

March at a Glance

- Easyjet
- A2 Milk
- Vertex

Manager's Commentary

The Newscap Diversified Growth Fund (DGF) rose by 0.1% in March and is up by 3.0% for the year.

Despite a major constitutional change in the UK, equity volatility is low compared to the long-term averages. The inference can only be that the market isn't overly concerned about European politics. When one considers the possible outcomes, it seems there can be no winner and loser scenario. Both the UK and the EU could lose, or they could both win. But for one to win, they would have to have a strong trading partner. And so, they must both win. For both to lose, politics would have to triumph over economic common sense. Not even our worst politicians are stupid enough to let this course of self-destruction prevail. Therefore, the only rational outcome is win-win. At least that's what the markets appear to be telling us.

Positive contributions in DGF came from Bitauto, A2 Milk, Vertex, Vesuvius and Engie. Negative contributions came from platinum, Amgen, Biogen and Goldcorp.

EasyJet

The shares sold off sharply after the Brexit referendum vote in response to a weak pound. The feeling was that the UK customer base would cut back and stay at home. Yet this latest ski season has seen record traffic and if the pound rises, it'll likely see even more growth in the future. In addition, European traffic has been strong.

In response to a weaker pound, the company has instigated a comprehensive cost cutting programme. Airport savings have been driven by discounts on additional passenger volumes. Engineering and maintenance savings have come from new supply contracts for components. The fleet continues to be upgraded as they move from A319s to A320s. That upgrade leads to a 13%-14% cost per seat benefit on lower fuel costs.

In addition, Easyjet have made huge progress on the Internet. 18.3 million people have downloaded their app, an increase of 30% on last year. 20% of bookings are now made via mobile, something that would be unheard of a few years ago. All this makes it simpler, cheaper and easier to buy tickets and drive sales. In summary, demand for flights is high, capacity is limited and the price of oil is falling. We believe this is a good recipe for success.

A2 Milk

A2 Milk is a New Zealand based milk producer, that manufactures and markets milk with the A1 beta-casein protein removed. Most milk found in Europe and the U.S contains the A1 protein and its consumption is linked to a wide range of chronic health conditions. They are dominating an interesting niche.

Performance



Share Class A Acc GBP from 19/10/2012 to 31/03/2017
 Charlie Morris taking over fund management - 29/07/2016
 Fund data as at 31 March 2017
 Source: Bloomberg

Returns (%)

	Class A
1 Month	0.1%
6 Month	5.3%
YTD	3.0%
Since Inception	-6.9%
1 Year	12.7%
3 Year	-7.59%
5 Year	-

Share Class A Acc GBP; Fund and Benchmark data as at 31 March 2017; since 19/10/2012.
 Data prior to 19/10/2012 unavailable;
 Source: Morningstar

Discrete Annual Returns - year end 31/03

	2017	2016	2015	2014	2013
Class A	12.7%	-15.6%	-2.9%	-0.9%	-

Share Class A Acc GBP; Fund data as at 31 March 2017;
 Data for the year of 2013 (year end 28/02) is unavailable.
 Daily data used for calculations; Figures are net of fees;
 Source: Morningstar

Calendar Year Performance

	2016	2015	2014	2013
Class A	1.4%	-7.0%	-6.5%	2.6%

Share Class A Acc GBP; Fund and Benchmark data as at 31 March 2017;
 Daily data used for calculations; Figures are net of fees;
 Source: Morningstar

Share Class Information

Share Class	Bloomberg Ticker	NAV	Inception Date
A Acc GBP	NDVGRAS ID Equity	93.1	19/10/2012
B Acc GBP	NEWDBAS ID Equity	114.1	21/01/2016
S Acc GBP	NEWDSAG ID Equity	106.8	16/09/2016

Portfolio Characteristics

	DGF	FTSE 100	Gilts*
Volatility	4.6%	8.0%	5.8%
Yield**	1.6%	3.9%	1.5%

Data as at 31 March 2017;
 Source: Newscap Capital Group, FTSE 100 and Gilts - Bloomberg;
 **Generated income will be reinvested within the fund.

The company generated revenues of \$235 million in 2016, 84% of which came from Australia and New Zealand – countries with a combined population equivalent to Taiwan. The role out of distribution agreements in the US, China and the UK have just started and the company is expected to grow revenues significantly over time. The potential customer base is about to increase by a factor of one hundred times. For 2017, 50% revenue growth is expected, which is a good start. WhiteWave Foods, generated \$4.2 billion in sales from plant based milk substitute products in 2016. We believe A2 Milk's product (cow's milk without the A1 protein) offers an effective substitute for milk allergy sufferers and is cheaper to produce. This is a high-quality consumer products company and its best days lie ahead.

Vertex

Vertex Pharmaceuticals is a Boston based biotechnology company focused on transforming the lives of children and young adults suffering from Cystic Fibrosis (CF). The disease is a debilitating genetic disorder which leads to a slow decline in lung function. In 2012, the company's drug, Kalydeco, became the first approved treatment for CF sufferers. The company has since launched additional drugs to expand the number of patients that can benefit from treatment. Encouraging results from a trial combining three of the company's products caused a significant increase in its' shares in March. Vertex uses an inventive process for finding new medicines called "rational" or "computer aided" drug design. By modelling the designed molecules to match a biological target the company improves the drug discovery process.

Biotech and healthcare has been under scrutiny since the election. However, we believe that the best technologies and ideas will thrive. Vertex is enjoying a winning streak and while we remain cautious on the sector, Vertex is a notable exception.

Outlook

In early 2016, there was a signal from the markets to switch to value. The interest rate compass swung a full 180 degrees from a bonds and quality regime towards value. That typically happens after a bear market when the most distressed stocks recover just as they did a little over a year ago.

The value trade seems to have matured. There had been hope that rising inflation would see it through but alas, the data are indicating the opposite. If inflation is cooling yet interest rates remain broadly stable, then the new regime will be a mixture of growth and quality – with the emphasis on quality. This doesn't have to be bad news. That would only happen if the falls in inflation expectations are material and so far, they are only enough to harm the value trade. That's not enough to kill the bull.

Charlie Morris

Fund Manager



Charlie Morris
Lead Manager

c.morris@newscapegroup.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 Head of Multi Asset at Newscape Capital Group, having joined in May 2016 to take over and restructure the Newscape funds business.



Fahad Hassan
Co-Manager

f.hassan@newscapegroup.com

Fahad worked at Legal and General for 11 years, where he ran over a \$1 billion in institutional and retail mandates. Fahad is the lead portfolio manager of the New Perspectives EM Income fund and is a co-manager on the Newscape Diversified growth fund. He is a CFA Institute charter-holder and has a deep understanding of industry structure, style factor investing and monetary economics.

Investment Themes

Equity Sector	Allocation
Developed	
Technology	18.3%
Financials	9.2%
Gold Miners	8.0%
Consumer Discretionary	7.2%
Total	42.7%
Emerging markets	
China	3.1%
South Africa	2.8%
India	2.1%
Turkey	1.1%
Greece	0.9%
Total	10.0%

Top 10 Holdings

Holding	Size
Berkshire Hathaway	3.4%
Daejan Holdings	3.3%
Amazon.com	2.1%
Markel	1.8%
IWG	1.3%
Facebook	1.2%
Vertex Pharmaceuticals	1.2%
Adobe Systems	1.2%
RWE	1.2%
A2 Milk	1.1%
Total	17.8%

Data as at 31 March 2017
Source: Newscap Capital Group

Currency Exposure

Region	Allocation
GBP	58.4%
USD	36.4%
CAD	4.8%
ZAR	2.0%
NZD	2.2%
EUR	-6.9%
TRY	1.1%
DKK	2.0%
Total	100%

Allocation by Style

Style	Allocation
Quality	17.2%
Growth	30.8%
Value	11.7%
Real Assets	13.8%
Global Government	17.6%
Cash	8.9%
Total	100.0%

Asset Allocation

Asset Class	Allocation
Equity	68.5%
Government	17.6%
Commodity	1.9%
Property	3.1%
Cash	8.9%
Total	100.0%

Fund Details

Domicile	Dublin, Ireland	
Legal Structure	UCITS	
Investment Manager	Newscap Capital Group Ltd	
Fund Launch Date (Share Class A Acc)	19-Oct-12	
Currency	GBP	
Liquidity	Daily	
Administrator	CACEIS Ireland Limited	
Custodian	CACEIS Bank Luxembourg Dublin Branch	
Auditor	PricewaterhouseCoopers (Ireland)	
Legal Counsel	A&L Goodbody Solicitors	
Codes	Bloomberg ticker	ISIN
Class A	NDVGRASID	IE00B8J3XG20
Class B	NEWDBASID	IE00B8HF7910
Class S	NEWDSAG ID	IE00BH7Y4H86
Charges	Annual Management Charge	OCF ^{**}
Class A	0.75%	4.68%
Class B	0.75%*	5.68%
Class S	0.00%	3.94%

*The manager has rebated 1.00%
**Ongoing Charges Figure
(OCF is the basis upon which all share class figures have been calculated)
For full details on the charges and fees please refer to the fund supplement and KIID.



Current Holdings

Quality	Growth	Value	Real Assets
Berkshire Hathaway	Amazon.com	Vesuvius	Daejan
Markel	Adobe Systems	Intl consolidated airline	ETFS Physical Platinum
Morrison Supermarkets	IWG	Turkiye is Bankasi	Barrick Gold
Pepsico	Vertex Pharmaceuticals	Korea Electric Power	Goldcorp
Walgreens Boots Alliance	Priceline	RWE	Newmont mining
Amgen	A2 Milk	Engie	Royal Gold
Merlin Entertainment	HDFC Bank	Close Brothers	Sibanye Gold
Intercontinental Hotels	Cisco	Deutsche Lufthansa	Agnico Eagle Mines
Fairfax Financial Holdings	Naspers	Standard Chartered	AngloGold Ashanti
Reckitt Benckiser	Jd.com	Easyjet	Kinross Gold
Carlsberg	Facebook	Lloyds	iShares Gold Producers
Hellenic Exchanges	Alibaba		ETFS Daxglobal Gold Mining
Shire	Symantec		
Amadeus	Polar Capital		
	Simcorp		
	Capgemini		
	United Internet		
	WNS		
	Bitauto		
	Xero		
	Scout24		
	Netapp		
	CDK Global		
	Alphabet		
	Celgene		
	Paypal		
	Biogen		
	Citrix Systems		
	Johnson Matthey		

Data as at 31 March 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. The Diversified Growth 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 with Fund reference number C100608. 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. 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 31/03/2017 unless otherwise specified, and is for informational purposes only.