

New Capital Wealthy Nations Bond Fund

June 2015

For Institutional Investors Only

Stratton Street Capital
EFG Asset Management

- Greece uncertainty caused havoc across all asset classes
- Fed remain flexible and data-dependant with regards to normalising rates
- Global growth remains subdued

Market Comment^a

June was a volatile month across core sovereign bond markets; the US Treasury 10 year yield rose 23 basis points to a yield of 2.35% and the 10 year bund yield rose 27 basis points to 0.76%. This reflected some stronger data releases, most notably the May non-farm payroll report which showed 280,000 jobs were added during the month against expectations of a 226,000 increase, although the FOMC statement was viewed as having a dovish tilt. In Europe, Mario Draghi's comments that "we should get used to periods of higher volatility" at very low levels of interest rates and the May HICP inflation figure of 0.3%, up from 0% in April, exceeding expectations, unsettled the market.

The key points from the FOMC statement were: First, Janet Yellen emphasized that "policy will be data dependent" and any rate rises will be "gradual". Second, policy makers wanted to see "more decisive evidence that a moderate pace of economic growth will be sustained" which was evidenced in the "dot plot" where seven members expect up to one rate hike only in 2015, up from three in March. Third, the trajectory for rate hikes has continued to flatten. Fourth, after the weather afflicted first quarter, 2015 GDP estimates were revised down, as expected, to 1.8 to 2% from 2.4 to 2.7%. But US data points remained mixed; while payrolls were strong other indicators such as the May Chicago Fed National Activity Index, a composite of 85 monthly indicators designed to gauge overall economic activity, fell 0.17 against expectations for a gain of 0.12. A reading below zero indicates growth is running below its historic trend.

In Europe, the Greek melodrama continued with yet more meetings with its creditors, but no agreement, and correspondingly the June 5 EUR 300m payment to the IMF was delayed as Greece elected, using a rarely used facility, to bundle four tranches due in June totalling ~EUR 1.5bn into a single repayment due at the end of the month. By the end of the month the talks had reached a stalemate and Alexis Tsipras called a referendum for July 5 to allow the Greek people to make the decision whether to accept the latest bailout terms. Not surprisingly, Greece missed the month-end IMF repayment.

Both Moody's and S&P said they were highly unlikely to upgrade Russia's rating from a notch below investment grade in the next 12-18 months. However, the market disregarded the news; both the bond market and rouble have rallied strongly this year making them some of the best performing assets since the untimely downgrades.

Trailing Performance %^a

	USD Inst Inc	GBP Inst Inc
3 months	-0.74	-0.70
1 year	1.91	2.23
3 years	17.65	18.10
5 years	42.34	42.21
Since Inception	45.97	46.56
Since Inception (ann.)	6.80	6.87

Trailing performance shown is of the largest share classes of the fund by AUM only. Other class performance is found in yearly form further below.

Portfolio Statistics^b

Gross redemption yield	4.76%
Gross running yield	5.12%
Fund NAV (USD millions)	866
Number of holdings	63
Number of countries	17
Modified duration	7.90

Fund Prices^a

Share class	Price	Monthly Return %
USD Inst Inc	115.43	-2.14
EUR Inst Inc	111.18	-2.20
GBP Inst Inc	115.04	-2.14
GBP Ord Inc	115.58	-2.15
CHF Inst Inc	108.84	-2.28
USD/CNY Hedge Ord Inc	122.20	-1.97
SGD Ord Inc	160.72	-2.14
SGD Inst Inc	106.20	-2.13
USD/CNY Hedge Inst Inc	119.79	-1.93
USD/INR Hedge Ord Inc	109.92	-1.53
USD/INR Hedge Inst Inc	113.20	-1.52
USD Ord Inc	112.64	-2.16
EUR Ord Inc	110.37	-2.24
NOK Inst Inc	116.04	-2.13
CHF Ord Inc	108.56	-2.30
USD Ord Acc	109.42	-2.17
USD Inst Acc	111.65	-2.15
EUR Ord Acc	107.44	-2.22
EUR Inst Acc	107.94	-2.20
EUR Lrg Inst Acc	103.23	-2.22

All Inc. classes performance figures assume dividends are reinvested on the day following the xd date

Fund Breakdown^b

Entity Type		Region	
Entity	% NAV	Region	% NAV
Sovereign	9.89	East Asia	30.20
Supra	1.02	West Asia	40.91
Quasi-Sov	55.28	Europe	18.59
Corporate	32.50	N. America	1.91
		S. America	7.08
Total	98.69	Total	98.69

Net Foreign Assets ¹		Credit Rating	
Rating	% NAV	Rating	% NAV
7 Star	50.25	Aaa	-
6 Star	19.85	Aa	39.90
5 Star	0.32	A	28.88
4 Star	17.78	Baa	29.91
3 Star	10.49	Ba	-
Total	98.69	Total	98.69

1. 7 star over 100% of GDP, 6 star 100% to 50% of GDP, 5 star 50% to 25% of GDP, 4 star 25% to -25% GDP, 3 star -25% to -50% GDP, 2 star -50% to -100%, 1 star less than -100%.

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Portfolio Review

As risk sentiment faltered during the month the Fund's USD Inst Inc class fell 2.14%. Having been the portfolio's star performers so far this year our holdings in Russia and Qatar sold-off in June and holdings elsewhere held up well; all things considered.

We are longer term value investors, searching for attractive risk-adjusted returns with added credit protection (spread cushion). At the end of June, the portfolio's weighted average expected return and yield (calculated using our proprietary models) was around 14% with an average 3.5 credit 'notch' cushion. The bonds held are USD and GBP denominated with a weighted average rating of Baa1, roughly 70% of our holdings are in sovereign and quasi-sovereign holdings. The portfolio yields around 4.7%.

Outlook

The most recent June non-farm payroll data, released after month-end, was "slightly softer" than the market expected and incorporated downward revisions to the April and May figures. As ever Fed policy will remain data dependent; zero interest rates are not normal and the Fed is looking to begin the process of interest rate normalisation when sufficient data suggests economic conditions are strong enough. However, policy is still likely to remain accommodative and the trajectory and pace of further interest rate rises slow. The deterioration in the Greek situation, while manageable in the sense that Greece makes up less than 2% of Eurozone GDP, will inevitably have some negative repercussions. Added to this, the recent volatility in the Chinese equity market has added to global uncertainty. Inevitably, these will add to some of the negative headwinds the Fed faces in terms of subdued global growth, a stronger dollar and trends such as "secular stagnation" keeping inflation low. We expect any move by the Fed to start to raise rates will be well 'ahead of the curve' and the yield curve should remain quite flat, favouring positioning at the long end.

In a world where debt levels remain elevated, policy makers across the globe face a huge challenge in bringing their economies back to their potential growth rate; The McKinsey Global Institute work implied there has not been any deleveraging since 2008, other than in a few small cases. Consequently, it is difficult to see a strong sustained global growth scenario emerging imminently. Between 2007 and 2Q 2014 global debt increased by USD 57 trillion raising the ratio of global debt to GDP to 286 percent. They note "that high debt is associated with slower GDP growth and higher risk of financial crises." The deleveraging process still has a long way to go and portfolio positioning continues to favour "wealthy nations" with net foreign liabilities below 50 percent of GDP.

Historical Performance (%)^{b & c}

Class	2009	2010	2011	2012	2013	2014	2015 YTD
USD Inst Inc	-3.20	13.32	3.12	20.99	-2.03	5.40	3.31
EUR Inst Inc	-3.03	12.63	3.12	20.21	-2.85	5.29	3.17
GBP Inst Inc	-2.98	13.14	3.15	20.73	-1.90	5.69	3.42
GBP Ord Inc	-3.17	12.85	3.08	20.52	-2.22	5.36	3.31
CHF Inst Inc		3.65	1.87	20.12	-3.13	5.00	2.78
USD/CNY Hedge Ord Inc		0.83	5.94	20.73	1.27	5.55	5.35
SGD Ord Inc			-0.02	20.63	-3.33	4.95	3.42
SGD Inst Inc			-1.98	20.81	-3.10	5.24	3.57
USD/CNY Hedge Inst Inc			1.23	20.75	0.28	6.18	5.72
USD/INR Hedge Ord Inc			-3.98	23.19	-8.28	8.49	5.72
USD/INR Hedge Inst Inc			-3.97	23.98	-6.47	8.48	5.81
USD Ord Inc			-0.28	19.40	-2.97	5.14	3.17
EUR Ord Inc			-0.36	18.59	-3.93	5.03	2.94
NOK Inst Inc			-0.01	20.70	-0.77	6.10	3.70
CHF Ord Inc			-0.24	18.07	-4.21	4.62	2.55
USD Ord Acc				4.40	-3.29	5.08	3.13
USD Inst Acc				5.84	-3.02	5.35	3.26
EUR Ord Acc						4.37	3.01
EUR Inst Acc						4.79	3.06
EUR Lrg Inst Acc						0.77	2.44

Footnotes:

^a Unless otherwise stated, all data is sourced from Bloomberg & EFGAM

^b Source: Stratton Street Capital LLP classifications / GAM as administrators.

^c See launch dates below

Fund Information

Fund Type: Irish Domiciled UCITS (FCA Recognised)

Launch Dates:

18 Sep 2009: USD Inst Inc, EUR Inst Inc, GBP Inst Inc & GBP Ord Inc.

26 Jul 2010: CHF Inst Inc

17 Sep 2010: USD/CNY Hedge Ord Inc

14 Jan 2011: SGD Ord Inc

26 Apr 2011: SGD Inst Inc & USD/CNY Hedge Inst Inc.

15 Nov 2011: USD/INR Hedge Ord Inc, USD/INR Hedge Inst Inc, USD Ord Inc, EUR Ord Inc, NOK Inst Inc & CHF Ord Inc.

24 Aug 2012: USD Inst Acc.

12 Sep 2012: USD Ord Acc.

11 Dec 2013: EUR Inst Acc.

13 Dec 2013: EUR Ord Acc.

8 May 2014: EUR Large Inst Acc.

Dividends: All Inc. classes will distribute dividends

Dealing: Daily (16:00 Irish time)

Management Fees:

1% (Class USD Inst Inc, EUR Inst Inc, GBP Inst Inc, CHF Inst Inc, SGD Inst Inc, USD/CNY Hedge Inst Inc, USD/INR Hedge Inst Inc, NOK Inst Inc, USD Inst Acc, EUR Inst Acc.)

1.25% (Class GBP Ord Inc, USD/CNY Hedge Ord Inc, SGD Ord Inc, USD/INR Hedge Ord Inc, USD Ord Inc, EUR Ord Inc, CHF Ord Inc, USD Ord Acc, EUR Ord Acc)

Custodian: HSBC Institutional Trust Services (Ireland) Limited

Administrator: GAM Fund Management Limited, Dublin

Pricing: Daily – Bloomberg and Financial Times – New Capital Wealthy Nations Bond Fund

Also available electronically on: <http://funds.ft.com>

Fund Class Information					
Currency Exposure	Class Name	Sedol	ISIN	Bloomberg Ticker	Minimum Investment
USD	USD Inst Inc	B410WP5	IE00B410WP56	NCWNUIA ID	USD 1 Million
EUR	EUR Inst Inc	B41M165	IE00B41M1657	NCWNEAI ID	EUR 1 Million
GBP	GBP Inst Inc	B41M1D2	IE00B41M1D28	NCWNEAC ID	GBP 700 Thousand
GBP	GBP Ord Inc	B40Z9H2	IE00B40Z9H20	NCWNSDI ID	GBP 10 Thousand
CHF	CHF Inst Inc	B3LNP6	IE00B3LNP62	NCWNEEC ID	CHF 1 Million
CNY	USD/CNY Hedge Ord Inc	B3Q2527	IE00B3Q25270	NCWNBDF ID	USD 10 Thousand
SGD	SGD Ord Inc	B4X3Y34	IE00B4X3Y349	NCWNTSG ID	SGD 13,250
SGD	SGD Inst Inc	B4NVFJ1	IE00B4NVFJ12	NCWNBDAH ID	SGD 1 Million
CNY	USD/CNY Hedge Inst Inc	B4Z3238	IE00B4Z32382	NCWNBDAI ID	USD 1 Million
INR	USD/INR Hedge Ord Inc	B4TJ7K4	IE00B4TJ7K43	NCWNINR ID	USD 10 Thousand
INR	USD/INR Hedge Inst Inc	B4KB0G6	IE00B4KB0G67	NCWINRI ID	USD 1 Million
USD	USD Ord Inc	B6VQXN2	IE00B6VQXN27	NCWNUSD ID	USD 10 Thousand
EUR	EUR Ord Inc	B6VW8H9	IE00B6VW8H90	NCWNBDE ID	EUR 10 Thousand
NOK	NOK Inst Inc	B5VFLK5	IE00B5VFLK51	NCWNNOK ID	NOK 5 Million
CHF	CHF Ord Inc	B4NJBW6	IE00B4NJBW64	NCWNBCI ID	CHF 10 Thousand
USD	USD Inst Acc	B87MFH6	IE00B87MFH62	NCWNUAI ID	USD 1 Million
USD	USD Ord Acc	B8HR5X7	IE00B8HR5X72	NCWNUOA ID	USD 10 Thousand
EUR	EUR Inst Acc	B9KL146	IE00B9KL1463	NCWEEIA ID	EUR 1 Million
EUR	EUR Ord Acc	B9C7ZM8	IE00B9C7ZM86	NCWEORA ID	EUR 10 Thousand
EUR	EUR Large Inst Acc	BLIJ2V7	IE00BLIJ2V78	NCWELIA ID	EUR 50 Million

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WNBF USD Inst Inc Monthly Return													
	Jan %	Feb %	Mar %	Apr%	May %	Jun %	Jul %	Aug %	Sep %	Oct %	Nov %	Dec %	Year %
2009									0.64	0.51	-5.20	0.95	-3.20
2010	0.80	0.24	5.08	1.04	-2.60	1.40	3.53	1.90	1.40	0.79	-1.67	0.88	13.32
2011	0.86	-0.14	1.84	1.65	1.23	-0.36	1.06	-1.17	-4.16	4.34	-3.41	1.64	3.12
2012	3.10	2.38	1.22	0.96	-0.54	2.23	3.24	1.21	1.43	1.99	0.74	1.29	20.99
2013	-0.01	-0.01	0.01	1.74	-1.98	-4.79	1.43	-1.52	2.11	2.10	-0.87	-0.04	-2.03
2014	0.92	1.94	-0.02	0.05	3.69	0.12	-0.82	0.79	-0.48	1.46	0.06	-2.33	5.40
2015	2.17	0.70	1.15	1.14	0.29	-2.14							3.31
										Since Inception			45.97

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