

THIS FACT SHEET IS INTENDED FOR PROFESSIONAL INTERMEDIARIES ONLY

## September at a Glance

- Adding Value
- Russia, Brazil and a New High for Oil

## Manager's Commentary

The Newscap Diversified Growth Fund (DGF) fell by 1.3% in September. This compares to a broader market that was marginally positive in sterling terms over the period. Following a strong start to the year, the lag since April has become more noticeable. DGF's diversified allocation strategy has come under pressure in a world that has become dominated by the US, and technology in particular. Little else has mattered. The smoking gun is gold, which has slipped in seven out of nine months this year. The other culprit has been undervalued securities, which have been shunned by the market. At the stock level Micro Focus, Reckitt Benckiser and Merlin were the largest gainers with St Barbara, Rocket Internet and SSE the detractors.

The key macro event over the month has been the Fed rate hike which coincided with the hike in Chinese trade tariffs. This led to a move higher for the US ten-year bond yield to above 3%, which was followed by higher inflation expectations. All things being equal, this ought to trigger a shift from growth towards value.

## Adding Value

The gap between global value and growth stocks has rarely been this wide in living history, as measured by the MSCI global Growth and Value total return indices. The past two occasions in the late 1970s and late 1990s, saw value stocks recover very quickly. Following the 1974 bear market, growth stocks lagged in the recovery as they couldn't stomach an era of high inflation. In the late 1990s, value stocks held steady while growth stocks collapsed.

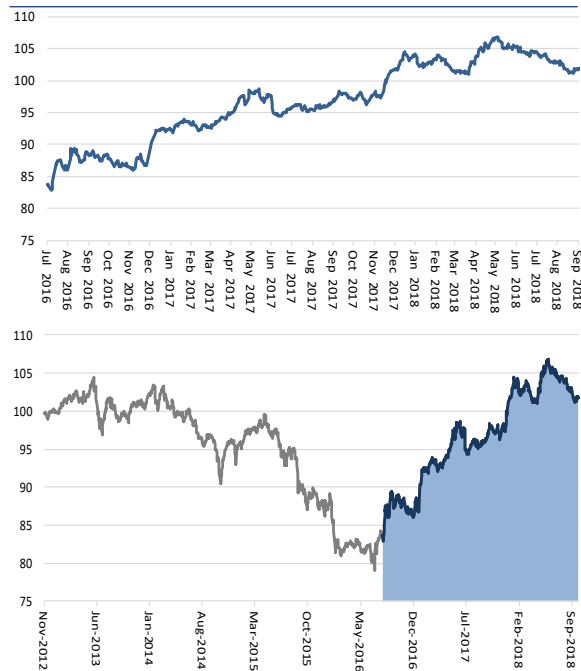
## Value Compares Favourably to Growth



Source Bloomberg; MSCI World Value TR relative to Growth TR since 1974

Over the past fifty years, there are two precedents for value to beat growth. The first being a swing from low inflation to high. And the second, the unwinding of a major asset bubble. This time, investors might wonder whether they face both. That is a scenario that we are prepared for, and as a result,

## Performance



Share Class A Acc GBP from 19/10/2012 to 30/09/2018  
 Charlie Morris taking over fund management - 29/07/2016  
 Fund data as at 30 September 2018  
 Source: Bloomberg

## Returns (%)

Class	1M	6M	YTD	1Y	3Y	5Y	S/I
A GBP	-1.3%	0.3%	0.1%	5.0%	16.6%	2.7%	1.8%
B GBP	-1.4%	-0.1%	-0.5%	4.1%	-	-	23.2%
S GBP	-1.3%	0.6%	0.6%	5.7%	-	-	18.1%
I GBP	-1.3%	0.3%	0.1%	-	-	-	4.3%
F GBP	-1.4%	-	-	-	-	-	0.3%
F SGD	-1.3%	-	-	-	-	-	0.4%
N GBP	-1.3%	-	-	-	-	-	-2.0%
N USD	-1.2%	-	-	-	-	-	-1.8%

Share Class A Acc GBP; Fund data as at 30 September 2018; since 19/10/2012. Data prior to 19/10/2012 unavailable; Source: Newscap Capital Group

## Rolling Annual Returns - year end 30/09

	2018	2017	2016	2015	2014
Class A	5.0%	9.7%	1.3%	-7.5%	-4.8%

Share Class A Acc GBP; Fund data as at 30 September 2018; Daily data used for calculations; Figures are net of fees; Source: Newscap

## 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 30 September 2018; Daily data used for calculations; Figures are net of fees; Source: Newscap Capital Group

## Portfolio Characteristics

	DGF	FTSE 100	Gilts*
Volatility	4.0%	11.7%	6.2%
Yield**	1.4%	4.0%	1.4%

Data as at 30 September 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.

have cut growth further in favour of value. In particular, we have added exposure to Europe Japan, oil and selective emerging markets.

### Russia, Brazil and a New High for Oil

Russia and Brazil stand out as the two major emerging markets with high real interest rates – both close to 5%. That is not only indicative of value in the bond market, but more often than not, the stockmarket as well. Russian equities pay a dividend yield of 6%, a number expected to rise to 7.5% by 2020. The price to earnings falls to just five years from 2019, making this a very cheap market. Rosneft, Gazprom and Sberbank were purchased, all of which are liquid.

Brazilian equities aren't such the giveaway, but still trade at a discount to their peers. The plan was similar with a focus on banks and oil, and as such Banco Bradesco, Itau UniBanco and Petrobras were added to DGF. With the polls heading for a market-friendly victory, there is further room for recovery.

A further driver for both of these markets will be a higher oil price. A blend of a strong economy combined with production halts in Iran and Venezuela, have seen oil rise above \$75 for the first time since 2014. That's a blessing for Russia and Brazil, but a curse for India, Turkey and other importers with weak currencies. All of this helps stoke inflation.

### Outlook

Looking at the investment universe, the funds which have done well this year tend to be heavily skewed towards the US. That's no crime as US equities, at current prices, represent 60% of the global equity index. But those prudently invested in the rest of the world, which offers higher long-term returns, have struggled to make headway.

In DGF, we made a choice to reduce US equities, and growth stocks in general, in anticipation of a changing landscape. That could be an economically strong environment where inflation starts to rise, or a bearish one, where growth stocks run out of steam.

Charlie Morris, Lead Manager

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

### Fund Managers



**Charlie Morris**  
Lead Manager

[c.morris@newscapegroup.com](mailto: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 Newscape Capital Group, having joined in May 2016 to take over and restructure the Newscape funds business.



**Fahad Hassan**  
Co-Manager

[f.hassan@newscapegroup.com](mailto: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 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.

### Allocation by Style

Style	Allocation
Value	30.1%
Global Government	26.1%
Quality	14.5%
Real Assets	11.2%
Growth	8.2%
Spec Sits	7.2%
Cash	2.7%
<b>Total</b>	<b>100.0%</b>

### Investment Themes

Equity Sector	Allocation
<b>Developed</b>	
Financials	33.2%
Energy	12.5%
Consumer Discretionary	11.5%
Materials	11.0%
<b>Total</b>	<b>68.2%</b>
<b>Emerging Markets</b>	
Russia	3.2%
South Africa	0.8%
<b>Total</b>	<b>4.0%</b>

### Top 10 Stocks

Holding	Size
AMAZON	1.3%
PETROFAC	1.3%
MICROSOFT	1.2%
VISA	1.2%
ROSNEFT	1.1%
MICRO FOCUS	1.1%
PETROBRAS	1.1%
RECKITT BENCKISER	1.1%
mitsubishi chemical	1.1%
DAI-ICHI LIFE	1.1%

Data as at 30 September 2018  
Source: Newscap Capital Group

### Currency Exposure

Currency	Allocation
GBP	71.1%
CAD	11.8%
JPY	11.2%
EUR	8.2%
USD	5.3%
CHF	1.0%
ZAR	0.7%
AUD	0.7%
CNH	-10.0%
<b>Total</b>	<b>100.0%</b>

Data as at 30 September 2018  
Source: Newscap Capital Group

### Share Class Information

Share Class	Bloomberg Ticker	NAV	Inception Date
A Acc GBP	NDVGRAS ID Equity	101.77	19/10/2012
B Acc GBP	NEWDBAS ID Equity	123.20	21/01/2016
S Acc GBP	NEWWSAU ID Equity	118.06	01/06/2017
I Acc GBP	NEWDIAG ID Equity	104.29	02/11/2017
F Acc GBP	NEWDFAG ID Equity	100.28	13/04/2018
F Acc SGD	NEWDFAS ID Equity	100.43	16/04/2018
N Acc GBP	NEWDNAG ID Equity	98.01	01/08/2018
N Acc USD	NEWDNAU ID Equity	98.18	01/08/2018

### Asset Allocation

Asset Class	Allocation
Equity	57.3%
Government	26.1%
Precious	7.8%
Short Equity	3.5%
Private Equity	2.8%
Cash	2.5%
<b>Total</b>	<b>100.0%</b>

### Fund Details

AUM	£11.5 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 Luxembourg Dublin 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	NEWWSAG 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%	3.89%
Class B	0.75%*	4.83%
Class S	0.00%	3.14%
Class I	0.75%	3.89%
Class F	1.50%	4.64%***
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	AMAZON	MITSUBISHI CHEMICAL	GOLD	OAKLEY CAPITAL
MERLIN	MICROSOFT	PETROFAC	PLATINUM	BETTER CAPITAL
MORRISONS	VISA	SSE	HARMONY GOLD	UIL
TESCO	DAILY MAIL	MARKS & SPENCER	GOLDCORP	MICRO FOCUS
BRITVIC	STERICYCLE	NCR	POLYMETAL	PALLADIUM SHORT ETF
RECKITT BENCKISER	ROCKET INTERNET	RBS	OCEANAGOLD	COTTON SHORT ETF
ELI LILLY	OVERSTOCK	LLOYDS	ST BARBARA	
FAIRFAX	RAKUTEN	MITSUBISHI UFJ		
ROCHE		SUMITOMO MITSUI		
PZ CUSSONS		ERSTE BANK		
SMITH & NEPHEW		TOKYO ELECTRIC POWER		
SUNTORY BEVERAGE & FOOD		INPEX		
TAKEDA PHARMACEUTICAL		HITACHI METALS		
ONO PHARMACEUTICAL		DENSO		
		MITSUBISHI ESTATE		
		DAI-ICHI LIFE		
		COMMERZBANK		
		DEUTSCHE BANK		
		ABN AMRO		
		NATIXIS		
		SOCIETE GENERALE		
		MEDIOBANCA		
		BANKIA		
		ANGLO AMERICAN		
		WOOD		
		TULLOW OIL		
		ROSNEFT		
		GAZPROM		
		SBERBANK		
		BANCO BRADESCO		
		ITAU UNIBANCO		
		PETROBRAS		

Data as at 30 September 2018  
Source: Newscap Capital Group

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