July at a Glance

- **Oil Rallies on Falling Inventories**
- **CK Hutchison**
- **A Hard Fork in Bitcoin**

Manager's Commentary

The Newscape Diversified Growth Fund (DGF) rose by 1.4% in July. The biggest risers included A2 Milk, Vertex, Facebook and Markel. Detractors included Reckitt Benckiser, Polaris and Wells Fargo.

The month saw greater stability in bonds, yet rising yields are starting to look like a trend. This ought to mark an improved growth outlook and is particularly important for both quality and value stocks. Quality trades at high valuations relative to its history and has principally been driven by bonds. Value has lagged the market since 2008, with only a brief rally in 2016 along with oil. As a result, value, which includes financials, is the part of the global stock market that can reasonably be described as cheap.

With bonds likely to support value stocks over the coming months, there is another key factor that could drive them; an improved outlook for oil.

Oil rallies on falling inventories

Having been previously upbeat on oil last year, DGF had minimal exposure for much of this year. Demand proved to be lacklustre as US supply grew rapidly. Organisation of the Petroleum Exporting Countries (OPEC) showed poor discipline in limiting supply, and the result was an explosion in inventories. It is normal for inventory levels to rise early in the year and then fall into the summer. However, the rate of decline has been much faster than expected, and they have now fallen below 2016 levels. This means the oil glut may be behind us.

Global oil demand has reached 99 million barrels per day (mbpd); a number that has grown at a trend rate of 1.5% over the past two decades. There is much talk about efficiencies, electric cars and alternative energy, yet there is another story. While oil remains plentiful, it requires more energy to extract it than it did in the past. The new technologies are indeed helping to slow demand growth, but in order to maintain current supplies, more energy is required for extraction. Looking across the system as a whole, energy demand can only grow. And as investors know, any rate of compound growth will one day become a very high number.

Economic growth and energy demand go hand in hand; a point even more relevant for the emerging world. The current value of the global oil supply represents 6.3% of GDP, against a historical average of 8.3%. This is low and has tended to mean revert from such levels in the past. It also goes against what the purchasing managers' indices and the bond markets are telling us; the economy remains strong. As a result, we have become more upbeat on the outlook for oil.

We have increased exposure to oil stocks via a diversified basket. This includes Shell, Hess, BP, Devon, Premier Oil, Lukoil and related service businesses such

Performance

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

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

Returns (%)

	Class A
1 Month	1.4%
6 Month	4.1%
YTD	6.4%
Since Inception	-3.9%
1 Year	14.9%
3 Year	-0.4%
5 Year	-

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

Discrete Annual Returns - year end 31/07

	2017	2016	2015	2014	2013
Class A	14.9%	-11.9%	-1.6%	-4.2%	-

Share Class A Acc GBP; Fund data as at 31 July 2017;
Data for the year of 2013 (year end 31/07) is unavailable.
Daily data used for calculations; Figures are net of fees;
Source: Bloomberg

Calendar Year Performance

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

Share Class A Acc GBP; Fund data as at 31 July 2017;
Daily data used for calculations; Figures are net of fees;
Source: Bloomberg

Portfolio Characteristics

	DGF	FTSE 100	Gilts*
Volatility	7.8%	9.0%	6.6%
Yield**	1.5%	4.1%	1.2%

Data as at 31 July 2017;
Source: Newscape Capital Group, FTSE 100 and Gilts - Bloomberg;
*UK 10 -year benchmark gilt;
**Generated income will be reinvested within the fund.

CK Hutchison

CK Hutchison was founded by Li Ka Shing, and holds the non-property assets of Cheung Kong Group. Those include retail stores, telecoms, energy and other infrastructure assets. 52% of the assets are European, mainly telecoms, and ports such as Felixstowe. The remainder is Hong Kong, China and the rest of Asia. Being a conglomerate, it isn't the easiest company to value. Yet on a sum of the parts basis, it currently trades at a 25% discount to net asset value (NAV) according to CLSA. Conglomerates often trade at discounts, which make them attractive holdings for value investors.

Our view is that the European assets are held at low valuations at a time when the economy has picked up in both Asia and Europe. The increase in oil prices should provide an additional tailwind to the valuation.

A hard fork in bitcoin's blockchain

The bitcoin network is taking the necessary steps so that it can grow. So far, each block has been capped at 1Mb in size, meaning that the network has become saturated. This year has seen several days when more than $1bn has changed hands. As of 1st August, the blockchain successfully underwent a change whereby a new version of the bitcoin software was implemented; known as SegWit (segregated witness). This event is known as a "soft fork" as there was a consensus among network participants (miners). This change will enable the bitcoin blocksize to grow, so that potentially an unlimited number of transactions can take place.

There is also a so-called "hard fork". This is led by a group of miners with an alternative view; they want to launch "Bitcoin Cash" that is basically bitcoin with larger blocks (rather than smarter blocks). Bitcoin Cash will succeed if there is sufficient processing power to successfully mine a block that is greater than 1 MB. If so, a fork will develop and there will be two versions of bitcoin forever more. This is a bit like a corporate action, and bitcoin holders will hold both coins on a one for one basis in the future.

The point is that digital assets are no longer an amusing joke. These digital networks are collectively worth $100 bn and there comes a point when the experiment becomes real. We believe the successful attempt to increase the blocksize marks a major turning point for digital assets. Never absent of innovation, the market is offering new ways for traditional funds to invest in this new asset class. Position sizing will naturally reflect the high levels of volatility, but we believe it's more important to embrace new ideas than ignore them. Digital assets are here to stay.

Outlook

The world economy is stronger than the bears believe. That doesn't necessarily mean good news for equities as rising yields will be no friend of high quality stocks. As real interest rates rise, gold will likely plod along at best, while growth stocks can continue to stretch into high valuation territory. The surprise for all will be the resurgence of the value trade. A basket of banks and natural resources could be the great trade for the rest of the year.

Charlie Morris
Lead Manager

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

Fund Managers

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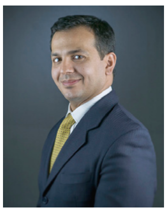
Charlie Morris spent 17 years at HSBC Global Asset Management as the Head of Absolute Return. There he managed a $3 billion multi-asset fund range as well as contributing to the overall strategy of the business. Charlie is now CIO at Newscape Capital Group, having joined in May 2016 to take over and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



Fahad Hassan
Co-Manager
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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 Emerging Market Equity 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.

Share Class Information

Share Class	Bloomberg Ticker	NAV	Inception Date
A Acc GBP	NDVGRAS ID Equity	96.1	19/10/2012
B Acc GBP	NEWDBAS ID Equity	117.5	21/01/2016
S Acc GBP	NEWDSAG ID Equity	110.6	16/09/2016
S Acc USD	NEWDSAU ID Equity	98.5	01/06/2017

Investment Themes

Equity Sector	Allocation
Developed	
Financials	20.6%
Energy	15.6%
Information Technology	14.9%
Consumer Staples	12.0%
Total	63.1%
Emerging markets	
Russia	1.2%
Japan	1.1%
India	1.1%
Total	3.4%

Top 10 Holdings

Holding	Size
BERKSHIRE HATHAWAY	2.1%
MARKEL	1.8%
A2 MILK	1.7%
FACEBOOK	1.4%
FDM GROUP	1.3%
CENTRAL FUND CANADA	1.3%
RAKUTEN	1.2%
AMADEUS	1.1%
VERTEX PHARMACEUTICALS	1.1%
CITIGROUP	1.1%
Total	14.1%

Data as at 31 July 2017
Source: Newscape Capital Group

Currency Exposure

Currency	Allocation
GBP	105.5%
USD	-14.6%
HKD	3.0%
NZD	2.7%
JPY	1.2%
EUR	1.1%
CAD	1.0%
Total	100.0%

Allocation by Style

Style	Allocation
Global Government	28.3%
Value	17.8%
Quality	17.7%
Growth	14.5%
Real Assets	14.2%
Cash	7.5%
Total	100.0%

Asset Allocation

Asset Class	Allocation
Equity	52.0%
Government	28.3%
Special Situations	11.2%
Cash	7.4%
Property	1.1%
Total	100.0%

Fund Details

Domicile		Dublin, Ireland
Legal Structure		ICVC
Investment Manager		Newscape 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 Acc GBP	NDVGRASID	IE00B8J3XG20
Class B Acc GBP	NEWDBASID	IE00B8HF7910
Class S Acc GBP	NEWDSAG ID	IE00BH7Y4H86
Class S Acc USD	NEWDSAU ID	IE00BH7Y4G79
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.

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Current Holdings

Quality	Growth	Value	Real Assets
BERKSHIRE HATHAWAY	A2 MILK	RAKUTEN	NEWMONT MINING
MARKEL	XERO	POLARIS INDUSTRIES	POLYMETAL INTERNATIONAL
AMADEUS	PRICELINE GROUP	BANK OF AMERICA	CAMECO
WM MORRISON SUPERMARKETS	WNS HOLDINGS	WELLS FARGO	CENTRAL FUND CANADA
PEPSICO	FACEBOOK	CITIGROUP	ETFS PHYSICAL SILVER
RECKITT BENCKISER	AMAZON.COM	PNC FINANCIAL SERVICES	ETFS PHYSICAL PLATINUM
PZ CUSSONS	PAYPAL	LLOYDS BANKING	ETFS 1X DAILY SHORT TIN
MERCK & CO	ALPHABET	ROYAL BANK OF SCOTLAND	ETFS 1X DAILY SHORT NATURAL
AMERISOURCEBERGEN	CELGENE	LEGAL & GENERAL	BOOST FTSE 250 1X SHORT ETP
BRISTOL-MYERS SQUIBB	FDM GROUP HOLDINGS	DEVON ENERGY	DBX S&P 500 INVERSE DAILY 1C
DAEJAN	VERTEX PHARMACEUTICALS	HESS	
MERLIN ENTERTAINMENT	CLIPPER LOGISTICS	BP	
WALGREENS BOOTS ALLIANCE		ROYAL DUTCH SHELL	
MTR		NATIONAL OILWELL VARCO	
HANG LUNG PROPERTIES		SCHLUMBERGER	
CK HUTCHISON HOLDINGS		ROTORK	
		PREMIER OIL	
		LUKOIL	

Data as at 31 July 2017
Source: Newscape Capital Group

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