

December at a Glance

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

Manager's Commentary

The Newscap Emerging Market Equity Fund rose by 6.7% in December and 25.6% for the year. The biggest risers included digital assets and the natural resource stocks. Detractors included soybeans, AAC Technologies and Fufeng Group.

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.

The theory is that if January is a strong month, then a good year will follow. But like all media-driven theories, they only work some of the time, and are therefore fairly useless forecasting tools. The years 2000 and 2008 had weak Januaries which was right, but so did 2009 which was spectacularly wrong. Whatever happens in January, the Newscap EM Fund will remain diversified and seek opportunities wherever they may be.

Chile

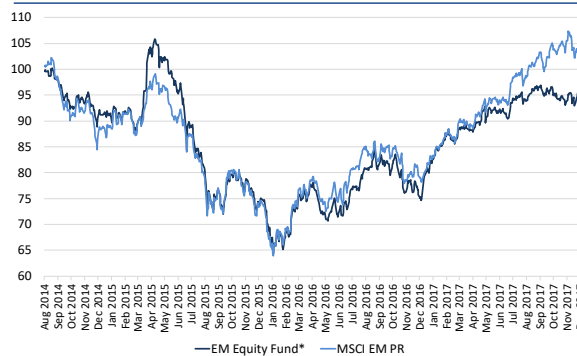
Chile's presidential election was won by conservative billionaire, Sebastián Piñera. Despite the fact that Piñera's coalition will not have a majority in Congress, the change in government presents an opportunity to improve business confidence. Piñera campaigned on a platform to boost economic growth through deregulation and tax reform. His win should foster a continued macroeconomic rebound after four years of meagre domestic growth. Chilean equities have rallied sharply since election results were announced.

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 210 cities across 50 countries and regions in 6 continents around the world. 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.

Performance



Share Class E Acc USD Since inception: 18/08/2014.
Shown as main indicator for illustrative purposes as it is the longest standing Share Class
Data as at 31 December 2017
Source: Newscap Capital Group, MSCI - Bloomberg

Returns (%)

	E Acc USD	F Acc USD	S Acc GBP	E Inc USD	E Acc GBP	S Acc USD	MSCI EM PR
1 Month	6.7%	6.8%	6.7%	6.7%	6.5%	7.0%	3.4%
6 Month	9.0%	9.3%	9.8%	9.0%	8.3%	10.5%	14.6%
YTD	25.6%	26.2%	27.3%	25.6%	23.8%	9.8%	34.4%
S/I	-0.4%	2.2%	7.6%	3.8%	7.1%	9.8%	7.6%
1 Year	25.6%	26.2%	27.3%	25.6%	23.8%	-	34.4%
3 Year	9.1%	11.3%	17.5%	9.6%	8.6%	-	21.4%
5 Year	-	-	-	-	-	-	-

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

Discrete Annual Returns - year end 31/12

	2017	2016	2015
EM Equity Fund	25.6%	6.2%	-18.2%
MSCI EM Index	34.4%	8.6%	-17.0%

Share Class E Acc USD; Fund data as at 31 December 2017;
Daily data used for calculations; Figures are net of fees;
Data for the year of 2014 and 2013 (year end 31/12) unavailable;
Fund Source: Newscap; MSCI Source: Bloomberg

Calendar Year Performance

	2017	2016	2015
EM Equity Fund	25.6%	6.2%	-18.2%
MSCI EM Index	34.4%	8.6%	-16.9%

Share Class E Acc USD; Fund and MSCI data as at 31 December 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	ISIN	NAV	Inception Date
E Acc USD	IE00BH4TT267	\$99.6	18/08/2014
F Acc USD	IE00BH4TTK42	\$102.2	26/08/2014
E Inc USD	IE00BH4TTJ37	\$103.8	22/09/2014
S Acc GBP	IE00BH4TVV94	£84.4	09/09/2014
E Acc GBP	IE00BN578D58	£107.1	04/12/2014
S Acc USD	IE00BH4TVT72	£84.4	07/06/2017

Portfolio Characteristics

	EM Equity Fund	MSCI EM
Dividend Yield	2.5%	2.3%
Price to Book	3.3	1.7
Price to Earnings	15.0	15.35

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

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.

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. The rebound in breadth across emerging markets has been notable. While we are unlikely to match last year's hefty returns, the environment for risk assets remains favourable. We continue to find interesting cyclical and growth ideas and remain overweight Russia, Hong Kong, Thailand and Chile.

Fahad Hassan

CFA, Lead Manager

If you would like to subscribe to the Emerging Market Equity Fund monthly update, please email [leva: i.katiliute@newscapegroup.com](mailto:i.katiliute@newscapegroup.com).

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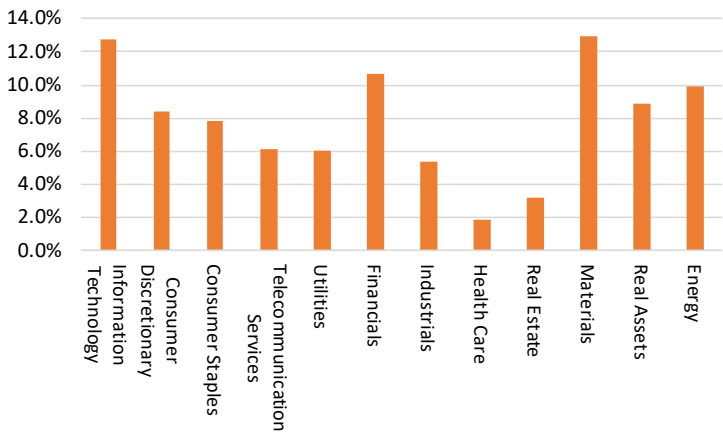
Fahad worked at Legal and General for 11 years, where he managed over a \$1 billion in institutional and retail mandates. Fahad is the lead portfolio manager of the Newscape Emerging Market Equity Fund and is a co-manager on the Newscape Diversified Growth Fund. He is a CFA Institute charter-holder and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



Charlie Morris
CIO and Co-Manager
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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.

Sector Exposure (%)



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

Top 5 Country Allocations

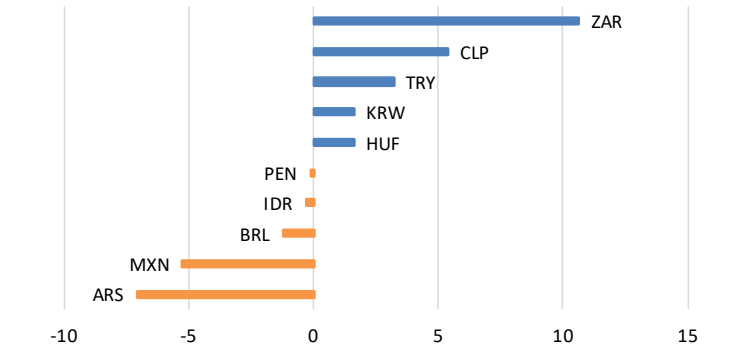
Country	Allocation
CHINA	19.6%
HONG KONG	14.1%
THAILAND	7.0%
RUSSIA	6.9%
JERSEY	5.0%

Fund Details

Domicile	Dublin, Ireland
Legal Structure	ICVC
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
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 USD - 8.04% F Acc USD - 7.54% E Inc USD - 8.04% S Acc GBP - 5.29% E Acc GBP - 8.04%

*CDSC - Contingent Deferred Sales Charge
**Ongoing Charges Figure
(OCF is the basis upon which all share class figures have been calculated)

EM Currency Movements



ZAR	South African Rand	KRW	South Korean Won	IDR	Indonesian Rupiah	ARS	Argentine Peso
CLP	Chilean Peso	HUF	Hungarian Forint	BRL	Brazilian Real		
TRY	Turkish Lira	PEN	Peruvian Sol	MXN	Mexican Peso		

Time period: 31 November 2017 - 31 December 2017
Data as at 31 December 2017
Source: Bloomberg

Top 5 Industry Themes

Theme	Allocation
Mining	8.3%
Commodity Fund	7.9%
Oil&Gas	7.2%
Telecommunications	6.2%
Banks	5.0%

Allocation by Style

Style	Allocation
Growth	18.4%
Quality	28.2%
Real Assets	18.0%
Value	28.4%
Special Sits	0.9%
Cash	6.1%
Total	100.0%

Top 10 Holdings

Holding	Size
GEELY AUTOMOBILE	2.6%
TENCENT	2.3%
MTR	2.2%
PING AN INSURANCE	2.1%
SBERBANK	2.0%
TATNEFT	2.0%
SINOPHARM	1.9%
ADVANCED INFO SERVICE	1.9%
GUDANG GARAM	1.9%
ZIJIN MINING	1.9%
Total	20.8%

Data as at 31 December 2017



Current Holdings

Quality	Growth	Value	Real Assets
ADVANCED INFO SERVICE	AAC TECHNOLOGIES	BANCO BRADESCO	CENTAMIN
AGUAS ANDINAS	BOYAA INTERACTIVE	BANCO DO BRASIL	ZIJIN MINING
AT AND T	COM2US	CAP	ETFS CO SEC INDV 06 SS FIX MAT NICKEL
BEIJING ENTERPRISES WATER	GEELY AUTOMOBILE	DYNAGREEN ENVIRONMENTAL	ETFS COMM SEC (SOYBEANS CO IDX) ETC
CARLSBERG BREWERY	KERING	FINGERPRINT	HARMONY GOLD MINING
CHINA L&P HLDGS	KINGDEE INTL SOFTWARE	FUFENG	ISHS PHY MET (COMDTY GOLD)
EMBONOR	MAIL.RU	KERRY PROPERTIES	KOZA ALTIN
GUDANG GARAM	SINOSOFT TECHNOLOGY	PETROCHINA	POLYMETAL INTERNATIONAL
HONG KONG CHINA GAS	TAOKENOI FOOD & MARKETING	PETROFAC	SOURCE PHYSICAL GOLD ETC
HONG KONG EXCHANGES AND CLEARING	TENCENT	PING AN INSURANCE	VALE ADR REP 1SH
MTR	TIPCO FOODS	POLSKI KONCERN NAFTOWY ORLEN	
PZ CUSSONS	TOPCO SCIENTIFIC	PTT PUBLIC COMPANY	
SINOPHARM	WNS HOLDINGS	REGINA MIRACLE UNITARY	
SUN HUNG KAI PROPERTIES	CHINA HUARONG ASSET MANAGEMENT	SANDS CHINA	
TAV HAVALIMANLARI		SBERBANK	
TRUE CORPORATION		SHIN ZU SHING	
VERIZON COMMUNICATIONS		STAR PETROL	
		TATNEFT	
		TEXHONG TEXTILE	
		TISCO	
		WEATHERFORD INTERNATIONAL	

Data as at 31 December 2017
Source: Newscap Capital Group

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