

New Court Cautious Fund GBP

Rothschild & Co WM SICAV SIF



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Cover: Our office at New Court. The site has been home to the business in London since 1809.

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Wealth Management

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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 +2.4% in the second quarter. The strategy has now returned +119.1%, compared to +91.2% for UK inflation +2%, since inception on 1st January 2004. This equates to +5.2% per annum for the strategy compared to +4.3% for inflation +2%.*

Performance this quarter was driven by our return assets, with positive performance from most positions. The most notable contributions came from our companies, with a few positions making double-digit percentage gains. These included Cable One (+19.5%) and Charter (+13.9%), where internet subscriber numbers, which are central to our investment case, continued to grow. American Express (+13.3%) and Mastercard (+12.5%) both reported higher revenues from increased transaction volumes. Linde (+14.7%), producing the second set of results since the merger between Praxair and Linde AG, reported increased earnings and a healthy pipeline of projects.

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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 equity, fixed income and commodity markets. Our fixed income holdings also produced small gains as government bond prices increased, and yields fell due to falling inflation expectations.

Portfolio activity

There were fewer changes to the portfolio this quarter following a busier end to 2018 and start to 2019.

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. At the end of the quarter Wells Fargo passed the regulatory stress test and its plan to increase its dividend and return capital to shareholders through repurchases of stock was approved.

We also increased our position in Ryanair following a fall in the share price over the quarter, with lower fares and higher fuel and staff costs weighing on financial results. 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.

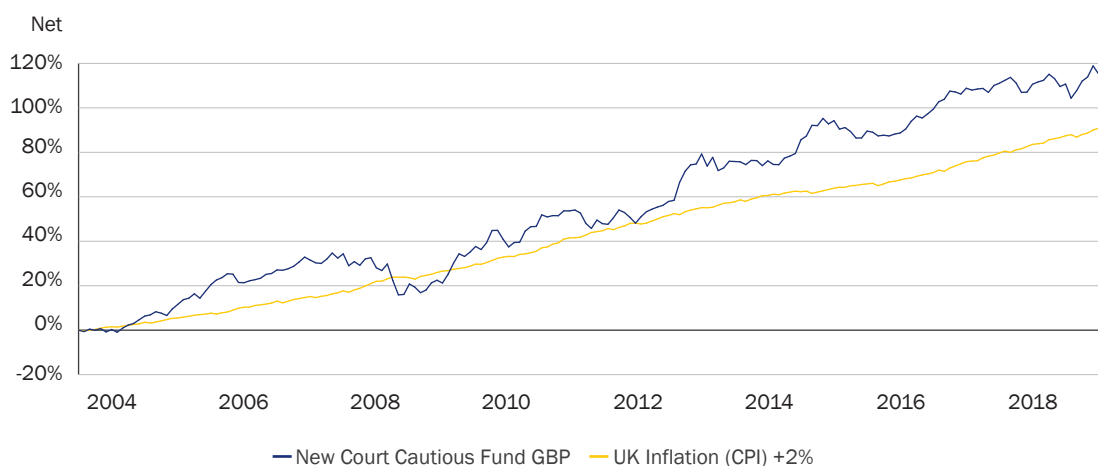
Towards the end of the quarter we added a new put option warrant on the S&P 500 index. One of the existing puts was coming up to expiry and protection against a significant decline in this major index could be purchased at a reasonable cost. At the time of purchase this left us with a range of put options in the portfolio, with strikes 'laddered' between 15% and 25% out of the money, with protection spread across US and European equity indices.

* Annualised figures are calculated on a compound basis to best represent the results of staying continuously invested from inception of the strategy.

Fund performance

Since inception, the Fund has outperformed inflation +2%. As at 30th June 2019, the net asset value per share was £23.38. The Fund size was £56.2 million.

Performance since inception*



Performance comparison – over time (%)

	Q2 2019	2019 YTD	2018	2017	2016	2015	Since inception*
New Court Cautious Fund GBP	2.4	7.2	-3.8	4.8	7.2	0.9	119.1
UK inflation +2%	1.3	1.7	4.1	4.9	3.6	2.2	91.2
UK inflation	0.8	0.7	2.1	2.9	1.6	0.2	41.6
Global equities (in local currencies)	3.2	15.9	-7.7	19.8	9.0	1.3	195.9
Global equities (in sterling)	6.0	16.7	-3.9	13.2	28.7	3.2	302.0
UK government bonds	1.4	5.0	0.5	2.0	10.7	0.5	130.4
Sterling cash	0.2	0.3	0.6	0.3	0.4	0.5	33.3

* Data represents total returns of the investment strategy over the period from 31st December 2003 to 30th June 2019. The inception date of the Fund which implements this strategy was 13th April 2016. Performance for periods prior to inception date is the Rothschild & Co Wealth Management UK Ltd GBP Cautious composite, adjusted to reflect the Fund's 1% annual management charge and fund operational costs. Past performance is not indicative of future performance. The value of investments and the income from them can fall as well as rise.

Indices used: UK inflation (CPI inflation), global equities (MSCI All Country World Index in local currencies and sterling terms), UK government bonds (Bloomberg Barclays Gilts Total Return Index), sterling cash (Barclays Benchmark Overnight GBP Cash Index). All figures are calculated monthly from 31st December 2003 to 30th June 2019 (except inflation which is until 31st May 2019 as June 2019 data figures are not yet available).

Fund holdings

The Fund combines return and diversifying assets which are invested across global markets. The return assets are held to generate capital growth over the long term; the diversifying assets are held to protect capital and investment performance, particularly during difficult markets.

Return assets (52.6%)				Diversifying assets (47.4%)	
Equities – Companies	15.9%	Equities – Companies	15.8%	Alternative strategies	5.9%
Admiral	2.8%	American Express	3.1%	Abbey Capital	1.6%
Cable One	1.2%	Comcast	2.0%	Artemis Volatility	0.8%
Charter Communications	1.0%	Deere	2.2%	CFM Trends	3.6%
Fox	1.4%	Linde	2.3%		
Liberty Broadband	0.5%	Mastercard	1.5%	Portfolio protection	1.1%
Lloyds	2.5%	Moody's	2.4%	Okura	0.9%
Middleby	1.6%	S&P Global	2.4%	S&P 500 2350 put September 2019	<0.1%
Ryanair	2.5%			S&P 500 2300 (resettable put) December 2019	<0.1%
Wells Fargo	2.5%	Equities – Funds	17.1%	Euro Stoxx 50 put (2950 resettable strike) March 2020	<0.1%
		Bares US Equity	3.8%	S&P 500 2500 put June 2020	0.1%
Equities – Funds	3.8%	Berkshire Hathaway	3.5%		
Albizia ASEAN Opportunities*	0.8%	IVI European	2.8%	Fixed Income – Investment grade	21.4%
Albizia ASEAN Tenggara*	0.7%	Lansdowne Developed Markets	1.9%	Short dated fixed rate bonds**	14.5%
Cederberg Greater China Equity	2.2%	Phoenix UK	2.8%	Floating rate bonds**	6.8%
		Ward Ferry Asian Smaller Companies*	2.2%		
				Cash and cash equivalents	19.0%
				Currency hedges	
				EUR FX hedge	-3.0%
				USD FX hedge	-11.1%
				GBP FX hedge	14.1%

Special situations
 Core
 Diversifier

* Implemented via 'Selected Opportunities Fund' (SOF). SOF is a Rothschild & Co vehicle that allows us to allocate to talented managers with limited capacity or liquidity. Rothschild & Co charges a zero investment management fee within the SOF.

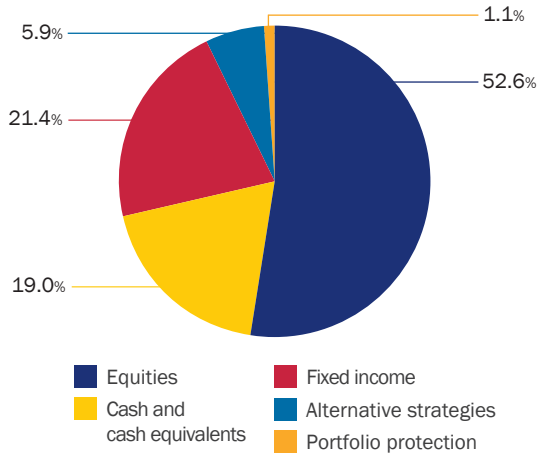
** Implemented via 'Investment Grade Bond Fund' (IGB). IGB is a Rothschild & Co vehicle that helps us to implement investment grade fixed income exposure in the portfolio efficiently. Rothschild & Co charges a zero investment management fee within the IGB.

Holdings are subject to change without notice. Percentages may not add up to 100% due to rounding. Put warrants behave like insurance; we pay a premium for them and hope that they expire worthless, losing only the premium (a very small detraction). They will increase in value if equity markets fall, thereby providing some protection to the portfolio in the event of a fall in the value of equities held in the portfolio.

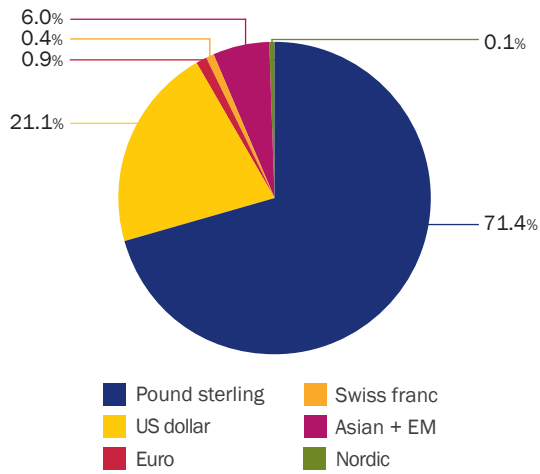
Fund allocations

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 – New Court Cautious 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. 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	13 th April 2016
Share class	Income and accumulation. Base currency is pound sterling.
Estimated Synthetic OCF	1.51%. This includes the manager's fee (1.00%), other fund expenses (0.22%) and third-party manager fees (0.29%).
Pricing	Valuation day for subscriptions: each business day Valuation day for redemptions: weekly (Thursday) Settlement period: T+3
Comparators	UK CPI +2%. 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 for the 12 months 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. The Synthetic OCF includes the disclosed ongoing fees 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.*

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.

Important information

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Investment returns and the principal value of an investment will fluctuate and may be volatile. An investment in the Fund involves significant risks, including the risk of loss of capital. The Rothschild & Co WM SICAV SIF – New Court Cautious Fund GBP is suitable only for sophisticated investors and requires the financial ability and willingness to accept the risks inherent in an investment in the Rothschild & Co WM SICAV SIF – New Court Cautious Fund GBP. No assurance can be given that the Rothschild & Co WM SICAV SIF – New Court Cautious Fund GBP's investment objectives will be achieved. Account valuations of individual investors may vary and such historical returns may not reflect the performance of any one investor.

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 Rothschild & Co WM SICAV SIF – New Court Cautious Fund GBP 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.

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