

Global Growth & Income Fund for Charities

Investment Report - First Quarter 2011

► A BNY MELLON COMPANYSM

NEWTON
The Power of Ideas



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Fund information

Long-term track record

The Global Growth & Income Fund for Charities has returned 85.4% since launch (12 November 2001), which is equivalent to 6.8% per annum. This is an outperformance of 0.8% per annum (net of fees) compared to the fund's benchmark. For more detail on the fund's long-term performance, please refer to page 4.

Aim

The objective of the fund is to optimise total returns for charities in terms of capital growth and income from a portfolio of global equities and fixed interest securities. The minimum target yield (income) is 3% per annum.

Performance references

20% FTSE Government All Stocks Index; 50% FTSE All Share; 25% FTSE World (ex UK) and 5% 7-day cash (benchmark).

Risk profile

Suitable for investors with a medium risk profile.

Unit prices as at 31 March 2011

127.63p (Bid price)

129.39p (Offer price)

Fund facts

Fund size (millions):	GBP 290	Pay dates:	Feb, May, Aug and Nov
Annual management charge:	0.6%	Last distribution:	1.1034p per unit
Total expense ratio:	0.74%	ISIN:	GB0031050544
Base currency:	GBP	Sedol:	3105054
Dividend yield:	4.2%		

Focus on the latest quarter

Performance over three months

Global Growth & Income	0.3%		
Benchmark	0.9%		
FTSE All Share	1.0%	FTSE W World (ex UK)	2.3%
		FTA Govt All Stocks	-0.8%

Source: Newton, Datastream & WM, as at 31 March 2011. Calculation basis: Sterling, total return, offer to offer, without initial charges, gross income reinvested, net of management fees. Please note: The Fund's units are priced at noon on each working day; benchmark index values are taken at the end of the day.

Significant transactions

Acquisitions
Sage Group PLC
Pearson PLC
ENI S.p.A.
Mosaic Co.
Barrick Gold Corp.

Disposals
Greene King PLC
Marston's PLC
International Power PLC
Deutsche Post AG
WH Smith PLC

Note: Portfolio holdings are subject to change at any time without notice and should not be construed as investment recommendations.

Fund manager report

"Contented wi' little and cantie wi' mair

Whene'er I forgather wi' Sorrow and Care

I gie them a skelp, as they're creeping along

Wi' a cog o' gude swats, and an auld Scottish sang."

Robert Burns : 'Contented wi' Little'

If, at the end of 2010, someone had forecast the forthcoming quarter's unsavoury cocktail of unwelcome events, namely uprisings and (incomplete?) regime change in North Africa, with serious riots elsewhere in the Near East; an earthquake and tsunami of tragic proportions, coupled to nuclear power debacle, in Japan; further financial turmoil in Europe, attended by changes of premier in heavily-indebted Ireland and Portugal; and, finally, political stalemate in the United States, few (if any) would have forecast major equity markets at the highest levels in three years. Throw in an oil price that has risen by 40% over twelve months, metal prices 30% ahead and food prices 40% higher over the same period and most investors would have expected a significant set back.

A combination of explanations suggest themselves: the continuance of quantitative easing and of below-

inflation interest rates in much of the world; confidence in the omniscience and omnipotence of the monetary and political authorities so to arrange matters as to postpone indefinitely the day of fiscal reckoning, particularly given the exigencies of rebuilding part of Japan; improving economic data; and the unexpected robustness of corporate revenues and earnings.

In contrast to lacklustre returns from emerging markets, developed markets recorded progress thanks to continued improvement in corporate earnings. The first quarter, indeed, was remarkable for its overall resilience, with the FTSE All-Share Index and the FTSE World (ex UK) Index (in sterling terms) returning, respectively, 1.0% and 2.3%, whilst gilt-edged fell by only 0.8%.

Over the quarter the Fund returned 0.3% (based on the midday price, after costs) compared to its cost-free benchmark return of 0.9%. Most of the shortfall against benchmark derived from not holding enough *Royal Dutch Shell* and persevering with *BP*... It gives us great pleasure, however, to restore the 0.1p per unit investors forewent in dividends 2010 compared to 2009. The actual distribution of 1.3437p per unit is a year-on-year increase of 8.3%, assisted by a special cash distribution of 92p per share by *International Power*.

We have kept our bond holdings to a minimum, in recognition both of artificially low yields attributable to quantitative easing, which is now expected to be phased out over the coming months, and of the upward pressure on inflation, provided by rising commodity prices and by the global economic recovery. Significant interest rate rises are not as axiomatic as investors expect. The Governor of the Bank of England has made it clear that, whilst wage claims remain quiescent, externally-introduced inflationary strains are endurable, if highly uncomfortable. If austerity measures are implemented properly, the economy's growth may be so anaemic as to revive demand for fixed interest instruments and gilt-edged's safe-haven status and liquidity are important in any balanced portfolio, even if the likelihood of reward is scant.

Newton's 'world picture' of sluggish growth, continuing deficit reduction, demographic and technological change, and global realignment, with continuing, almost non-cyclical, demand for resources and consumer services, continues to inform portfolio construction and stock selection.

With profits enhanced by burgeoning demand, staff reduction as well as by the inexpensive cost of money, we have expected companies to focus on enhancing efficiency, both by 'soft' and 'hard' capital expenditure and by merger and acquisition activity. We have consequently invested in business-improving companies such as *Siemens, EMC, Logica and Sage*.

We have disposed, or reduced, those to which we believe the environment is increasingly inimical such as *Deutsche Post, Halfords and National Grid*. We have taken profits in numerous holdings, which have served well the portfolio and which reflect much of the good news we anticipated previously such as: *BHP Billiton, Vodafone, BP, Greene King, International Power, and HSBC*.

We believe that companies (particularly in the energy sector) which provide real assets have a place in inflationary as well as disinflationary times. We have introduced/augmented *Mosaic, Noble Group, Santos, ENI and Barrick Gold*. These have some economically-cyclical sensitivity, which we are anxious to protect.

We may see some short-term sector rotation into companies offering earnings stability such as utilities, oil, healthcare and telephony, rather than a continuing chase for cyclically-driven earnings,

should rising oil prices, rising interest rates and a temporary slackness of demand take further toll of emerging market equities. Overall, we are anxious to preserve balance in an uncertain world, and to be paid, via increasing dividends, for the risks taken.

Conclusion

The challenges of 2011 have not changed, and remain those of previous years. The attempt to create stability, via low interest rates, via quantitative easing (enlarged by recent, essential, monetary injections into the Japanese economy), and via translation of private sector debt into the public sector, has rendered unstable, paradoxically, those very institutions which previously provided solidity and continuity.

In the near term, external circumstances are unlikely to assist the markets' advance. Quantitative easing may come to an end in the United States, where the need to adopt some budgetary discipline will become ever more urgent. In Europe, Angela Merkel, 'kettled' by poor provincial election results, can use no longer Germany's financial firepower to impose monetary and fiscal rectitude on the Eurozone. Vulnerability to inflation will remain an issue if the US dollar weakens further and both supply and demand factors continue to drive up the price of energy and food. To adapt Lord Wolfson's recent pithy comment, when announcing *Next's* annual results, we are going to have to learn to "walk up the down escalator".

We are now in a period when temperatures around the world will begin to rise but, ironically, Japan's travails have acted as a break/brake in/on market momentum which threatened to fall prey to (restrained) euphoria. In the meantime, with muted wage growth, disciplined cost management and growing revenues, companies are giving a strong message to investors, via earnings improvements, buy-backs (*Vodafone* has just announced that the proceeds of divestments will be used to buy back 7% of its shares), via merger and acquisition activity and, most importantly, via higher dividend announcements, that they are fit still for purpose.

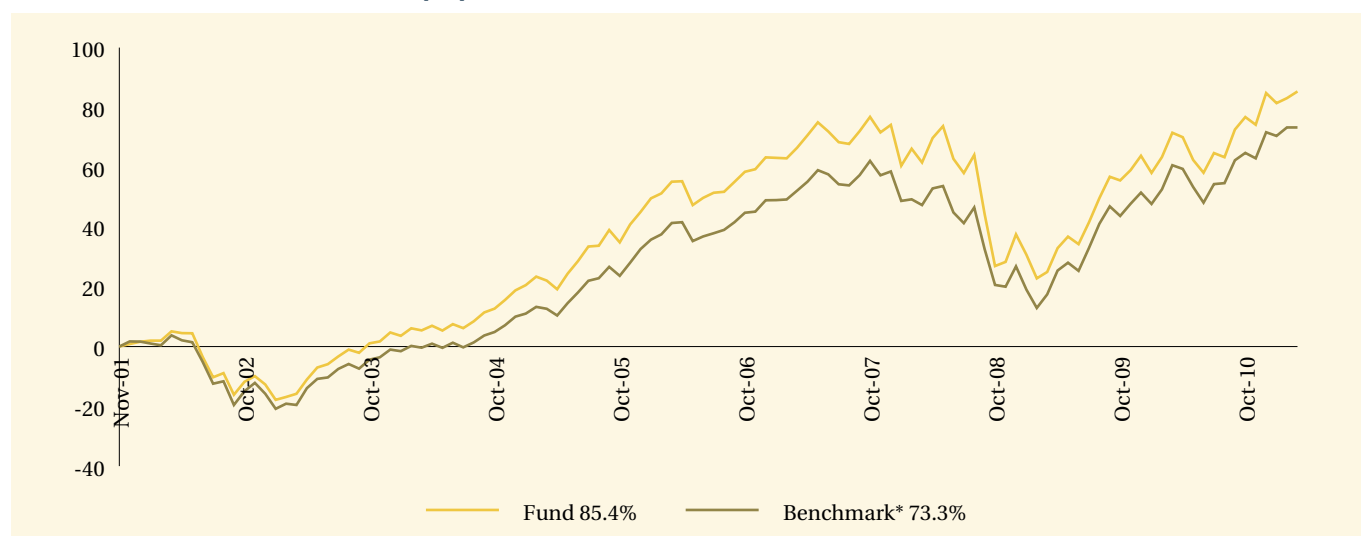
"Diligence is the mother of good fortune and idleness, its opposite, never led to good intention's goal."

Cervantes: Don Quixote

Fund manager: Jamie Korner

Long-term performance

Performance since launch (%)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	YTD 2011
Fund	-14.1	20.0	13.4	22.1	12.6	6.6	-21.0	19.1	12.8	0.3
Benchmark*	-17.2	17.6	11.1	20.5	12.3	6.5	-20.0	19.5	13.3	0.9

Discrete past performance (%)

From	31/03/06	31/03/07	31/03/08	31/03/09	31/03/10
To	31/03/07	31/03/08	31/03/09	31/03/10	31/03/11
Fund	7.3	-3.0	-22.7	37.3	8.0

Performance sourced from: Newton, Datastream, WM & Bloomberg, as at 31 March 2011. Calculation basis: Sterling, total return, offer to offer, without initial charges, gross income reinvested, net of management fees. Please note: The Fund's units are priced at noon on each working day; benchmark index values are taken at the end of the day.

*The benchmark changed on 1 January 2009 to 20% FTSE Government All Stocks Index; 50% FTSE All Share; 25% FTSE World (ex UK) and 5% 7-day cash. Prior to this the benchmark was the WM Total Charities (ex property) Universe.

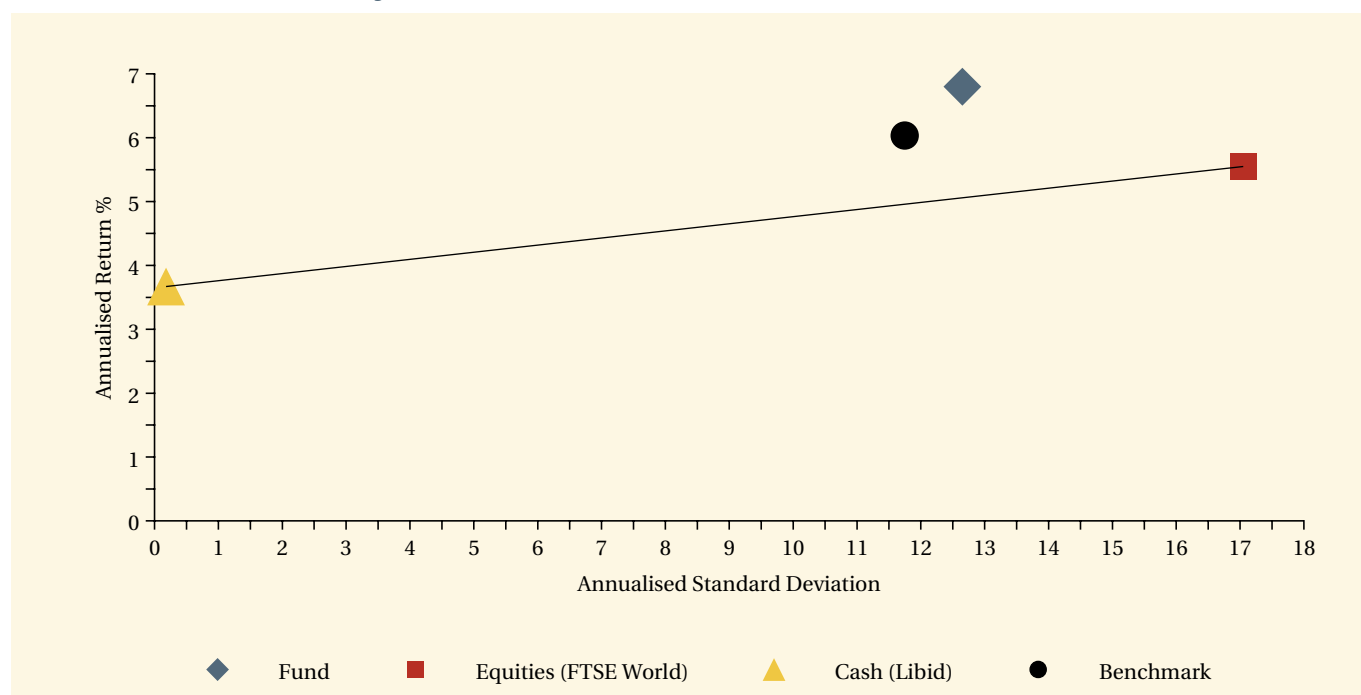
Risk factors

The performance data shown on this report is past performance; as such it is not a guide to future performance.

Investors should remember that unit trusts should be regarded as long-term investments and that the value of units, and the income from them, can go down as well as up due to stock market and movements in exchange rates. When you sell your investment you may get back less than you originally invested. Where the fund holds bonds, their value is affected by interest rate fluctuations and by changes in the credit ratings of the underlying issuer of the assets.

Long-term performance - risk and reward

Fund return and volatility since launch



This chart shows both return and volatility. The Global Growth & Income Fund for Charities has given a higher return than cash, world equities and the benchmark with greater volatility than that of the benchmark. The launch date of the fund was 12 November 2001.

Risk and return since launch

	Annualised Return	Volatility	Sharpe ratio
Fund	6.8%	12.7%	0.3
Benchmark*	6.0%	11.8%	0.2

Performance sourced from: Newton, Datastream, WM & Bloomberg, as at 31 March 2011. Calculation basis: Sterling, total return, offer to offer, without initial charges, gross income reinvested, net of management fees. Please note: The Fund's units are priced at noon on each working day; benchmark index values are taken at the end of the day.

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Newton's investment process

Newton is a global thematic stock picking company. Our style is inclusive and relies on effective communication between all of our investment personnel.

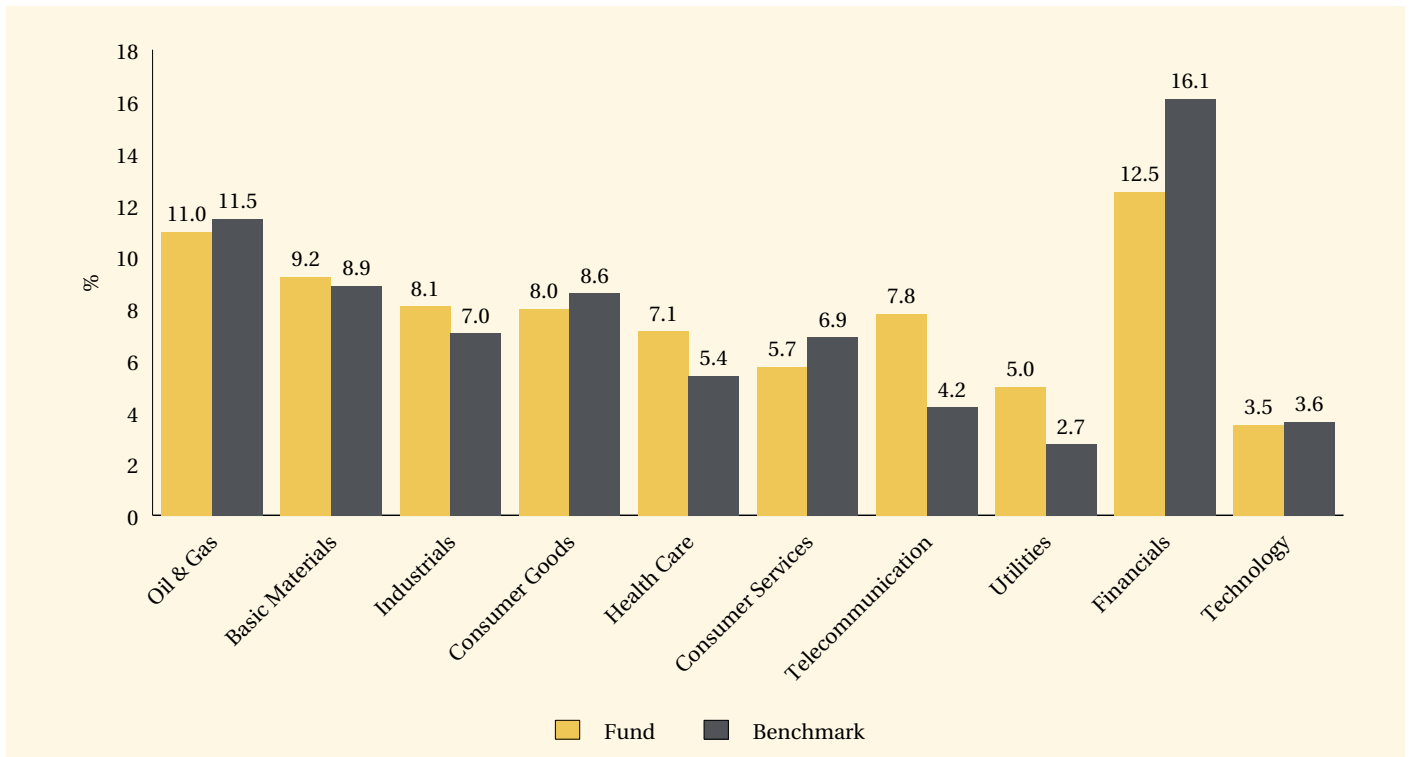
Strategy groups	Representatives from the strategy team, fund managers and research analysts identify global themes and formulate our economic view.
Research team	Global sector analysts, supported by fund managers, identify investment opportunities within the thematic backdrop.
Fund management	Fund managers debate with analysts the appropriate valuations for purchases and sales, then construct portfolios to match up Newton's investment thinking with client objectives and risk profile.

Several of these themes are listed below, along with examples of individual holdings.

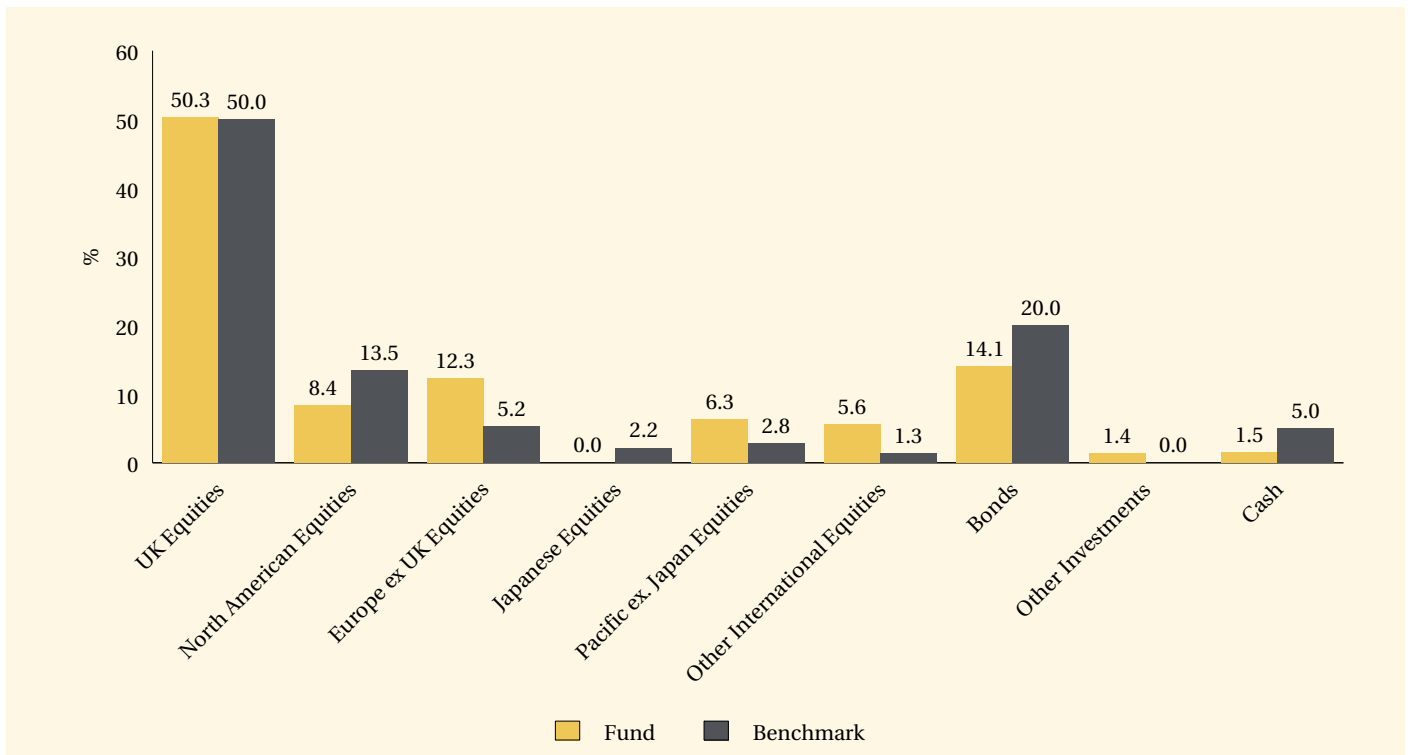
Theme	Factors	Investments
All change	The popping of the credit bubble has marked an end to the era of rapid growth in private sector debt in the developed world. Structurally impaired financial systems and regulatory burdens ensure that credit will be less freely available, and this has profound implications for consumer-driven economies, all asset classes and investment strategies.	Newcrest Mining, Centrica, Unilever, BHP Billiton, Nestle, Novartis, Barrick Gold
Developing economies	The influence of the developing world on the global economy continues to grow, and developing economies ultimately are on a convergence course, in terms of demographics and consumption trends, with the industrialised world. This long-term secular trend will entail the development of Western-style health and social security systems and will involve significant cyclical influences as well as frictions regarding trade policies.	PZ Cussons, Noble Group, Unilever, Rio Tinto, L'Oreal, Belle International
Networked world	Although networks have already transformed our lives, the trend remains at a relatively early stage. Rapid increases in bandwidth continue to increase networks' range of uses and their interactivity, which in turn is driving productivity gains. The explosive growth of mobile internet, combined with innovations in sensor technology, will generate profound changes in many industries.	Vodafone, Advanced Info Service, Taiwan Semiconductor, Research in Motion, Sage
Earth Matters	Environmental issues have moved to centre stage in the minds of the public and policy makers, and a political consensus is emerging in relation to investment in 'green' technology. It is now almost universally accepted that man-made greenhouse gas emissions are an important contributor to climate change. Current growth trends in the developing world suggest that significant additional pressure on resources and the environment is likely in the future.	Fortum, Bayer, Syngenta, Mosaic

Fund analysis

Equity weightings by industry



Regional and asset class weightings



Source for all charts: Newton, as at 31 March 2011.

Portfolio valuation

	Holding (%)
Equities	82.99
Oil & Gas	10.97
Oil & Gas Producers	10.16
BG Group PLC	1.02
BP PLC	1.96
ENI SpA	0.63
Royal Dutch Shell PLC	4.36
Santos Ltd	0.54
Statoil ASA	0.85
Total SA	0.79
Oil Equipment Services & Distribution	0.81
Wood (John) Group PLC	0.81
Basic Materials	9.22
Chemicals	1.94
Bayer AG	0.77
Mosaic Co	0.58
Syngenta AG	0.59
Mining	7.28
Anglo American PLC	0.95
Barrick Gold Corp	0.50
BHP Billiton PLC	2.86
Consol Energy Inc	0.62
Newcrest Mining Ltd	1.59
Rio Tinto PLC	0.76
Industrials	8.08
Aerospace & Defence	0.50
Cobham PLC	0.50
General Industrials	2.26
Noble Group Ltd	0.63
Siemens AG	0.87
Swire Pacific Ltd	0.76
Electronic & Electrical Equipment	0.58
Emerson Electric Co	0.58
Industrial Engineering	0.64

Portfolio valuation

IMI PLC	0.64
Industrial Transportation	0.58
BBA Aviation PLC	0.58
Support Services	3.52
Accenture PLC	0.53
Bunzl PLC	0.61
De La Rue PLC	0.54
Diploma PLC	1.29
Experian PLC	0.55
Consumer Goods	8.00
Beverages	1.55
Britvic PLC	0.68
Diageo PLC	0.87
Food Producers	3.65
Associated British Foods PLC	0.78
Nestle SA	0.73
Rei Agro Ltd	0.47
Tate & Lyle PLC	0.90
Unilever PLC	0.78
Household Goods	0.36
Rossi Residencial SA	0.36
Personal Goods	2.43
Belle Intl Holdings Ltd	0.39
L'Oreal SA	0.56
Natura Cosméticos SA	0.61
PZ Cussons PLC	0.87
Health Care	7.12
Health Care Equipment & Services	0.96
Smith & Nephew PLC	0.58
Thermo Fisher Scientific Inc	0.38
Pharmaceuticals & Biotechnology	6.16
Abbott Laboratories	0.43
AstraZeneca PLC	1.22
GlaxoSmithKline PLC	2.05
Johnson & Johnson	0.41

Portfolio valuation

Novartis AG	0.82
Roche Hldgs AG	0.77
Sanofi-Aventis	0.45
Consumer Services	5.74
General Retailers	0.84
Marks & Spencer PLC	0.84
Media	3.16
Daily Mail & General Trust PLC	0.53
Pearson PLC	0.76
Reed Elsevier PLC	0.62
United Business Media PLC	0.78
Walt Disney Co	0.46
Travel & Leisure	1.74
Carnival Corp	0.41
Compass Group PLC	0.58
Go-Ahead Group PLC	0.75
Telecommunication	7.80
Fixed Line Telecommunications	3.46
AT&T Inc	0.61
Cable & Wireless Comms PLC	1.03
Koninklijke KPN NV	0.55
Tele Norte Leste Participacoes	0.41
Telefonica SA	0.87
Mobile Telecommunications	4.34
Advanced Info Service PCL	0.80
MTN Group Ltd	0.77
Vodafone Group PLC	2.77
Utilities	4.97
Electricity	2.24
Fortum Oyj	1.02
Scottish & Southern Energy PLC	1.22
Gas Water & Multiutilities	2.73
Centrica PLC	1.02
National Grid PLC	1.07
Severn Trent PLC	0.64

Portfolio valuation

Financials	12.51
Banks	4.10
DBS Group Holdings Ltd	0.78
DNB Nor ASA	0.49
HSBC Holdings PLC	1.77
Standard Chartered PLC	1.06
Nonlife Insurance	2.67
Amlin PLC	0.76
RSA Insurance Group PLC	1.00
Zurich Financial Services AG	0.91
Life Insurance	2.65
Aviva PLC	1.13
Prudential PLC	0.59
Standard Life PLC	0.92
Real Estate Investment Trusts	0.76
British Land Co PLC	0.76
Financial Services	1.64
Close Brothers Group PLC	0.93
ICAP PLC	0.71
Equity Investment Instruments	0.69
Montanaro UK Smaller Co IT PLC	0.69
Technology	3.51
Software & Computer Services	1.22
Logica PLC	0.45
Sage Group PLC	0.77
Technology Hardware & Equipment	2.29
Applied Materials Inc	0.47
Cisco Systems Inc	0.37
EMC Corp	0.51
Research In Motion Ltd	0.36
Taiwan Semiconductor Manufact	0.57
Unitised / Structured Investments (Equities)	5.09
North America	1.14
Findlay Park PLC American Fund USD (Inc)	1.14

Portfolio valuation

Europe ex UK	0.64
JPMorgan Euro Smaller Cos Tst	0.64
Pacific ex Japan	1.08
First State Investments (UK) Asia Pacific 'B' Shs (Acc) NAV	0.57
First State Investments (UK) Asia Pacific Leaders 'B' (Acc)	0.51
Other / Non Region Specific	2.23
Findlay Park Funds PLC Latin American USD Fund (Inc)	1.08
First State Investments (UK) Global Emerging Mkts 'B' (Acc)	0.52
JPMorgan Emerging Markets IT	0.63
Bonds	14.08
Government Bonds	4.86
UK Bonds	4.86
UK Treasury Gilt 4% 7/3/2022 GBP0.01	1.26
UK Treasury Stock 4.25% 7/06/2032 GBP0.01	1.56
UK Treasury Stock 4.25% 7/03/2036 GBP0.01	1.44
UK Treasury Stock 4.75% 7/03/2020 GBP0.01	0.60
Corporate Bonds	9.22
UK Corporate Bonds	7.89
AT&T Inc 5.875% Bds 28/4/2017 GBP50000	0.39
Barclays Bank PLC 6% Non-Cum Prf Shs 29/06/2049	0.34
BASF SE 5.875% Bds 31/03/2017 GBP50000	0.57
Cable & Wireless PLC 8.75% Bds 6/8/2012 GBP(VAR)	0.31
Centrica PLC 5.125% Bds 10/12/2014 GBP	0.37
Close Brothers Group PLC 6.5% Bds 10/02/2017 GBP	0.72
Daily Mail & General Trust PLC 7.5% Bds 29/3/2013 GBP10000	0.41
GE Capital UK Funding 5.875% Bds 4/11/2020 GBP2000	0.64
Go-Ahead Group PLC 5.375% Bds 29/09/2017 GBP	0.48
HSBC Bank PLC 5.75% Bds 27/6/17 GBP1000 EMTN	0.39
John Lewis PLC 6.125% Bds 21/01/2025 GBP	0.53
National Australia Bank Ltd 5.125% Bds 09/12/2021 GBP	0.53
Rabobank Cap Funding Trust IV 5.556% Perp 31/12/2049 Reg'S	0.43
Reed Elsevier Investment 7% Bds 11/12/2017 GBP50000	0.40
Telefonica Emisiones SAU 5.289% Bds 09/12/2022 GBP50000	0.67
Tesco Property Finance 3 PLC 5.744% Bds 13/04/2040 GBP	0.46
Yorkshire Building Society 5.649% Perp 29/03/2049 GBP	0.26

Portfolio valuation

Overseas Corporate Bonds	1.33
Anglo American Capital PLC 5.875% Bds 17/04/2015 EUR	0.35
BP Capital Markets PLC 6% Bds 17/03/2015 AUD	0.88
CRC Breeze Finance SA 5.29% Bds 8/05/2026 EUR50000	0.10
Property	1.40
Charities Property Property Fund (Inc)	0.67
UK Commercial Property Tst Ltd	0.73
Cash	1.53

Issued by Newton Investment Management Limited (NIM), the Investment Adviser to the Fund. The Global Growth and Income Fund for Charities is a common investment fund authorised by the Charities Commission. The Fund is a registered charity, number 1089229. It is an unregulated collective investment scheme, the promotion of which is restricted by Section 238(1) of the Financial Services and Markets Act 2000. Investment in the Fund is restricted and this document may only be distributed to authorised persons under the Financial Services and Markets Act 2000 and charities within the meaning of the Charities Act 1993 (as amended or replaced from time to time). The Fund Manager is BNY Mellon Fund Managers Limited (BNYM). Registered office for NIM and BNYM: BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No.1371973 (NIM) and No.1998251 (BNYM). NIM and BNYM are authorised and regulated by the Financial Services Authority.

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