

US GROWTH EQUITIES – REASONS TO BE BULLISH

OCTOBER 2016

1. **TECHNOLOGY**
THE UBIQUITY
OF MOBILE
CONNECTIVITY

2. **FINANCIALS**
GROWTH BANKS
TO BENEFIT FROM
THE IMPENDING FED
RATE HIKE

3. **HEALTHCARE**
BEST-IN-
CLASS BIOTECH

4. **CONSUMER
DISCRETIONARY**
DEATH OF THE
SHOPPING MALL

As the US Presidential Election approaches, market volatility and uncertainty are likely to increase from their current subdued levels. Following the Election, we believe that the market can climb the proverbial Wall of Worry into year-end, and we have positioned the portfolio accordingly.

Another key near-term concern is when the Fed will raise interest rates next. Fund flows generally shift from fixed income to equities as rates rise. Given current valuations, we believe that market leadership in equities will rotate into the traditional growth sectors favored by our investment style. Within pro-cyclical, growth-oriented sectors, we have identified several key investment themes that have driven stock selection in the New Capital US Growth Fund. The growth sectors – Technology, Consumer Discretionary, Health Care, and Financials – are trading at both forward and relative discounts to the S&P 500. We are overweight in these sectors, which have historically dominated in sustained market rallies. In the first six weeks following the Brexit vote, these growth sectors all meaningfully outperformed the S&P 500, and assuming constructive market conditions into year-end, we believe these growth sectors will continue their outperformance.



JOEL RUBENSTEIN
LEAD PORTFOLIO
MANAGER

1. TECHNOLOGY

With better-than expected initial sales of the new iPhone 7 and the upcoming seasonal shopping period, companies which are a part of the Apple supply chain are set to benefit. The ubiquity of mobile connectivity is set to continue and also the malfunction of the battery in the rival Samsung phone will give a boost to Apple and so we have positioned ourselves in companies within the supply chain.

- **Broadcom** (AVGO) is a leading designer, developer and global supplier of a broad range of analog and digital semiconductor connectivity solutions, including various RF, GPS, and other connectivity content for the iPhone.
 - The iPhone 7 has increased radio-frequency bands so this will benefit Broadcom and the same increased semiconductor will likely be used for the next model.
- **Skyworks** (SWKS) is a provider of highly innovative analog semiconductors, with upwards of 30%+ exposure to Apple products.
 - This company has a lot of reliance on Apple so it should see improvement from the performance of the latest iPhone.
 - It also has expansion into another key investment theme of the 'Internet of Things' and wearable technology so it has other avenues besides the iPhone.

Skyworks: Connecting Everything- Size and Scale 2020 Predictions

4 Billion Connected People

\$4 Trillion Revenue Opportunity

25+ Million Apps

25+ Billion Embedded and Intelligent Systems

50 Trillion GBs of Data

Source: Skyworks.



TIM BUTLER
SENIOR PORTFOLIO
MANAGER

2. FINANCIALS

Emerging technology and life sciences companies continue to innovate and drive economic growth with support from selected banks. As a result, we have added to several high-quality, asset-sensitive banks with strong loan growth profiles who should also be beneficiaries of rising interest rates. Thus, moving into year-end, we have shifted our positioning to an overweight in Financials.

Two examples of high-quality, rate-sensitive banks with strong loan growth profiles:

- **First Republic Bank** (FRC) – founded in 1985 – offers private banking, business banking, and private wealth management services. It is renowned for its exceptional and responsive customer service, and it focuses on entrepreneurs and high net worth clients like Facebook founder Marc Zuckerberg and billionaire real estate entrepreneur Stephen Ross.
- **SVB Financial** (SIVB) Silicon Valley Bank has a leading share in lending to emerging technology and life sciences companies.
 - The key to the SIVB story is that its rapid loan growth, coupled with net interest margin (NIM) expansion, should translate into earnings growth acceleration.
 - The impending Fed rate hike should benefit SIVB meaningfully as most of its loans are tied to the Prime rate (generally 300 bps overs the Fed Funds rate); thus, it should enjoy immediate NIM expansion.
 - SIVB expect each 25 bps increase in short-term rates to contribute approximately \$23 million to net interest income.

SIVB: Expects rising rates to reward them significantly

Changes in Fed Funds Rate (basis points)	Changes in Net Interest Income (tax effected)	Incremental EPS Effect	Incremental ROE Effect	Net Interest Margin Effect
+100	+\$93 million	+\$1.79	+2.08%	+0.38%
+200	+\$193 million	+\$3.70	+4.18%	+0.77%
+300	+\$293 million	+\$5.61	+6.18%	+1.17%

Source: SVB. Assumptions as of 30 June 2016.



MIKE CLULOW
SENIOR PORTFOLIO
MANAGER

3. HEALTHCARE

Hillary Clinton is seen to many as someone wanting to lower prices of drugs across the whole industry, thereby squeezing profit margins of the companies, but her stance is misunderstood. In 1993 Clinton set up an oversight panel in order to govern the price of new remedies while today's oversight panel aims to reduce the price of generic drugs which have no intellectual property. We are focused on best-in-class biotech leaders which won't be affected. Our view is these stocks will benefit as we feel they are undervalued.

- **Incyte** (INCY) is a biopharmaceutical research company specialising in oncology product development.
- **BioMarin** (BMRN) is a biotechnology company with a core business and research in enzyme replacement therapies.
 - As of 2016 it has five products on the market, each of which is an orphan drug.
 - While these rare-disease drugs are expensive, they can be life-changing for patients. High demand for these best-in-class treatments has transformed BioMarin's bottom-line.

BioMarin: Pricey Prescriptions

Medicine	Condition	Annual Cost Per Patient (\$000)	2015 Total Net Product Revenues (\$000,000)
Vimizim	Morquio A	380	228
Kuvan	Phenylketonuria	100	239
Naglazyme	Mucopolysaccharidosis VI	340	303
Aldurazyme	Mucopolysaccharidosis I	350	218

Source: BioMarin; America's Health Insurance Plans; US National Library of Medicine.



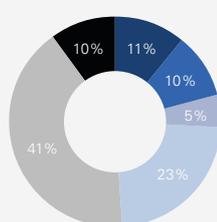
CHELSEA WIATER
RESEARCH ANALYST

4. CONSUMER DISCRETIONARY

The ongoing shift in consumer purchasing preference to e-commerce channels over traditional brick-and-mortar stores has resulted in what has been dubbed 'the death of the shopping mall.' In the current environment, companies who rely heavily on mall-based traffic are struggling to maintain their Same Store Sales and as a result are forced to deeply discount their inventory in an attempt to drive transaction growth. By contrast, companies with strong e-commerce platforms can continue to drive sales where, when, and how their customers want to shop.

- **Amazon.com** (AMZN)
 - Amazon's investments in infrastructure, sourcing, and logistics are driving market share gains vs. both traditional brick-and-mortar and e-commerce based retailing peers. Customers are flocking to the company's website and mobile apps to source products at value and convenience propositions that other retailers cannot provide.
- **ULTA Salon** (ULTA)
 - The number one beauty supplier in the US, ULTA is taking market share in a broad and growing market segment, currently valued at \$127B.
 - ULTA's diversified brand portfolio caters to the 'Beauty Enthusiast,' a consumer subset defined by their brand loyalty and highly-engaged purchasing behavior, in which they prefer to see and feel the product prior to purchasing. These traits, alongside the company's real estate profile comprised largely of non-mall based locations, has shielded the company from the traffic struggles of other brick-and-mortar retailers.

US Beauty market



- Skincare
- Cosmetics
- Fragrance
- Other*
- Haircare services, skincare services and nail salons
- Haircare

Source: July 2015 Euromonitor and November 2015 IBIS World Reports.

* Other includes: bath and shower, deoderants, depilatories, men's grooming, oral care and sun care products.

This document does not constitute and shall not be construed as a prospectus, public offering or placement of, nor a recommendation to buy, sell, hold or solicit, any investment, security, other financial instrument or other product or service. It is not intended to be a final representation of the terms and conditions of any investment, security, other financial instrument or other product or service. This document is for general information only and is not intended as investment advice or any other specific recommendation as to any particular course of action or inaction. The information in this document does not take into account the specific investment objectives, financial situation, tax situation or particular needs of the recipient. You should seek your own professional advice (including tax advice) suitable to your particular circumstances prior to making any investment or if you are in doubt as to the information in this document.

This document contains material that may be interpreted in the country in which this document has been communicated as a financial promotion and/or advertisement in relation to investment services, securities or other investments. Accordingly, the information in this document is only intended to be viewed by persons who fall outside the scope of any law that seeks to regulate financial promotions and/or advertisements in the country of your residence or in the country in which this document has been communicated. If you are uncertain about your position under the laws of the country in which this document has been communicated then you should seek clarification by obtaining legal advice.

Although information in this document has been obtained from sources believed to be reliable, no member of the EFG group represents or warrants its accuracy, and such information and/or investment research may be inaccurate, incomplete or condensed. Any opinions in this document are subject to change without notice. This document may contain personal opinions which do not necessarily reflect the position of any member of the EFG group. To the fullest extent permissible by law, no member of the EFG group shall be responsible for the consequences of any errors or omissions herein, or reliance upon any opinion or statement contained herein, and each member of the EFG group expressly disclaims any liability, including (without limitation) liability for incidental or consequential damages, arising from the same or resulting from any action or inaction on the part of the recipient in reliance on this document.

The value of investments and the income derived from them can fall as well as rise, and any reference to past performance is no indicator of current or future performance. Any past performance data for collective investment schemes may not take account of the commissions and costs incurred on the issue and redemption of shares. Income from an investment may fluctuate. Investment products may be subject to investment risks involving, but not limited to, possible loss of all or part of the principal invested. The risk of loss from investing in commodity and financial futures, foreign exchange contract securities, warrants and index contracts and options can be substantial.

The publication or availability of this document in any jurisdiction or country may be contrary to local law or regulation and persons who come into possession of this document should inform themselves of and observe any restrictions. No distribution of this information to anyone other than the designated recipient is intended or authorized. This document may not be reproduced, disclosed or distributed (in whole or in part) to any other person without prior written permission from an authorised member of the EFG group.

The information contained in this document is merely a brief summary of key aspects of the New Capital UCITS Fund plc (the "Fund"). More complete information on the Fund can be found in the prospectus or key investor information document, and the most recent audited annual report and the most recent semi-annual report. These documents constitute the sole binding basis for the purchase of Fund units. Copies of these documents are available free of charge and may be obtained at the registered office of the Fund at 5 George's Dock, IFSC, Dublin 1, Ireland; in the United Kingdom from the facilities agent EFG Asset Management (UK) Limited ("EFGAM"), Leconfield House, Curzon Street, London W1J 5JB, United Kingdom; in Germany from the German information agent, HSBC Trinkaus & Burkhardt AG, Königsallee 21/23, 40212 Düsseldorf, Germany; in France from the French centralizing agent, Societe Generale, 29, boulevard Haussmann – 75009 Paris, France; in Luxembourg from the Luxembourg paying agent, HSBC Securities Services (Luxembourg) S.A., 16 boulevard d'Avranches, L-1160 Luxembourg, R.C.S. Luxembourg, B28531; in Austria from the Austrian paying and information agent, Erste Bank der österreichischen Sparkasse AG Graben 21, 1010 Vienna, Austria; in Sweden from the Swedish paying agent, MFEX Mutual Funds Exchange AB, Linnégatan 9-11, 11 447 Stockholm, Sweden; and in Switzerland from the Swiss representative, CACEIS (Switzerland) SA, Route de Signy 35, CH-1260 Nyon and the paying agent, EFG Bank AG, Bleicherweg 8, 8022 Zurich.

This document has been produced by EFG Asset Management (UK) Limited for use by the EFG group and the worldwide subsidiaries and affiliates within the EFG group. EFG Asset Management (UK) Limited is authorised and regulated by the UK Financial Conduct Authority, registered no. 7389746. Registered address: EFG Asset Management (UK) Limited, Leconfield House, Curzon Street, London W1J 5JB, United Kingdom, telephone +44 (0)20 7491 9111.

Hong Kong

This document does not constitute an offer, solicitation or invitation, publicity or any other advice or recommendation. The information contained within this document has been obtained from sources believed to be reliable and accurate at the time of issue but no representation or warranty, expressed or implied, is made as to the fairness, accuracy or completeness of the information. Investment involves risk. Past performance is not indicative of future results. Before making any investment decision to invest in the Fund, you should read the Hong Kong offering documents and especially the risk factors therein. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent professional advice. This document is issued by EFG Asset Management (Hong Kong) Limited and has not been reviewed by the Securities and Futures Commission ("SFC") in Hong Kong. The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

Singapore

The Fund is not authorised or recognised by the Monetary Authority of Singapore (the "MAS") and the shares in the Fund (the "Shares") are not allowed to be offered to the Singapore retail public. Moreover, this presentation, and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore ("SFA"). Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This presentation has not been registered as a prospectus by the MAS, and the offer of the Shares is made pursuant to the exemptions under Sections 304 and 305 of the SFA. Accordingly, the Shares may not be offered or sold, nor may the Shares be the subject of an invitation for subscription or purchase, nor may this presentation or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 304 of the SFA, (b) to a relevant person (as defined in Section 305(5) of the SFA), or any person pursuant to an offer referred to in Section 305(2) of the SFA, and in accordance with the conditions specified in Section 305 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Shares are acquired by persons who are relevant persons specified in Section 305A of the SFA, namely:

- a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 305 of the SFA except:

1. to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 305A(3)(i)(B) of the SFA (in the case of that trust);
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 305A(5) of the SFA; or
5. as specified in Regulation 36 of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 of Singapore.

The offer, holding and subsequent transfer of Shares are subject to restrictions and conditions under the SFA. You should consider carefully whether you are permitted (under the SFA and any laws or regulations applicable to you) to make an investment in the Shares and whether any such investment is suitable for you and you should consult your legal or professional advisor if in doubt.