Purpose

The Newport Core Portfolios aim to provide a return higher than the global multi-asset multi-manager balanced fund sectors with significantly lower draw-down risk and lower annualised volatility.

Process

3 strategies & multiple managers utilising strategic asset allocation for diversified growth with the addition of dynamic asset allocation & liquid alternatives for both growth and risk management.

Product

- Liquidity - **DAILY** dealing at Net Asset Value (NAV)
- UCITS compliant OEIC
- Dublin domicile
- No performance fees
- No leverage, no derivatives
- USD base with hedged GBP & EUR share classes

Rationale

Most of the current generation of multi-asset multi-manager balanced funds tend to utilise a very traditional approach to asset allocation. This is referred to as strategic asset allocation. Strategic Asset Allocation (SAA) is based on Modern Portfolio Theory (MPT), which emphasises diversification to deal with systematic/market risk in order to reduce portfolio volatility and improve portfolio returns. The MPT framework determines what the most efficient allocation to particular asset classes would have been in the past and how to introduce or reduce risk in a portfolio through the weightings to various asset classes. But it does little to manage the risk already introduced and could be viewed as not forward looking and non-reactive to rapidly changing market conditions.

The Consequences – Draw-down & Recovery

According to Ned Davis Research Inc., between June of 1901 and January 2016, the Dow Jones Industrial Average spent 34.5% of that time in draw-down (falling/bear market), 41.9% of that time recovering from draw-down and only 23.6% of that time generating new capital growth.

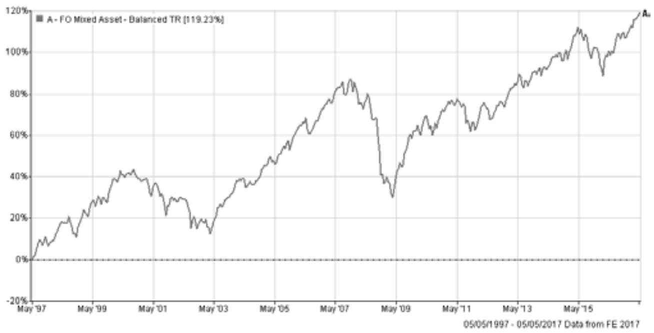


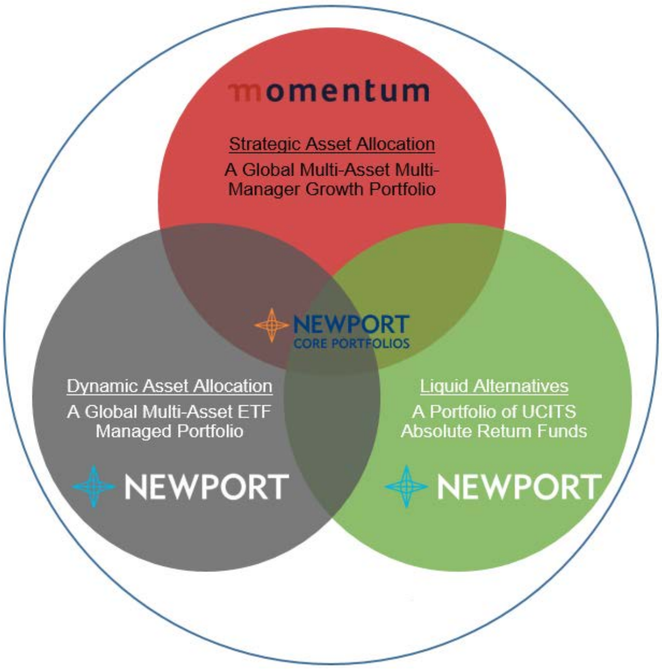
Figure 1: Financial Express FCA Recognised Offshore Mixed Asset Balanced fund sector – Cumulative total return[i]

Using the Financial Express Financial Conduct Authority (FCA) Recognised Offshore Mixed Asset Balanced fund sector (see Figure 1) we can see that, between September of 2000 and March of 2003, the sector went through a draw-down of -21.76% and took the best part of 2 years to recover. Between November 2007 and March 2009 the same sector went through a -30.31% draw-down and took over 4 years to recover. These figures are in nominal terms, in real terms i.e. accounting for the effect of inflation, the recovery would take even longer.

These sorts of historical draw-downs experienced in equity markets and multi-asset portfolios are toxic to the sustainable compounding of capital and not only destroy risk/adjusted returns but also introduce sequence risk.

Our Solution

In order to evolve the strategic asset allocation approach, we have combined a traditional growth oriented global multi-asset strategy with significant allocations to Dynamic Asset Allocation and Liquid Alternatives. The result is a highly diversified global multi-strategy multi-manager portfolio with a balanced type risk profile.



Dynamic Asset Allocation (ETFs)

To be more effective, asset allocation needs to more flexible and dynamic than strategic asset allocation and even tactical asset allocation would suggest is necessary. Dynamic Asset Allocation (DAA) takes a fully flexible approach to asset allocation and, whereas Tactical Asset Allocation (TAA) might underweight or overweight asset classes within mandated ranges relative to an SAA benchmark, DAA is benchmark unconstrained.

Newport's Global Dynamic Asset Allocation (GDAA) Index is a US Dollar based index that represents a systematic momentum-driven global dynamic asset allocation strategy. The index provides exposure to the 5 major asset classes (equities, property, commodities, fixed income and cash) by making long only allocations to 20 underlying indexes with a core focus on US Dollar assets. The index is quant driven and follows a rigid and predetermined mathematical process or algorithm. The allocation percentages are dynamic and unconstrained and the index has the option to go to 100% cash in certain market environments. The index is re-weighted and positioned on a monthly basis with allocation weightings skewed towards those with a higher expected return.

Figure 2: Financial Express FCA Recognised Offshore Mixed Asset Aggressive fund sector & Newport Global Dynamic Asset Allocation Index & the Harmony USD Growth Fund – Cumulative return[ii]

Figure 2 above shows the gross total return of the Newport Global Dynamic Asset Allocation Index ('GDAA') since the start of index data vs. the Financial Express FCA Recognised Offshore Mixed Asset Aggressive fund sector ('FOMAA'). During this period, GDAA produced an annualised return of 10.84% while FOMAA produced an annualised return of 3.82%. The FOMAA had a maximum draw-down of -37.21% compared to only -10.41% for GDAA.

The GDAA Index represents a global multi-asset USD growth strategy that seeks to generate enhanced risk-adjusted returns by managing downside risk while participating meaningfully in upward trending markets.

ETF Managed Portfolio

The GDAA strategy is implemented (or index tracked) by trading a basket of 20 exchange traded funds (ETFs) on the London and New York stock exchanges. As the strategy re-weights the index allocations each month, the ETF portfolio is traded and re-positioned to mirror the index.

Liquid Alternatives (UCITS)

While there is no widely accepted definition for liquid alternative investments, we use the term to refer to absolute return funds that give investors access to alternative or hedge fund strategies that trade liquid instruments and that themselves have improved liquidity terms; offering daily or weekly dealing. Looking at Figure 3 below, visually it is clear that liquid alternatives haven't been subject to the draw-downs associated with multi-asset balanced type funds.

Figure 3: Newport's Liquid Alternatives Index & FCA Recognised Offshore Mixed Asset Balanced fund sector – Cumulative return[iii]

The liquid alternatives portfolio aims to provide capital growth without the level of volatility and draw-downs typically associated with growth type assets (i.e. equities) and other traditional long-only multi-asset funds. The portfolio is diversified across multiple liquid hedge fund strategies, styles & managers all of whom aim to deliver positive absolute returns regardless of economic and financial market conditions. Underlying managers have shown attractive historical risk/return numbers and & have a low correlation to each other. All managers trade liquid instruments, have good liquidity terms, operate in UCITS compliant structures and are monitored on both quantitative and qualitative measures.

Putting the Pieces Together - The Potential Benefits of our Approach

Adding dynamic asset allocation and liquid alternatives can dramatically enhance the risk-adjusted returns of an existing balanced portfolio built on strategic asset allocation. This could offer investors genuine diversification within a portfolio, reduced volatility, improved decorrelation characteristics and potential downside protection when markets are distressed.

Figure 4: Hypothetical Balanced Portfolio & FCA Recognised Offshore Mixed Asset Balanced fund sector & the Harmony USD Growth Fund – Cumulative return[iv]

Figure 4 illustrates a simple proof of concept through a Hypothetical Balanced Portfolio. In the Balanced Portfolio we have combined the Financial Express Financial Conduct Authority (FCA) Recognised Offshore Mixed Asset Aggressive Sector Index with Newport's Dynamic Asset Allocation Index and Liquid Alternatives Index and given them equal weightings (i.e. 33.33% each) creating a "balanced" portfolio. Over the period illustrated in Figure 4, the Hypothetical Balanced Portfolio had a maximum draw-down of around half that of the fund sector, whilst producing a significantly higher annualised return.

Portfolio Risk Management

An alternative to volatility that we focus on is maximum draw-down. It measures the maximum pain or the absolute worst return an investor would have experienced if they invested and withdrew at precisely the worst times. Minimising draw-downs is vitally important to the long-term sustainable compounding of capital because of the larger percentage returns required to make up losses i.e. a 50% loss requires a 100% gain to get back to where you started.

Investment Manager - Newscape Capital Group is a London based diversified financial services boutique founded in 2008. Newscape's valued clients and investment partners include financial intermediaries, pension funds, professional families, trusts and fiduciaries, institutions and sovereign wealth funds. Newscape has vast experience in launching and managing new funds for their own in house UCITS range as well acting as a one stop solution to external investment managers and joint venture partnerships. Additionally, Newscape has a global reach having worked with international managers to provide access to the EEA and further afield. Newscape works with experienced investment managers wishing to launch a new fund without the initial start-up costs or regulatory burden (UK FCA regulated 193700).

Investment Adviser - Newport Private Wealth is an Australian based specialist portfolio manager with a global focus. Since 1995, Newport's Senior Management have been assisting institutions, advisers, families, individuals & Self-Managed Super Funds manage investment portfolios and are committed to assisting clients with long-term wealth creation. Newport's investment and trading strategies are developed in house and they are able to provide flexible and innovative solutions tailored to the exact investment requirements of clients. Newport does not perform custodian duties; they are specialists in providing asset allocation, investment selection, portfolio construction, modelling and advisory services to a varied client base. Newport are independent & objective & are not tied to the products (& commissions) often associated with larger groups (Australian Securities and Investments Commission (ASIC) Regulated 451820).

Sub-Investment Adviser - Momentum Global Investment Management was established in the UK in 1998 as the international investment and asset management arm of MMI Holdings Ltd. Their clients and partners span institutions, corporates, wealth managers and professional advisors. MGIM is the Investment Manager for the Harmony range of funds. (UK FCA regulated 232357).

As at 31 December 2015 MMI Holdings Ltd:

- is a leading life insurance and investment group in South Africa and Africa, employing almost 17,000 people
- manages assets of GBP 19.9 billion, with about 500 employees engaged in its investment businesses
- is well known for its product innovation, outstanding service delivery, and commitment to independent financial advice
- is listed on the Johannesburg Stock Exchange as MMI Holdings, with a market capitalisation of circa GBP 1.867 billion.[v]

Newport Core Portfolios – The Benefits

1. **Daily liquidity at NAV**
2. **Highly diversified across strategies, managers, & asset classes**
3. **Aims to provide capital growth (interest, dividends & capital gains)**
4. **Flexible mandate allows for more effective risk management**
5. **Simple and totally transparent portfolio**
6. **A strong focus on minimising the risk of potential draw-down**
7. **Significant multi-strategy multi-manager hedge fund component without the high cost and illiquidity**
8. **Well defined risk/return, benchmark/peer group & index model objectives**

Share Classes & ISIN Codes

Share Class	Curr.	Minimum Initial Inv.	Minimum Additional Inv.	Preliminary Charge	CDSC	Repurchase Fee	Inv. Manager Fee (% of NAV)	ISIN Code
A Acc	USD	$7,500	$1,000	up to 5%	N/A	N/A	1.00%	IE00BF076301
A Acc	GBP	£7,500	£1,000	up to 5%	N/A	N/A	1.00%	IE00BF076418
A Acc	EUR	€ 7,500	€ 1,000	up to 5%	N/A	N/A	1.00%	IE00BF076525
B Acc	USD	$7,500	$1,000	N/A	up to 5%	N/A	1.00%	IE00BF076632
B Acc	GBP	£7,500	£1,000	N/A	up to 5%	N/A	1.00%	IE00BF076749
B Acc	EUR	€ 7,500	€ 1,000	N/A	up to 5%	N/A	1.00%	IE00BF076855
C Acc	USD	$7,500	$1,000	N/A	N/A	3%	1.00%	IE00BF076962
C Acc	GBP	£7,500	£1,000	N/A	N/A	3%	1.00%	IE00BF076B87
C Acc	EUR	€ 7,500	€ 1,000	N/A	N/A	3%	1.00%	IE00BF076C94
I Acc	USD	$5,000,000	$500,000	N/A	N/A	N/A	0.25%	IE00BF076D02
I Acc	GBP	£5,000,000	£500,000	N/A	N/A	N/A	0.25%	IE00BF076F26
I Acc	EUR	€ 5,000,000	€ 500,000	N/A	N/A	N/A	0.25%	IE00BF076G33
R Acc	USD	$7,500	$1,000	N/A	up to 5%	N/A	1.00%	IE00BF076H40
R Acc	GBP	£7,500	£1,000	N/A	up to 5%	N/A	1.00%	IE00BF076J63
R Acc	EUR	€ 7,500	€ 1,000	N/A	up to 5%	N/A	1.00%	IE00BF076K78

	Newscape Capital Group	Newport Private Wealth	NP Distribution Limited
	Investment Manager	**Investment Adviser**	**Global Distributor**
Web Site:	www.newscapegroup.com	www.newportpw.com	www.npdistribution.com
Address:	86 Jermyn Street	Level 34, 120 Collins Street	Sovereign Plaza 2nd Floor
City:	London	Melbourne VIC	Jl. TB Simatupang Kav.36
Postal Code:	SW1Y 6JD	3000	Cilandak, Jakarta 12920
Country:	United Kingdom	Australia	Indonesia
Telephone:	+44 20 702 44810	+61 3 9027 0401	+62 21 2940 0344
Email	info@newscapegroup.com	enquiries@newportpw.com	smarriott@npdistribution.net

[i] Source = Financial Express (Holdings) Limited

[ii] Source = Financial Express (Holdings) Limited and Newport Private Wealth. The performance data presented is that of an index of indexes. Broad-based securities indexes cannot be invested in directly, and are not subject to fees and expenses typically associated with managed accounts or investment funds. No representation is being made that any investment will achieve performance similar to those shown. All information is provided strictly for illustrative purposes only. The material contained in this document is for information purposes only. Performance results are expressed in US Dollars. Past performance is no guarantee of future performance and is not indicative of a specific investment. Actual investment results may differ. This fact sheet provides historical performance numbers and a description of the index strategy and style.

[iii] The Newport Liquid Alternatives Index is an internally constructed index made up of equal allocations to the HFRI Equity Market Neutral, HFRI Multi-Strategy Macro, HFRI Systematic Macro (managed futures/CTA) & HFRI Relative Value indexes. Source = Financial Express Holdings Limited and Newport Private Wealth calculations.

[iv] Hypothetical Balanced Portfolio. Performance figures presented are for a hypothetical portfolio consisting of equal weightings to the FCA Recognised Offshore Mixed Asset Growth fund sector, the Newport Global Dynamic Asset Allocation Index (DAA) and Newport's Liquid Alternatives Index (LA). The weightings to each of the 3 constituents are rebalanced back to target weightings monthly. Returns are expressed in USD and do not include any fees or expenses. Performance figures reflect reinvestment of capital gains and dividend income. Market data source = Financial Express (Holdings) Ltd.

[v] Source = Bloomberg as of July 2017