

## March at a Glance

- **Currency volatility**
- **Taking “Material” profits**
- **The return of “Quality”**
- **A2 Milk**

## Manager’s Commentary

The New Perspectives EM Equity Income fund was up 2.3% in March which matched (approx.) the MSCI Emerging Market index over the period. The fund was up 11.4% during the first quarter versus a 11.1% return for the index.

Factor returns were more balanced this month. Daily Short Oil (Macro, 25 basis points), Coca-Cola Embonor (Quality, 24 bps), Kerry Properties (Value, 18 bps) and Naver Corp (Growth, 17 bps) were the largest contributors to relative returns. NetEase Inc (Growth, -29 bps), Ros Agro (Value, -21 bps), JSE Ltd (Quality, -20 bps) and Embraer (Value, -20 bps) were the largest drag on relative returns during the period.<sup>1</sup>

### Currency volatility

Currency movements made a negative contribution to relative performance (- 56 basis points)<sup>1</sup>. The Indian Rupee, Mexican Peso and Taiwan Dollar rallied versus the US dollar whilst the South African Rand sold-off. Our multi-asset and currency framework has helped circumvent some of the year to date movement in the currency markets.

Our holding in The Mexico Fund helped cushion the lack of direct Mexican equity exposure. The Mexican equity market is expensive versus the rest of Emerging Markets (EM) and individual stocks rarely feature in the top decile of our bottom up factor screens. We have reduced our Russian Ruble and South African Rand exposures in a timely manner. We have been bearish on crude oil prices and oil price proxies by extension. We continue to own Naspers, Anglo Ashanti Gold and Sibanye Gold in South Africa. These companies derive most of their revenues from non-Rand sources and should benefit from a declining currency.

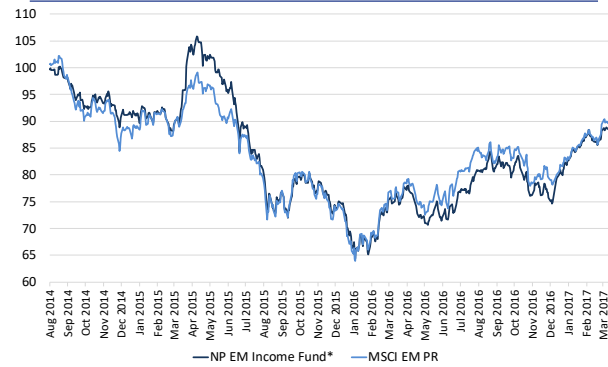
### Taking “Material” profits

We used the steep rally in material stock prices to take profits. We sold our holdings in Vale (Iron ore), Banpu PCL (coal), Hyundai Steel and Shandong Chenming Paper. The stocks are now pricing in much of the improvement in demand that we expect to see this year. We may revisit the names later in the year on a pull-back. Our materials exposure is now predominantly through the chemical sector.

### The Return of “Quality”

High quality stocks (consumer staples, healthcare, telecommunications and utilities) have lagged the broader market for over a year. Valuations are now more attractive and the expectations bar has been lowered. We have increased our exposure to quality stocks in March by adding to Globe Telecom (Philippines) and initiating positions in Carlsberg Brewery (Malaysia) and Tipco Foods PCL (Thailand).

## Performance



## Returns (%)

	NP EM Fund	MSCI EM PR
1 Month	2.29%	2.35%
6 Month	8.85%	6.08%
YTD	11.43%	11.14%
Since Inception	-11.59%	-11.02%
1 Year	15.33%	14.53%
3 Year	-	-
5 Year	-	-

Share Class E Acc USD ; Fund and MSCI data as at 31 March 2017; since 18/08/2014.  
Data prior to 18/08/2014 unavailable;  
Source: Bloomberg

## Discrete Annual Returns - year end 31/03

	2017	2016	2015
NP EM Fund	15.33%	-17.18%	-
MSCI EM Index	14.53%	-14.14%	-

Share Class E Acc USD; Fund data as at 31 March 2017;  
Daily data used for calculations; Figures are net of fees;  
Data for the year of 2015,2014 and 2013 (year end 28/02) unavailable;  
Source: Bloomberg

## Calendar Year Performance

	2016	2015
NP EM Fund	6.22%	-18.15%
MSCI EM Index	8.58%	-16.96%

Share Class E Acc USD; Fund and MSCI data as at 31 March 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	Bloomberg Ticker	NAV	Inception Date
E Acc USD	NPEEEUA ID Equity	\$88.41	18/08/2014
F Acc USD	NPEEFUA ID Equity	\$90.38	26/08/2014
E Inc USD	NPEEEUI ID Equity	\$92.09	22/09/2014
S Acc GBP	NFEMIES ID Equity	£94.58	09/09/2014
E Acc GBP	NPEEEUA ID Equity	£96.13	04/12/2014

## Portfolio Characteristics

	NP EM Fund	MSCI EM
Dividend Yield	2.5%	2.4%
Price to Book	3.3	1.7
Price to Earnings	22.2	15.6

Fund data as at 31 March 2017; Source: Newscap Capital;  
MSCI data as at 31 March 2017; Source - Bloomberg  
Average PE used

## A2 Milk

We initiated a position in A2 Milk (New Zealand). The company sources milk production from cows that do not produce the A1 beta-casein protein in their milk. Most milk found in Europe and the U.S contains the A1 protein and its consumption is linked to several chronic health conditions.

A2 generated revenues of \$235 million in 2016, 84% of which came from Australia and New Zealand. The build out of distribution agreements in the US, China and the UK has just started and the company is expected to grow revenues by 50% in 2017. 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 a better substitute to many milk allergy sufferers and it is cheaper to source. We expect robust sales growth through increased marketing and geographic expansion.

The actions we have taken in March help position the fund for the inevitable slow-down in the pace of economic growth. While we continue to see the improvement in earnings as favourable for investor sentiment, a more balanced factor strategy is now warranted. As we make this shift you should expect to see an increased focus on growth and quality.

Fahad Hassan

CFA, Lead Manager

<sup>1</sup>Calculated using Bloomberg regional model for attribution analysis, versus iShares MSCI emerging Markets ETF.

## Fund Managers



**Fahad Hassan CFA**  
**Lead Manager**  
f.hassan@newscapegroup.com

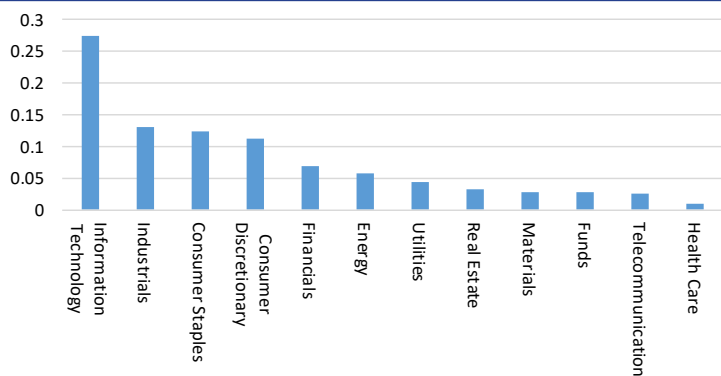
Fahad worked at Legal and General for 11 years, where he managed over a \$1 billion in institutional and retail mandates. Fahad is the lead portfolio manager of the New Perspectives EM Income fund and is a co-manager on the Newscape Diversified growth fund. He is a CFA Institute charter-holder and has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



**Charlie Morris**  
**Co-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.

### Sector Exposure (%)



\*Exposure amounts are solely illustrative and are not intended as pre defined allocation limits.  
Source: Newscap  
Data as at 31 March 2017;

### Top 5 Country Allocations

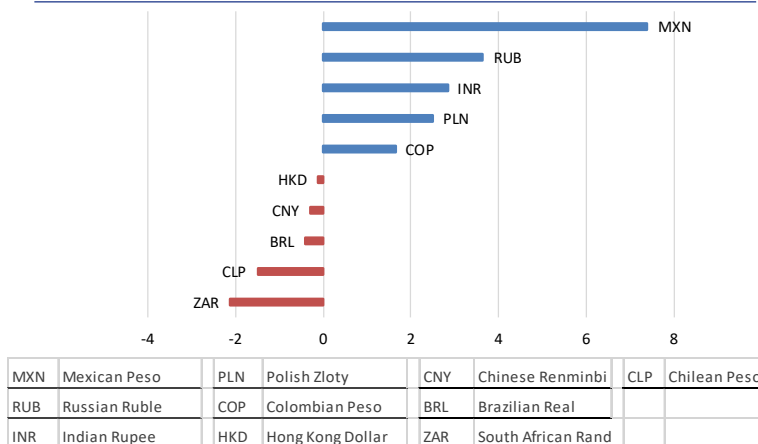
Country	Allocation
China	29.2%
Hong Kong	9.9%
Brazil	7.5%
Thailand	6.9%
South Korea	4.8%

### Fund Details

Domicile	Dublin, Ireland
Legal Structure	UCITS IV
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
Performance Fee	Waived
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



Time period: 28 February 2017 - 31 March 2017  
Data as at 31 March 2017  
Source: Bloomberg

### Top 4 Themes

Theme	Allocation
Internet	23.1%
Mobile Components	8.5%
Materials	5.8%
Gold Miners	5.8%

### Allocation by Style

Style	Allocation
Growth	34.4%
Value	32.3%
Quality	19.1%
Real Assets	7.9%
Macro	0.0%
Cash	6.3%
<b>Total</b>	<b>100%</b>

### Top 10 Holdings

Holding	Size
NAVER Corp	3.4%
Taiwan Semiconductor Manufacturing	3.4%
NetEase	3.2%
Alibaba Group Holding	2.9%
Central Fund of Canada	2.9%
JD.com	2.8%
Standard Chartered	2.6%
Globe Telecom	2.5%
Embraer	2.5%
Thai Oil	2.5%

Data as at 31 March 2017



**Current Holdings**

Quality	Growth	Value	Real Assets
Globe Telecom	NAVER	Thai Oil	Central Fund of Canada
Gudang Garam	NetEase	China Petroleum & Chemical	AngloGold Ashanti
Aguas Andinas	Alibaba	PTT	Kinross Gold
Coca-Cola Embonor	JD.com	Ju Teng International	Sibanye Gold
MTR	Bitauto	Standard Chartered	TAV Havalimanlari
Carlsberg Brewery Malaysia	Ctrip.com	Embraer	Ezdan
Shenzhen Expressway	Tencent	Zoomlion Heavy Industry Science and Technology	
Charoen Pokphand Foods	Weibo	Banco do Brasil	
TIPCO Foods	Baidu	Turkiye Is Bankasi	
Fleury	Naspers	Sands China	
Qatar Electricity & Water	Taiwan Semiconductor Manufacturing	Direcional Engenharia	
	Tongda	Ros Agro	
	AAC Technologies	Sinotrans	
	WNS	Kerry Properties	
	Geely Automobile	Korea Electric Power	
	A2 Milk	Shimao Property Holdings	
		Shanghai Industrial Holdings	

Data as at 31 March 2017  
Source: Newscap Capital Group

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