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December at a Glance

- **The Last Dotcom Bear Market**
- **Opportunities in 2019**

Manager's Commentary

The Newscap Diversified Growth Fund (DGF) rose by 0.4% in December which compares to a broad market fall of 3.2% as measured by the FTSE UK Private Balanced total return Index in sterling terms, and a 3.5% fall for the FTSE 100. Having been complacent for much of 2018, investors have become more realistic for the outlook for equities.

The best performing stocks in DGF were OceanaGold, Harmony Gold and Sibanye. The worst were Micro Focus, Marks and Spencer and Morrisons. Sterling was flat against the US dollar and down by 1.4% against the euro. DGF is hedged against both currencies which made a small negative contribution. However, the long yen, short euro position made a positive contribution. There was a 20% short position in FTSE 100 futures which was supportive.

Over the year, DGF fell by 2.9%, which compares to -2.8% for the balanced index and -8.8% for the FTSE 100 Index. Having been ahead of both comparisons until May, DGF eroded some gains due to the sterling hedge and exposure to gold. We remain committed to both as the global economic slowdown has we believe begun.

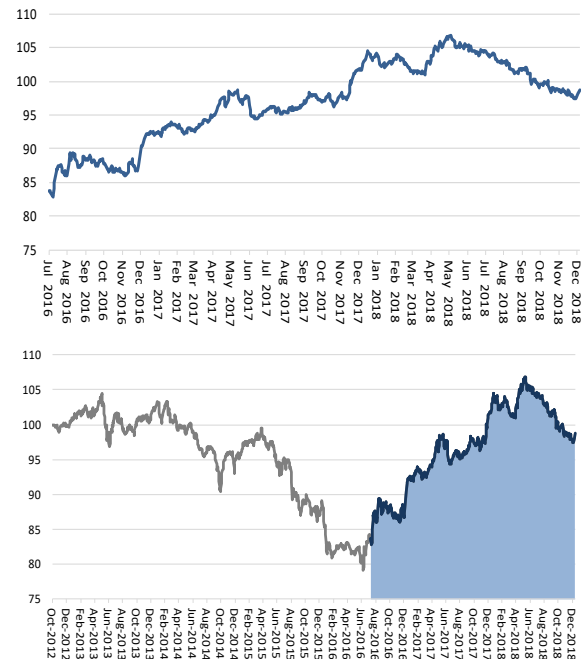
The Last Dotcom Bear Market

Bull or bear markets are never the same, but elements are repeated. The 2000 to 2003 bear market strikes us as a reasonable analogue given the similarities. That period followed a dollar bull run, driven by US rate hikes, within a low-inflation "goldilocks" boom. That era followed a crisis in emerging markets and a slump in value stocks. But what sets it apart from the 2008 bear market, is that many stocks and bonds held up well, with some doing quite well.

One reason that bear markets unwind at speed is because of the heavy selling pressure from speculative assets that are held in weak hands. The bear process isn't over until those assets can find their way into stronger hands. And given price is their only weapon, buyers can only be drawn in by fire sale prices. Eventually there comes a time when the weak hands capitulate, and that is when the bear's work is finally done.

If you think about the assets most at risk, they are speculative, expensive, unstable or leveraged. It stands to reason that assets with the opposite qualities will likely fare much better, which is exactly what happened in the dotcom bear market. It was only the growth sectors that collapsed, when most value stocks did fine. Emerging markets were of particular interest, because most asset allocators ignored them altogether, just as they ignored gold. Both of these turned out to be among the best investments over the subsequent decade. In that sense we believe that history could repeat itself.

Performance



Share Class A Acc GBP from 19/10/2012 to 31/12/2018
 Charlie Morris taking over fund management - 29/07/2016
 Fund data as at 31 December 2018
 Source: Bloomberg

Returns (%)

Class	1M	6M	YTD	1Y	3Y	5Y	S/I
A GBP	0.4%	-5.5%	-2.9%	-2.9%	10.8%	-3.6%	-1.3%
B GBP	0.3%	-5.9%	-3.7%	-3.7%	-	-	19.3%
S GBP	0.4%	-5.3%	-2.3%	-2.3%	-	-	14.6%
I GBP	0.4%	-5.6%	-2.9%	-2.9%	-	-	1.2%
F GBP	0.3%	-5.9%	-	-	-	-	-2.9%
F SGD	0.4%	-5.6%	-	-	-	-	-2.6%
N GBP	0.4%	-	-	-	-	-	-4.7%
N USD	0.6%	-	-	-	-	-	-4.3%

Share Class A Acc GBP; Fund data as at 31 December 2018; since 19/10/2012.
 Data prior to 19/10/2012 unavailable;
 Source: Newscap Capital Group

Rolling Annual Returns - year end 31/12

	2018	2017	2016	2015	2014
Class A	-2.9%	12.6%	1.4%	-7.0%	-6.5%

Share Class A Acc GBP; Fund data as at 31 December 2018;
 Daily data used for calculations; Figures are net of fees;
 Source: Newscap

Calendar Year Performance

	2018	2017	2016	2015	2014	2013
Class A	-2.9	12.6%	1.4%	-7.0%	-6.5%	2.6%

Share Class A Acc GBP; Fund data as at 31 December 2018;
 Daily data used for calculations; Figures are net of fees;
 Source: Newscap Capital Group

Portfolio Characteristics

	DGF	FTSE 100	Gilts*
Volatility	4.8%	18.5%	6.2%
Yield**	1.7%	4.9%	1.2%

Data as at 31 December 2018
 Figures annualised;
 Source: Newscap Capital Group, FTSE 100 and Gilts - Bloomberg;
 *UK 10-year benchmark gilt;
 **Generated income will be reinvested within the fund.

Opportunities in 2019

We remain less excited by the prospects for gold and emerging markets today, as we might have been 20 years ago. They currently trade close to fair value rather than being dirt cheap, as they once were. There is also a missing catalyst as the likes of China are finally slowing down, whereas 20 years ago, they were accelerating. We see emerging markets as credible investment destinations because they are under-owned and offer value, notwithstanding the macro economic uncertainty.

Closer to home, value is abundant. The likes of Amazon have convinced us that retail is dead in the water, but this can't be the whole story. The supermarket, DIY, banks and the post office will not follow the path of Blockbuster video any time soon. Yet these companies trade as if it's over. We disagree. There are an increasing number of good companies with strong balance sheets in this area. While they will likely preserve capital in the slowdown, they probably won't surge until the next cycle begins.

Outlook

Ten years ago, few investors believed that equities would ever get to these heights so soon; yet they did. Now that the easy monetary policy is behind us, things are likely to get worse. And those in the firing line are the areas that have benefited the most. In that regard, US tech and growth companies, some of which touched a trillion-dollar price tag, have much to lose.

But it's not just them. Financial engineering has played a large role in the past cycle, with buybacks being a desirable investment theme. Buffett always taught us that buybacks were useful if they occurred below intrinsic value. Over the past cycle, there hasn't been much of that. Instead, companies borrowed money to buy shares at lofty prices; a strategy for value-destruction.

We can see what is cheap, and can see where the danger lies, but that's not the same as having a crystal ball. We believe that by steering away from trouble, we will be best-placed to live to fight another day.

Charlie Morris, Lead Manager

If you would like to subscribe to the Diversified Growth Fund monthly update, please email leva: i.katiliute@newscapegroup.com.

Fund Managers



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 CIO at Newscap Capital Group, having joined in May 2016 to take over and restructure the Newscap funds business.



Fahad Hassan
Co-Manager
f.hassan@newscapegroup.com

Fahad worked at Legal and General for 11 years, where he ran over \$1 billion in institutional and retail mandates. Fahad 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.

Allocation by Style

Style	Allocation
Gold	30.5%
Global Government	27.0%
Value	16.6%
Quality	10.9%
Growth	5.4%
Spec Sits	2.9%
Cash	6.7%
Total	100.0%

Investment Themes

Equity Sector	Allocation
Developed	
Financials	9.4%
Materials	8.9%
Consumer Staples	4.7%
Energy	4.6%
Total	27.6%
Emerging Markets	
China	4.8%
South Africa	1.9%
Russia	1.3%
Chile	1.0%
Total	9.0%

Top 10 Stocks

Holding	Size
POLYMETAL	1.3%
ELI LILLY	1.3%
TOKYO ELECTRIC POWER	1.3%
OCEANAGOLD	1.3%
VESTAS	1.2%
CIA DE MINAS BUENAVENTUR	1.2%
MICROSOFT	1.2%
IBERDROLA	1.1%
MICRO FOCUS	1.1%
BARRICK GOLD	1.1%

Data as at 31 December 2018; Source: Newscap Capital Group

Currency Exposure

Currency	Allocation
GBP	114.3%
JPY	11.3%
HKD	4.8%
CAD	4.2%
ZAR	1.9%
DKK	1.3%
CHF	1.1%
SEK	0.9%
USD	-0.7%
EUR	-28.9%
Total	100.0%

Share Class Information

Share Class	Bloomberg Ticker	NAV	Inception Date
A Acc GBP	NDVGRAS ID Equity	98.71	19/10/2012
B Acc GBP	NEWDBAS ID Equity	119.27	21/01/2016
S Acc GBP	NEWDSAU ID Equity	114.59	01/06/2017
I Acc GBP	NEWDIAG ID Equity	101.16	02/11/2017
F Acc GBP	NEWDFAG ID Equity	97.08	13/04/2018
F Acc SGD	NEWDFAS ID Equity	97.39	16/04/2018
N Acc GBP	NEWDNAG ID Equity	95.26	01/08/2018
N Acc USD	NEWDNAU ID Equity	95.73	01/08/2018

Asset Allocation

Asset Class	Allocation
Equity	40.8%
Government	27.0%
Precious	22.7%
Private Equity	2.9%
Cash	6.7%
Total	100.0%

Fund Details

AUM	£11.4 m
Domicile	Dublin, Ireland
Legal Structure	ICVC
Investment Manager	Newscap Capital Group Ltd
Fund Launch Date (Share Class A Acc)	19-Oct-12
Currency	GBP
Liquidity	Daily
Administrator	CACEIS Ireland Limited
Depository	CACEIS Bank, Ireland Branch
Auditor	PricewaterhouseCoopers (Ireland)
Legal Counsel	A&L Goodbody Solicitors

Codes	Bloomberg ticker	ISIN
Class A Acc GBP	NDVGRAS ID	IE00B8J3XG20
Class B Acc GBP	NEWDBAS ID	IE00B8HF7910
Class S Acc GBP	NEWDSAG ID	IE00BH7Y4H86
Class I Acc GBP	NEWDIAG ID	IE00BD5G3046
Class F Acc GBP	NEWDFAG ID	IE00BD5G2Q33
Class F Acc SGD	NEWDFAS ID	IE00BYW7R167
Class N Acc GBP	NEWDNAG ID	IE00BYW7R837
Class N Acc USD	NEWDNAU ID	IE00BYW7R613

Charges	Annual Management Charge	Ongoing Charges Fees
Class A	0.75%	2.24%
Class B	0.75%*	3.09%
Class S	0.00%	1.58%
Class I	0.75%	2.24%
Class F	1.50%	3.00%
Class N	0.00%	1.94%

*The manager has rebated 1.00%
(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;
*** Estimate

Current Holdings

Quality	Growth	Value	Real Assets	Special Situations
MARKEL	MICROSOFT	SSE	GOLD	OAKLEY CAPITAL
MORRISONS	BURBERRY	MARKS & SPENCER	SILVER	BETTER CAPITAL
BRITVIC	VESTAS	LLOYDS	PLATINUM	UIL
RECKITT BENCKISER	TENCENT	TOKYO ELECTRIC POWER	HARMONY GOLD	
ELI LILLY	CHINA LIFE	ANTOFAGASTA	POLYMETAL	
FAIRFAX FINANCIAL		BARCLAYS	OCEANAGOLD	
ROCHE		STANDARD CHARTERED	SIBANYE GOLD	
PZ CUSSONS		LEGAL & GENERAL	BARRICK GOLD	
IMPERIAL BRANDS		IBERDROLA	CIA DE MINAS BUENAVENTUR	
SMITH & NEPHEW		BANCO MACRO	CENTAMIN	
PICC PROPERTY & CASUALTY		GRUPO FINANCIERO GALICIA		
		MICRO FOCUS		
		CANADIAN NATURAL RESOURCES		
		PETROCHINA		
		LUNDIN PETROLEUM		
		TULLOW OIL		
		CHINA SHENHUA ENERGY		

Data as at 31 December 2018
Source: Newscap Capital Group

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