SHINING A LIGHT ON THE……
IP European Equity Income Fund

AT A GLANCE

Investment Objective
The Fund aims to generate a rising level of income, together with long-term capital growth investing primarily into European equities, excluding the United Kingdom. In pursuing this objective, the fund managers may include investments that they consider appropriate which include transferable securities, money market instruments, warrants, collective investment schemes, deposits and other permitted investments and transactions.

Inception Date	12 December 2007
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000000R67

Management	
Manager Name	**Start Date**
Stephanie Butcher	30 November 2010

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	52.40%
Large	34.00%
Medium	11.05%
Small	2.55%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	52	
Assets in Top 10 Holdings	30.39%	
Name	**Sector**	**% of Assets**
Novartis AG	Healthcare	4.19%
Roche Holding AG Dividend Right Cert	Healthcare	4.04%
CaixaBank SA	Financial Services	3.02%
ING Group NV	Financial Services	3.01%
BNP Paribas	Financial Services	3.00%
Orange SA	Communication Services	2.90%
Koninklijke Ahold Delhaize NV	Consumer Defensive	2.80%
Total SA	Energy	2.49%
Intesa Sanpaolo	Financial Services	2.48%
Siemens	Industrials	2.45%

Volatility Measurements	
3-Yr Std Dev (volatility)	12.67%
3-Yr Mean Return (average)	11.09%

FUND PERFORMANCE

Performance 1 January 2012 – 31 May 2017

	2012	2013	2014	2015	2016	2017
IP European Equity Income Fund	18.97%	41.46%	1.08%	6.31%	21.00%	13.26%
iShares MSIC Europe ex-UK	14.00%	21.74%	-2.02%	1.99%	16.48%	13.40%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
IP European Equity Income Fund	38.52%	36.74%	164.02%	113.82%
iShares MSIC Europe ex-UK	31.43%	26.91%	95.50%	29.74%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE….

In recent months, much has been discussed regarding Europe; valuations are still fairly cheap, earnings are recovering, inflation is improving and importantly overseas investors remain underweight Europe (when that money comes back it increases demand which pushes up share prices).

In this update, we spoke to Stephanie Butcher who is the manager of the IP European Equity Income Fund. She started by discussing the macro picture. She explained that up to now European companies have been good at driving profit in a no growth, deflationary environment. However, there is a marked shift in economic growth, and inflation and this is good news for many companies. But this isn't something new; the employment outlook has been looking good for some time and importantly within the banking sector there has been an increase in loans to companies and households.

PMI (Purchasing Managers' Index) data has shown improvements and EPS growth should continue to improve. Valuations are cheap compared to the US but not all areas are. For example, consumer goods are at a 50% premium, whereas financials are at a 39% discount, as are and oil and gas, at 36% discount.

In 2013 when oil was $110 a barrel, many companies had negative free cash flow and clearly companies were not allocating capital correctly. Since then, many companies have made significant changes and even with the fall in prices they have for the first time started to post positive cash flow numbers. Stephanie also believes that the oil price will naturally go up, not to previous levels but any increase with increase profitability within these businesses.

In a similar way, banks have gone through significant structural change, and most have doubled their capital reserves since 2007. There is also a shift from investment banking to consumer banking. Yields are above the average, but at a time where prices are still depressed and free cash flow is increasing. Additionally, just a small increase in interest rates will be good for the sector.

Stephanie explained that they are 'style agnostic' when investing but are driven by valuations. Currently the fund is tilted towards value stocks because that is where they believe the opportunities are. Fundamentally they are looking for high quality businesses with good free cash flows. Many of the firms they hold are leaders within the field they operate.

One final argument for Europe is that investors remain wary, and much of this is driven by politics. The French elections have removed such barriers and Stephanie believes Europe offers compelling value compared to the US, and yet about $105 billion has flowed out of Europe to the US. She thinks this will reverse which will be another positive factor.

In summary, many European funds still have a growth bias and if investors believe these stocks are at a premium then certainly this might be a fund to consider either as a standalone holding or blend. Performance has been strong and it has a stable management team. As with any fund we would always suggest considering other similar funds before making any decisions.