

December at a Glance

- **Build Your Dreams**
- **Petrofac**

Manager's Commentary

The Newscap Diversified Growth Fund (DGF) rose by 4.4% in December and 12.6% for the year. The biggest risers included digital assets and the natural resources stocks. Detractors included soybeans, Citigroup and Engie. Over the course of the year, DGF maintained low levels of volatility, in both absolute terms and relative to the market.

Digital assets saw a strong finish to an extraordinary year. In December, the level of hype had gotten ahead of events and we took profits before the holiday season. 2018 will likely see further noise from this space but the easy money may have been made. With that in mind, DGF will embrace digital assets if suitable opportunities arise, but with greater caution. Most of the excitement is taking place in cyberspace rather than in the stockmarket.

There was a surprise turn of events towards the year end. Oil burst through \$60 over the holiday season which saw inflation expectations surge. That was accompanied by a broad move in commodity prices, which then saw a further surge in the Asian stockmarkets after the new year. China and Japan have been especially strong; both printing Purchasing Manager's Index (PMI) numbers that demonstrate buoyant economies.

Build Your Dreams BYD (1211 HK)

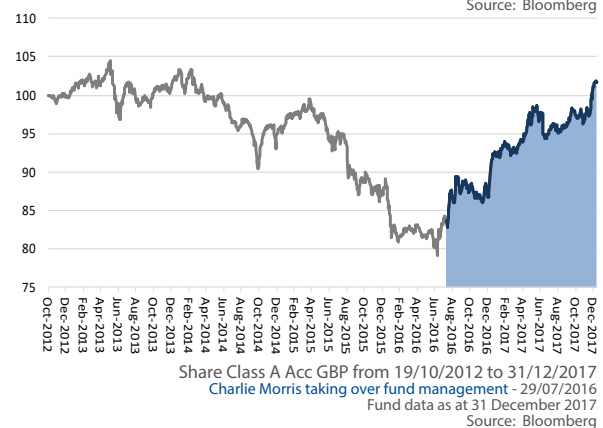
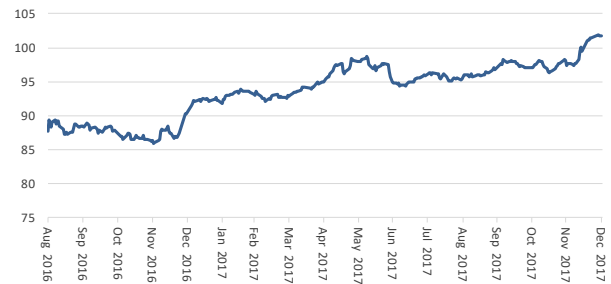
In 2000, BYD became the first Chinese lithium ion battery supplier to Motorola. Then in 2008, BYD became a pioneer in hybrid vehicles. Berkshire Hathaway took a significant stake later that year and the shares subsequently surged. Since then the sales have risen five-fold to \$15 billion, and the company is now on the verge of profitability.

BYD's new energy vehicles received wide acceptance from customers both at home and abroad and accounted for 11 per cent of the world's market share in 2015. By 2016, BYD's new energy vehicles have been sold in 50 countries. The company has 22,000 employees and operates in 29 countries. It's impressive and other product lines include solar, energy storage and LEDs. It's a sort of Elon Musk without the hype. And on that note, the forecast sales for 2020 are the same for both companies yet BYD trades at half the price.

Petrofac

This oil services company designs, builds and manages oil and gas production facilities. Last year, the company got into trouble due to a bribery scandal with the UK's Serious Fraud Office and the shares plummeted. Since then, Petrofac has made strides to get its affairs back into order. They are winning new business, continue to generate positive cashflow and the shares trade cheaply on seven years earnings.

Performance



Returns (%)

	Class A GPB	Class B GBP	Class S GBP	Class S USD	Class I GBP
1 Month	4.4%	4.3%	4.5%	4.6%	4.4%
6 Month	7.3%	6.8%	7.7%	8.4%	
YTD	12.6%	11.5%	13.4%	4.9%	4.2%
Since Inception	1.7%	23.8%	17.3%	5.1%	4.2%
1 Year	12.6%	11.5%	13.4%	-	-
3 Year	6.2%	-	-	-	-
5 Year	1.7%				

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

Discrete Annual Returns - year end 31/12

	2017	2016	2015	2014	2013
Class A	12.6%	1.4%	-8.5%	-6.5%	2.6

Share Class A Acc GBP; Fund data as at 31 December 2017; Data for the year of 2013 (year end 31/12) is unavailable. Daily data used for calculations; Figures are net of fees; Source: Bloomberg

Calendar Year Performance

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

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

Portfolio Characteristics

	DGF	FTSE 100	Gilts*
Volatility	6.2%	9.0%	6.3%
Yield**	1.3%	4.1%	1.2%

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

A stronger economy consumes more energy and oil production growth is slowing. Proof for this comes through the collapsing levels of inventories in the USA. Oil has risen above \$60 and in our opinion, is on the way to \$80. This has improved the outlook in the oil services sector as higher oil prices drive long-term investments. The downside is that while the going is good, we believe that higher oil prices will ultimately sow the seeds of the next recession. In the meantime, Petrofac is a prime bid target from the likes of Schlumberger or Haliburton. We hold this stock as it appears to be a promising recovery situation.

Outlook

Sentiment from 2017 has spilled over and the new year has begun with a bang. While we don't like to spoil the party, we remain wary of just how stretched equity prices are versus bonds. In places like the UK, that can be justified by the higher dividend yields. But those dividends are far from certain and evidence in other countries such as the USA, point the other way. Stockmarkets are rich on so many measures.

DGF remains diversified and will always be looking for opportunities outside of equities. Some of that will help to protect the fund, while others are alternative sources of return. Currently, DGF is commodity and value heavy at the expense of quality and growth. That will likely remain in place until the economy starts to cool.

Charlie Morris
Lead Manager

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

Fund Managers



Charlie Morris
Lead 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.



Fahad Hassan
Co-Manager
f.hassan@newscapgroup.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 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.

Share Class Information

Share Class	Bloomberg Ticker	NAV	Inception Date
A Acc GBP	NDVGRAS ID Equity	101.68	19/10/2012
B Acc GBP	NEWDBAS ID Equity	123.84	21/01/2016
S Acc GBP	NEWDSAG ID Equity	117.35	16/09/2016
S Acc USD	NEWDSAU ID Equity	105.06	01/06/2017
I Acc GBP	NEWDIAG ID Equity	104.20	02/11/2017

Investment Themes

Equity Sector	Allocation
Developed	
Financials	29.0%
Information Technology	15.3%
Energy	14.4%
Materials	14.0%
Total	72.7%
Emerging markets	
Russia	4.1%
China	4.1%
Turkey	1.0%
South Africa	1.0%
Total	10.3%

Top 10 Holdings

Holding	Size
FACEBOOK	1.3%
DEVON ENERGY	1.2%
PREMIER OIL	1.2%
PAYPAL	1.2%
VMWARE	1.2%
TATNEFT	1.2%
SBERBANK	1.1%
INTERMEDIATE CAPITAL	1.1%
PNC FINANCIAL SERVICES	1.1%
ENCANA	1.1%

Data as at 31 December 2017
Source: Newscap Capital Group

Currency Exposure

Currency	Allocation
CHF	-19.0%
EUR	-15.1%
AUD	-10.0%
DKK	0.9%
CAD	1.1%
TRY	3.0%
HKD	5.0%
USD	7.9%
JPY	31.0%
GBP	95.1%
Total	100.0%

Allocation by Style

Style	Allocation
Real Assets	26.6%
Global Government	21.8%
Value	15.2%
Growth	13.6%
Quality	13.4%
Cash	9.4%
Total	100.0%

Asset Allocation

Asset Class	Allocation
Equity	49.1%
Government	21.8%
Precious	16.0%
Cash	9.4%
Commodity	2.8%
Property	0.9%
Total	100.0%

Fund Details

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 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
Class I Acc GBP	NEWDIAG ID	IE00BD5G3046
Charges	Annual Management Charge	OCF**
Class A	0.75%	1.21%
Class B	0.75%*	2.65%
Class S	0.00%	0.37%
Class I	0.75%	1.12%

*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	FACEBOOK	CITIGROUP	DEVON ENERGY
MARKEL	PAYPAL	PNC	ROYAL DUTCH SHEL
AFLAC	RPS	LLOYDS	PREMIER OIL
JARDINE LLOYD THOMPSON	GUIDEWIRE SOFTWARE	ROYAL BANK OF SCOTLAND	TATNEFT
BRISTOL-MYERS SQUIBB	VMWARE	CYBG	ENCANA
DAEJAN	MAIL.RU	DEUTSCHE BANK	GLENCORE
MTR	SBERBANK	COMMERZBANK	ANGLO AMERICAN
UNIPER	CANON	CREDIT SUISSE	POLYMETAL INTERNATIONAL
ENGIE	INTERMEDIATE CAPITAL	JPMORGAN CHASE & CO	HOCHSCHILD MINING
BIOGEN	ILLUMINA	ROTORK	CENTAMIN
GILEAD SCIENCES	APPLE	PETROFAC	KOZA ALTIN ISLETMELERI
KERING	ALPHABET	C.H. ROBINSON	HARMONY GOLD
CARLSBERG	VAREX IMAGING	HANSARD GLOBAL	ZIJIN MINING
VERIZON COMMUNICATIONS		BYD	ISHARES PHYSICAL GOLD
		PETROCHINA	SOURCE PHYSICAL GOLD P
		CRRC	ETFS PHYSICAL PLATINUM
			ETFS NICKEL
			ETFS SOYBEANS

Data as at 31 December 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 31/12/2017 unless otherwise specified, and is for informational purposes only.