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Manager's Commentary

The Newscap Diversified Growth Fund (DGF) rose by 1.1% in March which compares to a broad market rally of 2.3% as measured by the FTSE UK Private Balanced total return Index in sterling terms, and a 3.3% rise for the FTSE 100.

The best performing stocks in DGF were Anta Sports, Wheelock and CK Asset Holdings; all listed in Hong Kong. The worst were Harmony Gold Mining, PICC Property and Casualty, and China Gold. Sterling eased slightly against the dollar yet held ground versus the euro. The market hedges were cut during March, having been reduced earlier in the year. This happened as it became clear that the market recovery was looking more likely to be sustained.

Exposure to gold and related areas remains high. This has performed well since late last year, having correctly anticipated the easier stance by the Federal Reserve; something Fahad Hassan has coined the "Powell Pirouette". With inflation far from dead, and easier monetary policy ahead, the team are happy to have a material position in gold and gold miners.

The Powell Pirouette

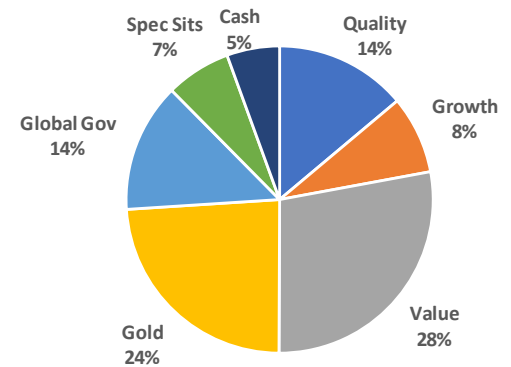
Originally a ballet move which means you elegantly spin on one foot, Powell has glided (chaseé) across the floor, and talk is when he may start to cut (coupé) rates. And it has been a skilful move because the markets saw it in a positive light rather than a panic. But underlying the slowdown in China and Europe in particular, are some one-off factors that came to a head late last year. The trade tariffs with China caused inventory levels to rise, and the slowdown in the car industry smells more of overcapacity than economic collapse. More recent data seems to be improving but there are plenty of reasons to sleep with one eye open.

Oil Breaks

On the plus side there is the strength in the oil price. Global demand keeps forging ahead and is now sitting comfortably above 100 million barrels per day. On the supply side, countries such as Venezuela and Iran are producing less, only to be offset by US shale. The problem here is that the shale industry has never made a profit and feeds off debt. This means that oil supplies are directly linked to easy monetary policy, and vibrant credit markets. If this source of funding were to dry up, it's easy to see how oil prices could surge. Naturally this would benefit the likes of Russia at the expense of the importers, such as Turkey.

More generally, the price of oil is the key driver for inflation. Given the recent moves in the bond market point towards deflation, there is a mixed message. Normally you would associate inflation with strong demand growth against tight supply. That's not the case today, but demand is stable while supply can only tighten from here. Normally in March, you would see inventories rise as the cold spell draws to a close. **Over the last 20 years, 2019 has seen the weakest inventory build on record.** That's quite an observation and cannot be ignored. Peak oil perhaps?

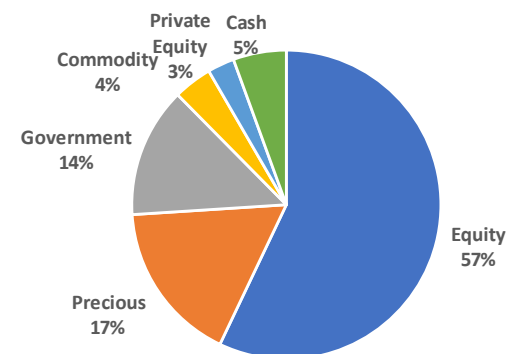
Allocation by Style



Equity Sector

Financials	15.9%
Materials	14.5%
Energy	14.4%
Consumer Staples	11.8%
Real Estate	11.2%
Consumer Discretionary	7.9%
Industrials	6.2%
Health Care	6.0%
Utilities	5.6%
Communication Services	3.8%
Information Technology	2.8%

Asset Allocation



Currency Exposure

GBP	85.0%
HKD	15.1%
CAD	4.7%
JPY	2.1%
ZAR	1.9%
DKK	1.3%
SEK	1.2%
CHF	1.1%
USD	0.4%
EUR	-12.8%

Large Caps Drive the Rally

Another market observation in March was the extraordinary dominance of large cap stocks. In the US, the S&P 100 Index rose by 2.4% while the Russell 200 small cap index fell by 2.1%; something seen in other major markets. This is not what you would expect to see in a healthy bull market and to put it another way, the large caps have breadth of 68% while the small caps are a mere 37%. Twice as many large companies have rising share prices compared to their smaller brethren. The last time we saw this sort of divergence was in the late 1990s.

It seems that investors are happy to shun cheap stocks yet play a game of chicken on large cap growth valuations. It makes little sense, but rational institutional investors will make seemingly rational decisions, that large caps are more liquid, and therefore safer. We would recall that in March 2000 when the music stopped, there was only one particularly dangerous place to be, and that was large cap growth. The wisdom of crowds.

Outlook

The bulls look to improving data, rising oil and rising stock indices. The bears worry about the lack of breadth and the potential for an oil shock combined with some sort of reset within the bond market. It seems to us that both scenarios are running in parallel. We continue to seek well-priced opportunities that follow a very different path. We have little exposure to the growth trade, not because we dislike momentum, but more that we don't trust it, at a time when it has become the consensus. After the bubble burst in 2000, the stock pickers did well. We can't be sure when the turn comes, just that when it does, fundamentals and valuations will matter again.

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

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

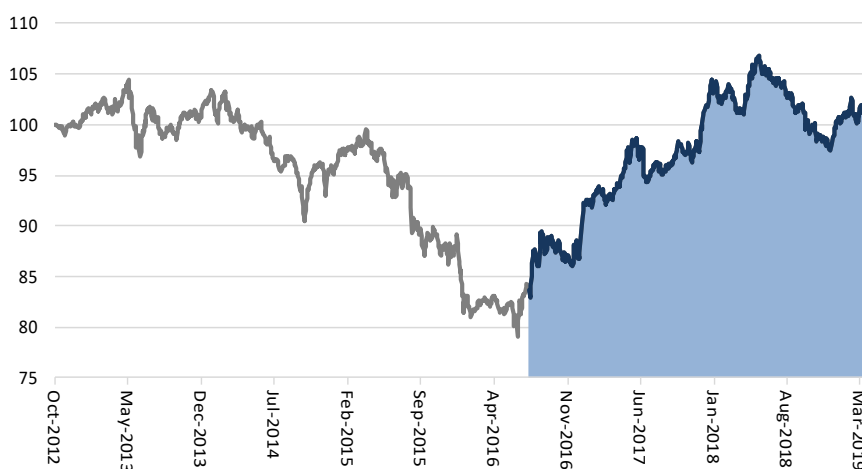


Fahad Hassan
Co-Manager

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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.

Performance



Share Class A Acc GBP from 19/10/2012 to 31/03/2019
Charlie Morris taking over fund management - 29/07/2016
Fund data as at 31 March 2019
Source: Bloomberg

Returns (%)

Class	1M	6M	YTD	1Y	3Y	5Y	S/I
A GBP	1.1%	0.3%	3.4%	0.6%	23.6%	1.3%	2.0%
B GBP	1.1%	-0.1%	3.2%	-0.2%	23.2%	-	23.0%
S GBP	1.2%	0.4%	3.4%	1.0%	-	-	18.5%
I GBP	1.1%	0.3%	3.4%	0.6%	-	-	4.6%
F GBP	1.1%	-0.1%	3.2%	-	-	-	0.2%
F SGD	1.2%	0.3%	3.4%	-	-	-	0.7%
N GBP	1.2%	0.6%	3.6%	-	-	-	-1.4%
N USD	1.3%	1.3%	3.9%	-	-	-	-0.6%

Share Class A Acc GBP; Fund data as at 31 March 2019; since 19/10/2012. Data prior to 19/10/2012 unavailable; Source: Newscap Capital Group

Rolling Annual Returns - year end 31/03

	2019	2018	2017	2016	2015
Class A	0.6%	9.0%	12.7%	-15.6%	-2.8%

Share Class A Acc GBP; Fund data as at 31 March 2019; Daily data used for calculations; Figures are net of fees; Source: Newscap Capital Group

Calendar Year Performance

	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 March 2019; Daily data used for calculations; Figures are net of fees; Source: Newscap Capital Group

Portfolio Characteristics

	DGF	FTSE 100	Gilts*
Volatility	6.7%	12.0%	5.5%
Yield**	1.7%	4.8%	1.1%

Data as at 31 March 2019
Figures annualised;
Source: Newscap Capital Group, FTSE 100 and Gilts - Bloomberg;
*UK 10-year benchmark gilt;
**Generated income will be reinvested within the fund.

Investment Themes

Equity Sector	Allocation
Developed	
Financials	15.9%
Materials	14.5%
Energy	14.4%
Consumer Staples	11.8%
Total	56.6%
Emerging Markets	
China	7.6%
South Africa	1.9%
Russia	1.3%
Chile	1.3%
Total	12.1%

Top 10 Stocks

Holding	Size
MICRO FOCUS	1.5%
VESTAS	1.4%
ANTA SPORTS	1.4%
ELI LILLY	1.4%
ANTOFAGASTA	1.3%
TULLOW OIL	1.2%
POLYMETAL	1.2%
CHINA LIFE INSURANCE	1.2%
CIA DE MINAS BUENAVENTUR	1.2%
LUNDIN PETROLEUM	1.2%

Data as at 31 March 2019; Source: Newscap Capital Group

Current Holdings

Quality	Growth	Value	Real Assets	Special Situations
MARKEL	BURBERRY	SSE	GOLD	OAKLEY CAPITAL
MORRISONS	VESTAS	MARKS & SPENCER	PLATINUM	BETTER CAPITAL
BRITVIC	TENCENT	LLOYDS	HARMONY GOLD	UIL
RECKITT BENCKISER	CHINA LIFE	TOKYO ELECTRIC POWER	POLYMETAL	NICKEL
ELI LILLY	HONG KONG EXCHANGES & CLEARING	ANTOFAGASTA	OCEANAGOLD	PERSHING SQUARE
FAIRFAX FINANCIAL	ANTA SPORTS	STANDARD CHARTERED	CIA DE MINAS BUENAVENTUR	THIRD POINT OFFSHORE
ROCHE	NASPERS	LEGAL & GENERAL	CENTAMIN	
PZ CUSSONS		IBERDROLA	ZIJIN MINING	
IMPERIAL BRANDS		MICRO FOCUS	CHINA GOLD	
SMITH & NEPHEW		CANADIAN NATURAL RESOURCES		
PICC PROPERTY & CASUALTY		PETROCHINA		
ORANGE		LUNDIN PETROLEUM		
GEORGE WESTON		TULLOW OIL		
BRITISH AMERICAN TOBACCO		CHINA SHENHUA ENERGY		
		TOKIO MARINE		
		SWIRE PACIFIC		
		HANG LUNG PROPERTIES		
		SUN HUNG KAI PROPERTIES		
		WHEELLOCK		
		CK ASSET		
		CHINA OVERSEAS		
		SCHLUMBERGER		
		PIONEER NATURAL RESOURCES		
		STERICYCLE		
		PREMIER OIL		
		AGGREKO		

Data as at 31 March 2019
Source: Newscap Capital Group

Fund Details

AUM	£11.7 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	Ongoing Charges Fees
	Management Charge	
Class A	0.75%	2.27%
Class B	0.75%*	3.11%
Class S	0.00%	1.67%
Class I	0.75%	2.27%
Class F	1.50%	3.02%
Class N	0.00%	1.52%

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