

New Capital US Small Cap Growth Fund



Monthly Commentary | As of 31 October 2024

Executive summary

Key events in market

US Equities surrendered their October gains late in the month due to a sell-off in tech heavyweights following disappointing earnings results at Meta and Microsoft. Amidst this backdrop, the S&P 500 fell 1% and the tech-heavy NASDAQ fell 0.5%.

Key performance & positioning updates

The US Small Cap Growth Fund fell 3% in October, whilst the Russell 2000 Growth Index declined 1.3%. Performance in the month was driven by positive contributions from Consumer Staples, Financials, Industrials, Cash and Communication Services. Consumer Discretionary, Health Care, Technology, and Materials detracted from performance.

House view

The MSCI world All Countries index corrected in October, registering a total return of -2.2% in the month. However, the performance since the beginning of the year remains a solid 16.4%. The performance of the MSCI ACWI was burdened by the correction in China and Asian markets as the surge seen in September was not supported by credible announcements of fiscal expansion. The month saw also increased volatility: the Vix index of implied volatility in SP500 options rose to above 22 from about 16 at the beginning of the month, levels that unsurprisingly represented a headwind to global equities.

The weakness of stock prices mirrored a sell off in fixed income markets, with the US Treasury 10-year yield adding almost 0.50% to rise to the highest since early July. Notably, the yield increase reflected a higher risk premium on top of upwardly revised expectations about future monetary policy. Furthermore, inflation expectations increased in the period, although the price of commodities, including oil, industrial metals and agricultural goods, fell. Finally, the US dollar index appreciated by more than 3%, this happened despite the price of gold of surging more than 4% for the month.

As much as these developments seem contradictory, they closely align with the increased belief amongst investors that the Republican party candidate Donald Trump has a better chance of winning the US Presidential elections than vice President Kamala Harris, the Democratic party candidate. Increased investors' focus on the US elections overshadowed the European Central Bank decision to cut rates again in October and the UK budget by the new Labour government under Keir Starmer.

Fund performance and positioning

The US Small Cap Growth Fund fell 3% in October, whilst the Russell 2000 Growth Index declined 1.3%. Performance in the month was driven by positive contributions from Consumer Staples, Financials, Industrials, Cash and Communication Services. Consumer Discretionary, Health Care, Technology, and Materials detracted from performance, while Energy and our lack of exposure to Real Estate and Utilities had a de minimis impact on performance.

The top contributors were:

- Intra-Cellular Therapies, Inc.: shares of this neuropsychiatry biotech climbed on an upside third quarter report with management citing strong demand for Caplyta, a leading treatment for patients suffering from schizophrenia & bipolar disorder.
- Construction Partners, Inc.: shares of this civil infrastructure company rallied after the company announced strong preliminary quarterly results.
- Sprouts Farmers Market: shares of this differentiated lifestyle grocer rallied following a beat & raise quarter.

The top detractors were:

- TransMedics Group: shares of this transplant device leader faltered in the wake of a disappointing third quarter report. We maintained our position here, as the shortfall was largely attributable to one-time factors.
- Boot Barn Holdings: shares fell following the surprise announcement of a CEO transition.
- Crocs, Inc.: shares declined as the brand turnaround strategy for HeyDude is taking longer than expected.

Exiting October, the Fund's largest areas of absolute exposure were Health Care (27%), Technology (22%), Industrials (20%),

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Consumer Discretionary (9%) and Financials (9%), with more modest exposure to Energy (3%), Materials (3%), Communication Services (3%), and Consumer Staples (3%). On a relative basis, our largest areas of exposure are Technology, Health Care and Financials, with a modest overweight in Communication Services. We are underweight Industrials, Consumer Discretionary, Materials, and Consumer Staples, with no exposure to Real Estate or Utilities. As at month end, the Fund had approximately 1% in cash.



Exiting October, the Fund's largest areas of absolute exposure were Health Care (27%), Technology (22%), Industrials (20%), Consumer Discretionary (9%) and Financials (9%).



	New Capital US Small Cap Growth Fund	Russell 2000 Growth Total Return Index	Difference
1 Month	-3.01%	-1.33%	-1.68%
3 Months	-2.43%	-1.12%	-1.31%
6 Months	+12.30%	+12.51%	-0.21%
YTD	+17.39%	+11.72%	+5.67%
1 Year	+49.91%	+36.49%	+13.42%
3 Years	+6.71%	-6.73%	+13.44%
5 Years	+100.55%	+46.40%	+54.15%
Since Inception Annualised	+13.46%	+8.32%	+5.14%
Since Inception (09/12/2016)	+171.03%	+87.87%	+83.16%

Past performance is not a guide to the future. The value of your investments and the income from them may fall as well as rise as a result of market as well as currency fluctuations and you may not get back the full amount invested. The Fund is actively managed and as such does not seek to replicate its benchmark index, but instead may differ from the performance benchmark in order to achieve its objective. Fund performance is net of fees and representative of the USD I Acc Share Class, OCF 1.14%, and shows a maximum of five previous calendar years and current year to date (computed on a NAV to NAV basis). Where share class inception begins prior to the five previous years the chart has been re based to 100. Where the Fund has fewer than five full years of performance, returns are shown from the inception date. Source: EFG Asset Management, Bloomberg. As at 31 October 2024.

Outlook

Heading into the US Presidential election in early November, we remain cautiously optimistic that the culmination of this long-awaited catalyst will prove to be a tailwind for equities. Historically, simply moving past the “noise” of a Presidential election has spurred positive performance for the asset class, as markets have a general disdain for the unknown. Further, we are optimistic that market breadth will continue to improve as macroeconomic conditions support a soft-landing scenario. Many of the fundamental trends that supported equity valuations in the first half of the year – namely, Technology-oriented initiatives, stable manufacturing activity, streamlined supply chains, and decisive cost-control actions – should be drivers of positive sentiment as we move through the remainder of the third quarter earnings season.

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We continue to believe that current market conditions afford a wealth of opportunities for active managers like ourselves, and that our portfolio constituents embody the same characteristics investors should seek to embrace at the early stages of a fledgling economic cycle: companies with best-in-class management teams with the vision and capacity to execute against long term plans; brands with differentiated products and services; and market-leading or share-gaining constituents of industries with secular growth opportunities.



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MARKETING COMMUNICATION

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All sources: EFG Asset Management (UK) Limited ("EFGAM"), Factset, Bloomberg, Morningstar as at end of the month. Any other sources as applicable.

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Country of origin of the collective investment scheme: Ireland. The information contained in this document is merely a brief summary of key aspects of the fund.

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United Kingdom: from the UK facilities agent, EFG Asset Management (UK) Limited, Park House, 116 Park Street, London W1K 6AF, United Kingdom

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Italy: from the Italian paying agent, All funds Bank S.A.U., Milan Branch, Via Santa Margherita, 7 – 20121, Milan, Italy

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Austria, France, Luxembourg, the Netherlands, Portugal, Spain and Sweden: from the European Facility Service provider, FE fundinfo with registered address 6 Boulevard des Lumières, Belvaux, 4369 Luxembourg

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