

September at a Glance

- **The Dollar Finds a Base**
- **Sberbank**
- **Struggling with Quality**

Manager's Commentary

The Newscap Emerging Market Equity Fund was down a marginal 0.06% in September. The biggest risers included Banco Do Brasil, Geely Auto and oil exploration and services stocks. Detractors included Fingerprint Cards, Tav Havalimanlari (Turkish airport operator) and industrial metal stocks. Outperformance versus the benchmark over the period was driven by a conservative exposure to high momentum growth stocks.

The dollar finds a base

The US dollar is roughly at the same level today as it was two decades ago; at least against developed currencies. Over that timeframe, the pound has been the weakest of the majors, with the Swiss Franc being the strongest. The euro has been the second worst, which says much about this continent. The Australian and Canadian dollars have just about kept up with China's Renminbi; the second best of them all.

The recent dollar revival began in 2014, when it became clear that quantitative easing would cease in the USA. That saw US treasuries soar while the emerging markets and commodities came under pressure. A weak dollar is like a tax cut for the world. It takes the pressure off emerging markets, allowing their currencies to appreciate which in turn, lowers inflation. Stability attracts capital and boosts growth, which increases demand for commodities.

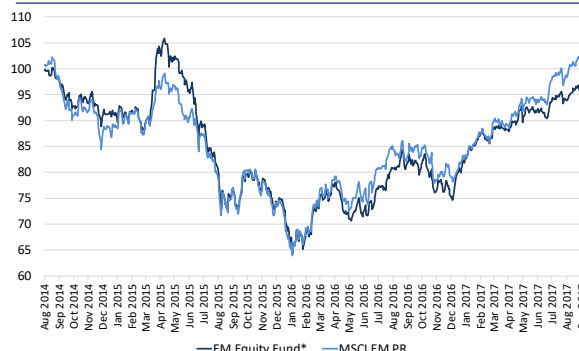
From the 1950s until the credit crisis, US treasuries were generally negatively correlated to the dollar. In other words, a weak dollar was compensated for with higher yields. However, during times of stress, that has sometimes reversed as the dollar became the safe haven; yields collapsed as the dollar surged. This has been the post-crisis norm until recently.

A weak dollar can now coexist with a weak bond market. That ought to mean that higher inflation and bond yields will be a boon for the value investor, and in particular, emerging markets. Naturally, any dollar strength will bring an abrupt halt to this trade, and that might be something to be constantly aware of. Our conclusion is that value (including commodities and emerging markets) can be held in conjunction with US treasuries, which will deliver diversification. With prices falling (yields rising), we are looking for a suitable time to buy treasuries, but at lower prices.

Sberbank

With a more stable outlook for the Ruble, Russian assets stand to benefit. Sberbank is Russia's pre-eminent banking institution with a dominant market share. Although it is majority owned by the Russian state, it is managed independently. Sberbank has a good reputation for being innovative and has an impressive technology platform. Through its vast branch-network, the company provides a full range of retail and corporate banking services. Sberbank generates the highest returns of any global bank and is well capitalised. Earnings growth has been lacklustre over the last two years due

Performance



Share Class E Acc USD Since inception: 18/08/2014.
Shown as main indicator for illustrative purposes as it is the longest standing Share Class
Data as at 30 September 2017
Source: Newscap Capital Group, MSCI - Bloomberg

Returns (%)

	E Acc USD	F Acc USD	S Acc GBP	E Inc USD	E Acc GBP	S Acc USD	MSCI EM PR
1 Month	-0.1%	0.0%	0.0%	-0.1%	-0.2%	0.2%	-0.6
6 Month	7.9%	8.2%	8.7%	7.9%	7.2%	-	12.2
YTD	20.2%	20.7%	21.6%	20.2%	19.1%	-	25.5
S/I	-4.6%	-2.2%	2.8%	-0.6%	3.0%	-19.8%	0.4
1 Year	17.5%	18.2%	19.9%	17.5%	16.6%	-	19.7
3 Year	0.7%	2.8%	8.8%	1.2%	-	-	7.6
5 Year	-	-	-	-	-	-	-

Share Class E Acc USD; Fund and MSCI data as at 30 September 2017; since 18/08/2014.
Data prior to 18/08/2014 unavailable;
Fund Source: Newscap; MSCI Source: Bloomberg

Discrete Annual Returns - year end 30/09

	2017	2016	2015
EM Equity Fund	17.5%	10.5%	-22.4%
MSCI EM Index	19.7%	15.3%	-22.8%

Share Class E Acc USD; Fund data as at 30 September 2017;
Daily data used for calculations; Figures are net of fees;
Data for the year of 2014 and 2013 (year end 30/09) unavailable;
Fund Source: Newscap; MSCI Source: Bloomberg

Calendar Year Performance

	2016	2015
EM Equity Fund	6.2%	-18.2%
MSCI EM Index	8.6%	-16.9%

Share Class E Acc USD; Fund and MSCI data as at 30 September 2017;
Daily data used for calculations; Figures are net of fees;
Data for the calendar year 2014 and 2013 unavailable;
Source: Bloomberg

Share Class Information

Share Class	ISIN	NAV	Inception Date
E Acc USD	IE00BH4TT267	\$95.4	18/08/2014
F Acc USD	IE00BH4TTK42	\$97.8	26/08/2014
E Inc USD	IE00BH4TTJ37	\$99.4	22/09/2014
S Acc GBP	IE00BH4TVV94	£137.9	09/09/2014
E Acc GBP	IE00BN578D58	£138.2	04/12/2014
S Acc USD	IE00BH4TVT72	£80.2	07/06/2017

Portfolio Characteristics

	EM Equity Fund	MSCI EM
Dividend Yield	2.7%	2.4%
Price to Book	3.2	1.7
Price to Earnings	15.1	15.8

Fund data as at 30 September 2017; Source: Newscap Capital;
MSCI data as at 30 September 2017; Source - Bloomberg
Average PE used

to a recession in Russia which ended in early 2016.

We anticipate an improvement in loan growth which will likely drive earnings higher. We also expect an increase in the pay-out ratio which should drive higher dividend growth. The stock trades at an undemanding price to earnings of 6.4 years and offers a 3 percent dividend yield. Furthermore, it trades at 1.3 times book value, a number that was materially higher a decade ago.

Struggling with quality

It's hardly news that the best stocks are richly priced. Taking the constituents of the Dow Jones Industrial average, over half of the constituents trade at, or close to, their highest price to sales ratios recorded over the past three decades. Yet at the same time, cashflow multiples are generally less stretched. The answer is that profit margins are at elevated levels; something attributable to factors such as lower wages, lower capital expenditure, lower cost of credit and lower taxes. Many believe this to be a new paradigm, but the lesson from history is that profit margins often revert back to their mean.

The Dow is only a proxy for quality, but it has a history of out-performing bear markets due to the dominant market position of its members. But if they are so highly rated, will this hold true next time? We have our doubts, and in search of quality, we are looking for companies that will withstand the next economic downturn. Reinsurance is a candidate, as are utilities and telecoms, with the caveat being creditworthiness.

While we aren't forecasting a downturn, it is an ongoing discussion at Newscap as to what might go wrong. Most sectors that have been bashed down have done so for a reason. For example, the retailers have been scoffed by the internet, but they haven't died. And what doesn't kill you, makes you stronger.

Outlook

On balance, we remain optimistic. Our positioning is unaggressive and we are patiently seeking companies that could benefit from an increase in global bond yields. We have reduced our exposure to Korea and increased our position in financials, Russia and energy. While we believe in the longer-term case for technology stocks, we feel one sided investor optimism maybe tested in the coming months. The decline in dollar has inflated returns for emerging market investors. While we don't expect a broad sell off in EM currencies, we anticipate a period of consolidation (particularly for euro centric currencies).

Fahad Hassan

CFA, Lead Manager

Fund Managers



Fahad Hassan CFA
Lead Manager
f.hassan@newscapgroup.com

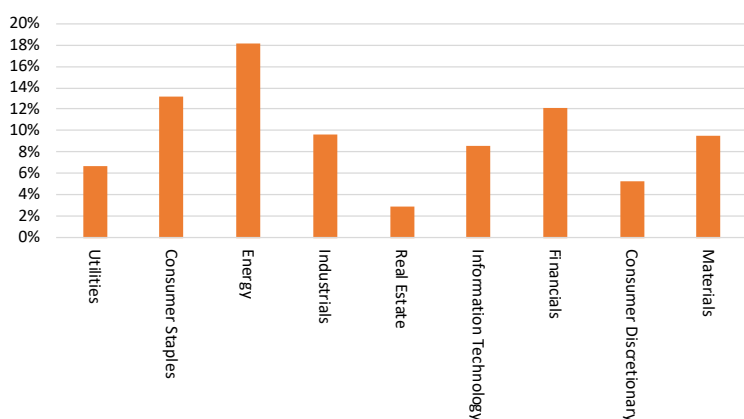
Fahad worked at Legal and General for 11 years, where he managed over a \$1 billion in institutional and retail mandates. Fahad is the lead portfolio manager of the Newscap Emerging Market Equity Fund and is a co-manager on the Newscap Diversified Growth Fund. He is a CFA Institute charter-holder and has a deep understanding of industry structure, style factor investing and monetary economics.



Charlie Morris
CIO and Co-Manager
c.morris@newscapgroup.com

Charlie Morris spent 17 years at HSBC Global Asset Management as the Head of Absolute Return. There he managed a \$3 billion multi-asset fund range as well as contributing to the overall strategy of the business. Charlie is now CIO at Newscap Capital Group, having joined in May 2016 to take over and restructure the Newscap funds business.

Sector Exposure (%)



*Exposure amounts are solely illustrative and are not intended as pre defined allocation limits.
Source: Newscap
Data as at 30 September 2017;

Top 5 Country Allocations

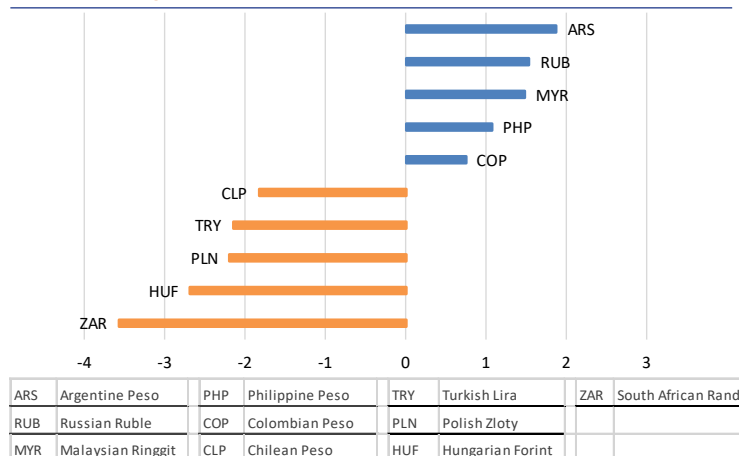
Country	Allocation
HONG KONG	13.7%
RUSSIA	10.5%
BRAZIL	9.6%
CHINA	9.0%
BRITAIN	6.8%

Fund Details

Domicile	Dublin, Ireland
Legal Structure	ICVC
Investment Manager	Newscap Capital Group Ltd
Launch Date	August 2014
Investment Strategy	Emerging Market Equities
Currency	Acc & Inc: USD with multiple currency classes, EUR, GBP, AUD, SGD
NAV/ Liquidity	Daily
Management Fee	A: 0.75%, B&C: 1.5%, D&E: 1.75%, F&G: 2.25%, S: Nil
High Watermark	Yes
Minimum Investment	A: \$750,000, B-G: \$5,000, S: \$1.5m
Preliminary charge	A&S: Nil, B, D&F: 5%, C, E&G: 2%
CDSC*	A, B, D, F&S: Nil, C, E&G: 3%
Administrator	CACEIS Ireland Limited
Auditor	PricewaterhouseCoopers (Ireland)
Legal Counsel	A&L Goodbody Solicitors
Benchmark	MSCI Emerging Markets Index (MXEF)
OCF**	E Acc - 13.42% F Acc - 12.85% E Inc - 13.42% S Acc - 10.59%

*CDSC - Contingent Deferred Sales Charge
**Ongoing Charges Figure
(OCF is the basis upon which all share class figures have been calculated)

EM Currency Movements



ARS	Argentine Peso	PHP	Philippine Peso	TRY	Turkish Lira	ZAR	South African Rand
RUB	Russian Ruble	COP	Colombian Peso	PLN	Polish Zloty		
MYR	Malaysian Ringgit	CLP	Chilean Peso	HUF	Hungarian Forint		

Time period: 31 August 2017 - 30 September 2017
Data as at 30 September 2017
Source: Bloomberg

Top 5 Themes

Theme	Allocation
Oil&Gas	18.2%
Consumer Staples	9.2%
Infrastructure	9.0%
Commodity	4.9%
Precious	4.6%

Allocation by Style

Style	Allocation
Quality	26.9%
Growth	10.9%
Value	21.8%
Real Assets	26.4%
Special Sits	4.8%
Cash	9.2%
Total	100.0%

Top 10 Holdings

Holding	Size
MTR	2.4%
GEELY AUTOMOBILE	2.3%
TENCENT	2.1%
SCHLUMBERGER	2.1%
SLC AGRICOLA	2.1%
US SILICA	2.1%
TATNEFT PAO	2.0%
MAIL.RU	2.0%
SBERBANK	1.9%
STANDARD CHARTERED	1.9%
Total	20.9%

Data as at 30 September 2017



Current Holdings

Quality	Growth	Value	Real Assets	Special Sits
HONG KONG & CHINA GAS	TENCENT	SANDS CHINA	ROYAL DUTCH SHELL	LYX BUND DAILY SHORT UCITS
CLP HOLDINGS	TIPCO FOODS	SHIN ZU SHING	BP	DBX S&P 500 INVERSE DAILY 1C
CARLSBERG BREWERY MALAYSIA	GEELY AUTOMOBILE	TOPCO SCIENTIFIC	NATIONAL OILWELL VARCO	AMUNDI ETF SHORT GOVT BOND E
PTT	MAGNIT	SBERBANK	SCHLUMBERGER	
CK HUTCHISON HOLDINGS	MAIL.RU	STANDARD CHARTERED	WEATHERFORD	
PZ CUSSONS	AAC TECHNOLOGIES	PING AN INSURANCE	US SILICA	
SUN HUNG KAI PROPERTIES		CHINA LIFE INSURANCE	PETROFAC	
AGUAS ANDINAS		BANCOLOMBIA	TATNEFT PAO	
WNS HOLDINGS		BANCO DO BRASIL	LUKOIL	
BRITISH AMERICAN TOBACCO		DIRECIONAL ENGENHARIA	PETROBRAS	
HONG KONG EXCHANGES & CLEAR		CHINA OVERSEAS LAND & INVEST	CENTAMIN	
BEIJING ENTERPRISES WATER		SLC AGRICOLA	POLYMETAL	
GUDANG GARAM		WEG	VALE	
COCA-COLA EMBONOR		FINGERPRINT CARDS	CAP	
MTR		TAV HAVALIMANLARI	ETFS NICKEL	
AIRPORTS OF THAILAND			KOZA ALTIN ISLETMELERI	

Data as at 30 September 2017
Source: Newscap Capital Group

Disclaimer

Issued in the United Kingdom by Newscap Capital Group Ltd ("Newscap") of 86 Jermyn Street, London SW1Y 6JD; authorised and regulated by the Financial Conduct Authority (193700). Newscap is registered in England & Wales: 03944811. Distributed by Easton Asset Management Limited, The New Perspectives Emerging Markets Equity Income Fund (the "Fund") is an open-ended sub-fund of Newscap Funds plc (the "Company"), an umbrella fund with segregated liability between sub-funds, incorporated with limited liability as an investment company with variable capital ("ICVC") under the laws of Ireland, registered number 451653 and therefore qualifies as a UCITS under all relevant laws and regulations. The Fund is a recognised collective investment scheme for the purposes of Section 264 of the UK Financial Services and Markets Act 2000 ("FSMA"). This document is for information purposes only and does not constitute advice, an offer or solicitation to invest in the Fund. Any decision to purchase or sell securities should be made solely on the information contained in the Fund's Offering Memorandum, Supplement and Key Investor Information Document (KIID) ("Fund Documents"). It is not intended for distribution or use by any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited. Past performance is not a guide to future performance; investments may go down as well as up, and you may get back less than your original investment. Investments in Emerging Markets may carry a higher level of risk than other investments. Full details of the investment risks and charges are contained within the Fund Documents. The information contained in this document is believed to be correct, complete and accurate and every effort has been made to represent accurate information. However, no representation or warranty, expressed or implied, is made as to the accuracy, completeness or correctness of the information contained in this document. Newscap assumes no responsibility or liability for any errors or omissions with respect to this information. Unless otherwise stated, the source of all figures contained herein is Newscap. If you are uncertain with regards to any of the matters contained within this document you should seek independent financial advice. All data provided is from Newscap Capital Group Ltd ("Newscap") as at the 30/09/2017 unless otherwise specified, and is for informational purposes only.