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Manager's Commentary

The Newscap Diversified Growth Fund (DGF) fell by 0.7% in April which compares to a broad market rally of 1.7% as measured by the FTSE UK Private Balanced total return Index in sterling terms.

The best performing stocks were Asos, Standard Chartered and Pioneer Natural Resources. The worst were Eli Lilly, Zijin Mining and Imperial Brands. Sterling was flat despite the dollar index making a two-year high. There have been no equity hedges in place during the month.

Exposure to gold and related areas remains high at 24%. Most is in gold bullion, with some exposure to platinum and gold mining companies. Real interest rates have stabilised, which means gold has no short-term driver. That said, positioning is light, and so much bad news is fully reflected. The dollar is also strong, as we discuss below. Longer-term, gold's merits will come through once the stockmarket finally reaches the point of exhaustion.

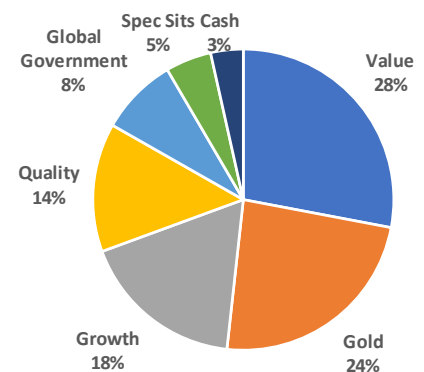
Growth stocks have powered ahead, and DGF has increased exposure, albeit with caution. When a market is primarily driven by large cap growth stocks, with a strong dollar behind it, that reminds us of the late 1990s. Growth stocks are highly priced once again, but this time they are backed by cashflow. It is the multiple on that cash flow where the bubble lies. But this market punishes the cheapest stocks, while rewarding the most expensive. It cannot continue indefinitely, but we suspect it will motor on until the dollar finally peaks and gives the rest of the world a break. That's not now.

Dollar and Zero Interest Rate Policy (ZIRP) Currencies

Having traded within a narrow range for four years, the US dollar recently made a notable breakout. While ignored by some analysts as market noise, we believe it may signal an accelerating shift in the financial landscape. Looking at FX returns this year, one can't escape the fact that the currencies associated with ZIRP have, in many cases, broken to new lows. It could well be, that ZIRP currencies are losing investors' confidence and capital is looking for an escape route; and all roads lead to the dollar.

At the month end, DGF was short in the New Zealand Dollar and the Swedish Krona. Since month end, we have added shorts to the Mexican Peso, the Euro and the Canadian Dollar. Each position is 10% of net asset value, totalling 50% of the fund. This serves two purposes. Firstly, DGF benefits if these currencies suffer under dollar strength. Secondly, this is an effective macro hedge because if the dollar really gets going, the equity rally might come under pressure. We have also reduced our GBP hedge from 35% to 25% and may go further. The risk here is that sterling is not a ZIRP currency and the Governor of the Bank on England admitted that the UK needs another rate rise. But even so, this should only help sterling on a relative basis. It is hard to imagine any currency jumping in front of the US dollar if this move has legs.

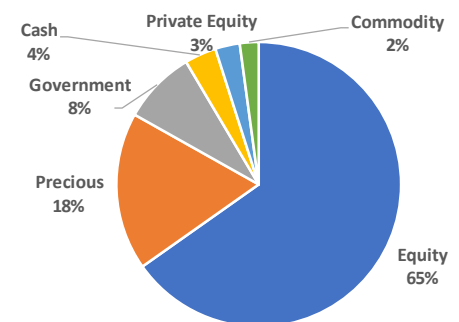
Allocation by Style



Equity Sector

Financials	20.7%
Materials	12.1%
Energy	11.0%
Consumer Staples	10.2%
Consumer Discretionary	8.8%
Industrials	8.7%
Real Estate	8.0%
Communication Services	6.5%
Information Technology	5.2%
Health Care	5.2%
Utilities	3.6%

Asset Allocation



Currency Exposure

USD	40.9%
GBP	29.4%
HKD	13.2%
CAD	4.9%
EUR	3.1%
JPY	2.1%
ZAR	1.9%
DKK	1.3%
SEK	1.1%
CHF	1.1%
AUD	1.0%

Shanghai Premium

A rising dollar is no fun for gold, but that's a US centric way of looking at the world. More importantly, the recent Fed meeting has cooled inflation expectations which has put downward pressure on gold. That explains gold's recent weakness much more so than a strengthening dollar. Yet gold is a currency, and a ZIRP one at that. Yet it has a bullet-proof terminal value that has stood the test of time. It would be surprising if gold lagged the weaker currencies during this dollar rally. And that is true from Stockholm to Shanghai.

Gold is once again trading at a premium in Shanghai compared to the world market. This has happened on two past occasions, mid 2013 after the taper tantrum, and late 2016, on the gold bear market retest. Both times demonstrated to the market that the Chinese were prepared to pay more. Physical gold left London's vaults and headed straight for China. Once the investors realised the level of demand, the global price rallied back up to Shanghai levels. Both occasions saw between \$100 and \$200 added to the gold price per ounce.

With positioning so low, we are in no hurry to reduce exposure, and look forward to the time when the market wakes up and appreciates the opportunity to buy. The real competition for gold is the good times. For when the stockmarket is riding high, its role seems to be less relevant. That brings us onto US equities which has just had a surprisingly strong earnings season.

US earnings season

We are nearly through first quarter earnings in the US and have been surprised by their resilience. While lowered expectations helped, it is the strength of revenue growth and margins that has driven the upside. Technology heavy weights Facebook, Apple and Microsoft responded favourably to better results and they allayed concerns of a slowdown in consumer and corporate spending. The US economy is operating close to peak capacity and labour market conditions remain healthy. This should support domestic revenue growth whilst creating some headwinds for margins. While companies can adjust to a gradually rising dollar, a sharper appreciation may become a problem for large overseas earners.

Outlook

The bull market marches on, and there are cracks, but with few credible alternatives, we believe there is no alternative and the asset mix we have is resilient in a wide range of scenarios, while accepting that DGF will lag a growth surge.

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.

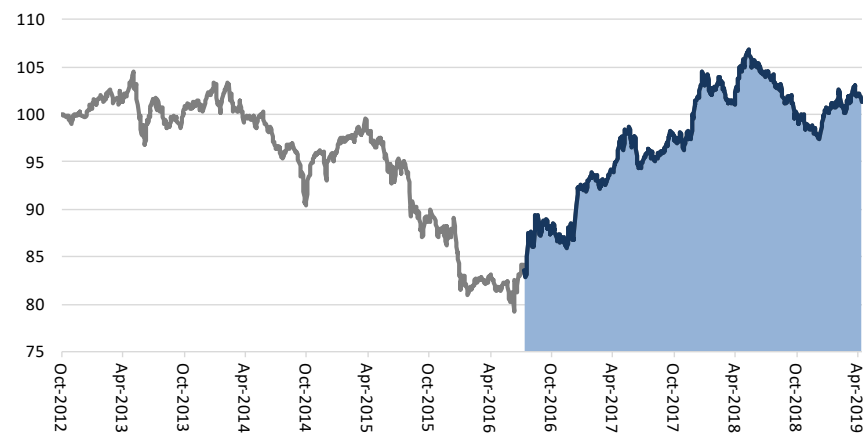


Fahad Hassan
Co-Manager

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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 30/04/2019
 Charlie Morris taking over fund management - 29/07/2016
 Fund data as at 30 April 2019
 Source: Bloomberg

Returns (%)

Class	1M	6M	YTD	1Y	3Y	5Y	S/I
A GBP	-0.7%	1.8%	2.6%	-2.5%	23.1%	1.6%	1.3%
B GBP	-0.8%	1.4%	2.3%	-3.2%	22.8%	-	22.1%
S GBP	-0.7%	2.0%	2.7%	-2.0%	-	-	17.7%
I GBP	-0.7%	1.8%	2.6%	-2.5%	-	-	3.8%
F GBP	-0.8%	1.5%	2.4%	-3.2%	-	-	-0.6%
F SGD	-0.7%	1.9%	2.7%	-2.6%	-	-	0.0%
N GBP	-0.7%	2.2%	2.9%	-	-	-	-2.0%
N USD	-0.5%	2.9%	3.3%	-	-	-	-1.1%

Share Class A Acc GBP; Fund data as at 30 April 2019; since 19/10/2012.
 Data prior to 19/10/2012 unavailable;
 Source: Newscap Capital Group

Rolling Annual Returns - year end 30/04

	2019	2018	2017	2016	2015
Class A	-2.5%	9.3%	15.5%	-15.3%	-2.6%

Share Class A Acc GBP; Fund data as at 30 April 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 30 April 2019;
 Daily data used for calculations; Figures are net of fees;
 Source: Newscap Capital Group

Portfolio Characteristics

	DGF	FTSE 100	Gilts*
Volatility	5.50%	9.60%	5.30%
Yield**	1.80%	5.0%	1.10%

Data as at 30 April 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	20.7%
Materials	12.1%
Energy	11.0%
Consumer Staples	10.2%
Total	54.0%
Emerging Markets	
China	6.7%
Russia	4.2%
South Africa	1.9%
Chile	1.1%
Total	13.9%

Top 10 Stocks

Holding	Size
ANTA SPORTS	1.5%
VESTAS	1.4%
MICRO FOCUS	1.4%
ELI LILLY	1.3%
STANDARD CHARTERED	1.3%
CHINA LIFE	1.3%
IBERDROLA	1.2%
STERICYCLE	1.2%
CIA DE MINAS BUENAVENTUR	1.2%
ANTOFAGASTA	1.2%

Data as at 30 April 2019; Source: Newscap Capital Group

Current Holdings

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

Data as at 30 April 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 Management Charge	Ongoing Charges Fees
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%

*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:
OCF as of December 2018

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