for a particular fund and the index does not necessarily reflect the actual investment strategy of the Exbury Fund.