

Global Growth & Income Fund for Charities

Investment Report - Fourth 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 83.5% since launch (12 November 2001), which is equivalent to 6.2% per annum. This is an outperformance of 0.7% 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 December 2011

122.17p (Bid price)

123.95p (Offer price)

Fund facts

Fund size (millions):	GBP 286	Pay dates:	Feb, May, Aug and Nov
Annual management charge:	0.6%	Last distribution:	1.1313p per unit
Total expense ratio:	0.74%	ISIN:	GB0031050544
Base currency:	GBP	Sedol:	3105054
Dividend yield:	4.3%		

Focus on the latest quarter

Performance over three months

Global Growth & Income	5.8%		
Benchmark	7.1%		
FTSE All Share	8.4%	FTSE W World (ex UK)	7.5%
		FTA Govt All Stocks	5.0%

Source: Newton, Datastream & WM, as at 31 December 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
Vodafone Group PLC
Reed Elsevier
Anheuser-Busch InBev
TDC A/S
Wisconsin Energy Corp.

Disposals
UK Commercial Property Trust Ltd
DBS Group Holdings Ltd.
Fortum Oyj
ENI S.p.A.
Rio Tinto PLC

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

Fund manager report

The return from the portfolio of 5.8% over the last quarter lagged the benchmark return of 7.1%. The Fund rose 5.8% over the quarter after the impact of fees is considered. The benchmark returned 7.1% for the same period. (The benchmark figure does not include any fees). The Fund's valuation is calculated at midday whereas the benchmark valuation is calculated as at the end of each day. This means that there can be a mismatch between the Fund performance and the benchmark that is caused by the timing difference.

Overall the fund benefited from good stock selection in 2011, especially in utilities and oil and gas; the biggest detractor from performance was the underweight position in UK gilts.

The lacklustre performance of the global economy and the unconvincing display of European politicians provided a fragile base for equities during the fourth quarter. Volatility remained a prominent feature over the period and we were active both in terms of seeking to take profits where appropriate, and in cutting out those positions where the outlook had deteriorated.

We cut holdings in some financial stocks within the UK equity portion of your portfolio, by reducing RSA and selling Close Brothers, British Land and UK Commercial Property Trust outright. We believe the

medium term outlook for those businesses has deteriorated.

Although we do not emphasise the geographic location of companies, we are conscious that Newton portfolios have maintained a meaningful allocation in favour of Europe, despite the ongoing crisis. However, a high proportion of our European exposure is through Swiss companies; Switzerland has retained its independence over monetary and fiscal policy, despite the pegging of the Swiss franc to the euro. Scandinavia offers non-euro exposure, and a selection of attractive companies, although not all have been immune from the European crisis in share-price terms. The remainder of our European holdings are in more defensive sectors (pharmaceuticals, energy and telecommunications) and the companies held tend to have strong balance sheets and attractive franchises. While Europe remains a significant worry, we have confidence in the companies we hold within the region.

We remain hopeful that the Asian and emerging market regions will provide investment opportunities for many years to come, encapsulated in our *global realignment* theme, but a slowdown in China now seems assured. With the deterioration in Chinese growth, we reduced our weighting to the region through partial sales of the **First State Asia Pacific**

Fund and First State Asia Pacific Leaders Fund.

Concerns over Hong Kong have also increased, to which **DBS** (the Singapore-based bank) is exposed, and we accordingly sold this holding in favour of the more conservative Thai company **Bangkok Bank**. Emerging market exposure was reduced, through sales of the **First State Global Emerging Market Fund** and **JP Morgan Emerging Markets Investment Trust**.

The risk of a sharp slowdown in China raised concerns over commodities and, by association, mining companies. We reduced exposure to what has been, historically, a successful sector, through sales of **Anglo American**, **BHP Billiton** and **Rio Tinto**.

We had been somewhat concerned about **Vodafone** earlier in the year, but recent results, and an increase in its dividend, led us to increase our position in this company. We also bought a position in the Danish telecommunications company **TDC**, which is well managed and has a high yield.

We remained underweight in UK gilts as we do not see a great deal of value here. We prefer corporate bonds where exposure was maintained, and a few new opportunities came to market towards the end of the quarter, including the **Statoil 1.8% 2016** bond which was added to the portfolio.

Conclusion

Authorities in the developed world have put in place a raft of measures to try to tackle the challenges associated with their debt-beleaguered economies. However, those measures appear merely to have bought time in easing immediate stresses in sovereign debt and bank funding markets, rather than to have addressed fundamental issues of solvency and economic growth. In doing so, policymakers have transferred burdens and costs from private sector to public sector, from borrower to saver (via the financial repression of low interest rates) and, contentiously, across borders in Europe.

The precise consequences of policy actions to date are highly uncertain, but as authorities run out of roads down which to kick their proverbial can, risks of more disruptive policy decisions (including, for example, disorderly defaults or 'haircuts' on bonds, currency devaluations, and exits from the eurozone) seem likely to increase. In the meantime, populism is liable to rise and to encourage authorities to place restrictions on trade and capital flows; the effects of protectionist policies in Norway, which have caused rising prices and shortages of butter in shops, as well

as isolated cases of butter smuggling, may be a precursor of more damaging actions to come around the world.

The deleveraging (debt repayment) of western economies is, we believe, likely to be a lengthy process, spanning many years. The scale of the challenge was summed up by a blunt warning from Christine Lagarde, managing director of the International Monetary Fund, in December: "There is no economy in the world, whether low-income countries, emerging markets, middle-income countries, or super-advanced economies, that will be immune to the crisis that we see not only unfolding but escalating."

For investors, the implications of deleveraging and its policy responses are highly significant. In particular, the financial system has had so much liquidity pumped into it that distortions in the normal functioning of asset markets, and in asset prices, have appeared. Hazards associated with even the safest government bonds have called into question previously held notions of 'risk-free' rates, while available returns on some of the highest quality assets have been obliterated. During the closing months of 2011, for example, the inflation-adjusted yield on index-linked gilts became negative across all maturity dates for the first time, and the nominal yield on one-year German government bills also fell below zero.

Risks to investors in the deleveraging world are plentiful; credit, counterparty and liquidity risks all assume an importance far exceeding that with which financial market participants had to contend in the years before the global financial crisis. As a result, the prevailing environment is one in which slavishly following a financial market index could prove costly; instead, it requires the careful sifting of wheat from chaff.

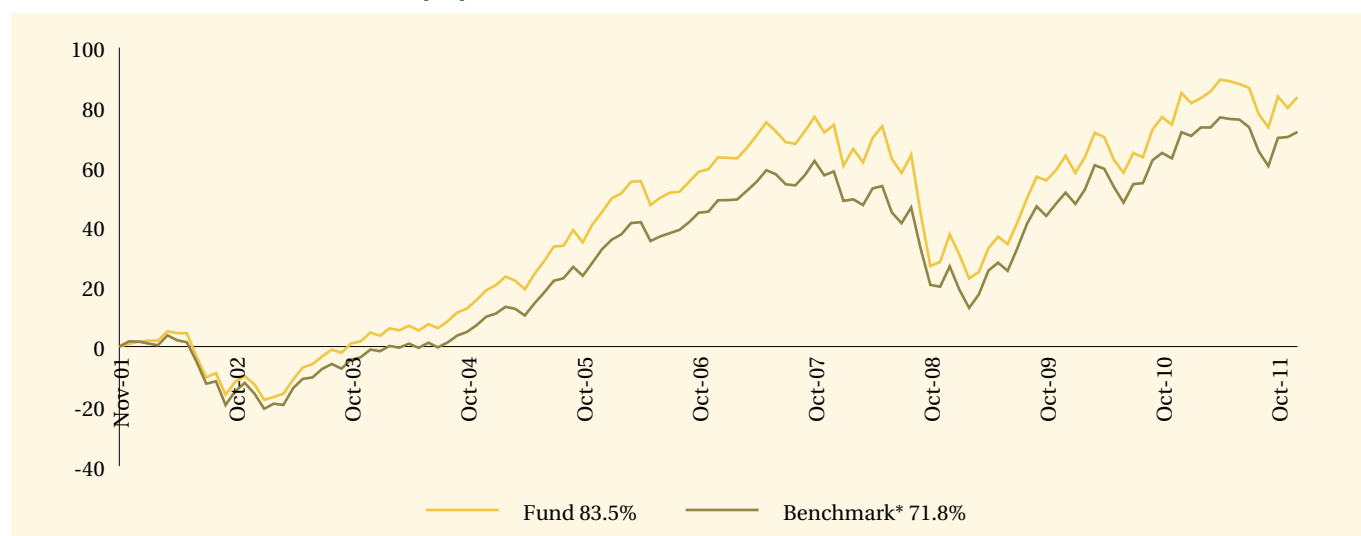
Being active and flexible, and achieving perspective on the investment landscape, does not equate always to getting things 'right', or to capitalising on every swing, to and fro, in short-term financial-market sentiment. However, in tandem with a broad perspective on the investment landscape, such an approach should allow investors to take advantage of evolving opportunities and to withstand volatility in markets – indeed, to accept such volatility as the price to be paid in pursuit of long-term wealth creation.

Fund manager:

Christopher Metcalfe

Long-term performance

Performance since launch (%)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	-14.1	20.0	13.4	22.1	12.6	6.6	-21.0	19.1	12.8	-0.7
Benchmark*	-17.2	17.6	11.1	20.5	12.3	6.5	-20.0	19.5	13.3	0.0

Discrete past performance (%)

From	31/12/06	31/12/07	31/12/08	31/12/09	31/12/10
To	31/12/07	31/12/08	31/12/09	31/12/10	31/12/11
Fund	6.6	-21.0	19.1	12.8	-0.7

Performance sourced from: Newton, Datastream, WM & Bloomberg, as at 31 December 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.

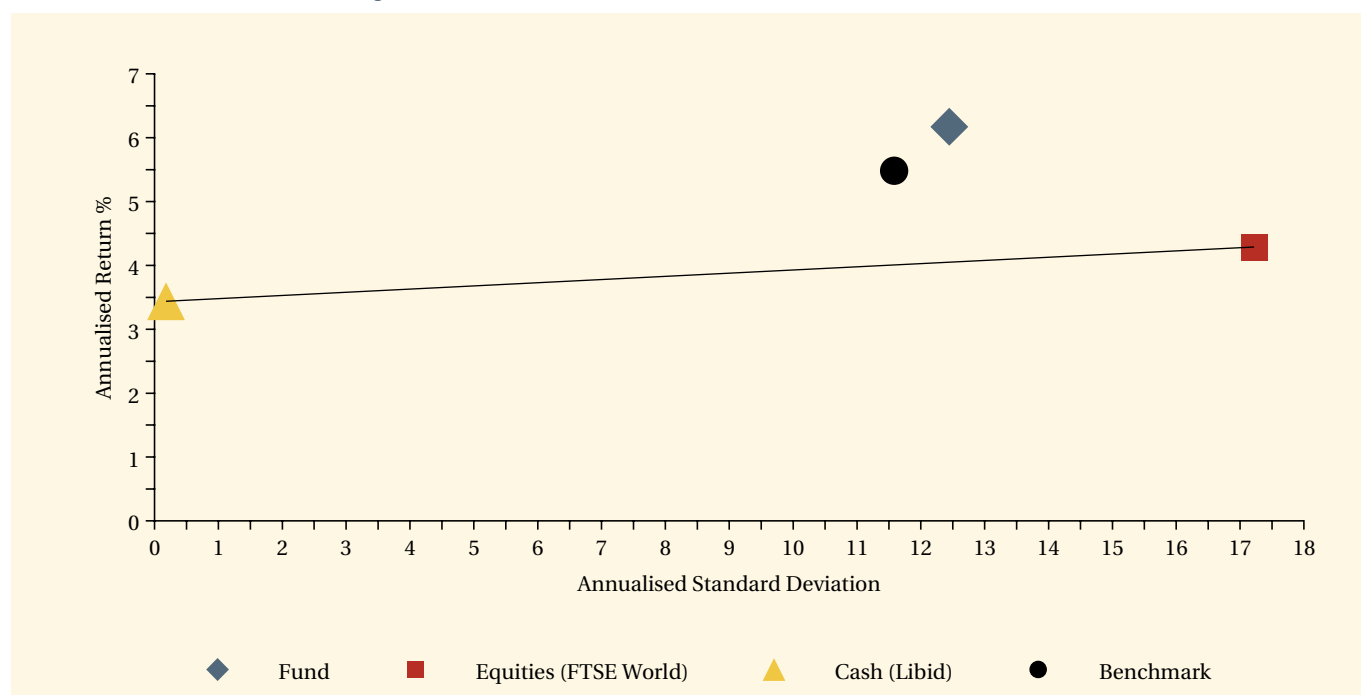
Risk factors

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	6.2%	12.4%	0.2
Benchmark*	5.5%	11.6%	0.2

Performance sourced from: Newton, Datastream, WM & Bloomberg, as at 31 December 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.

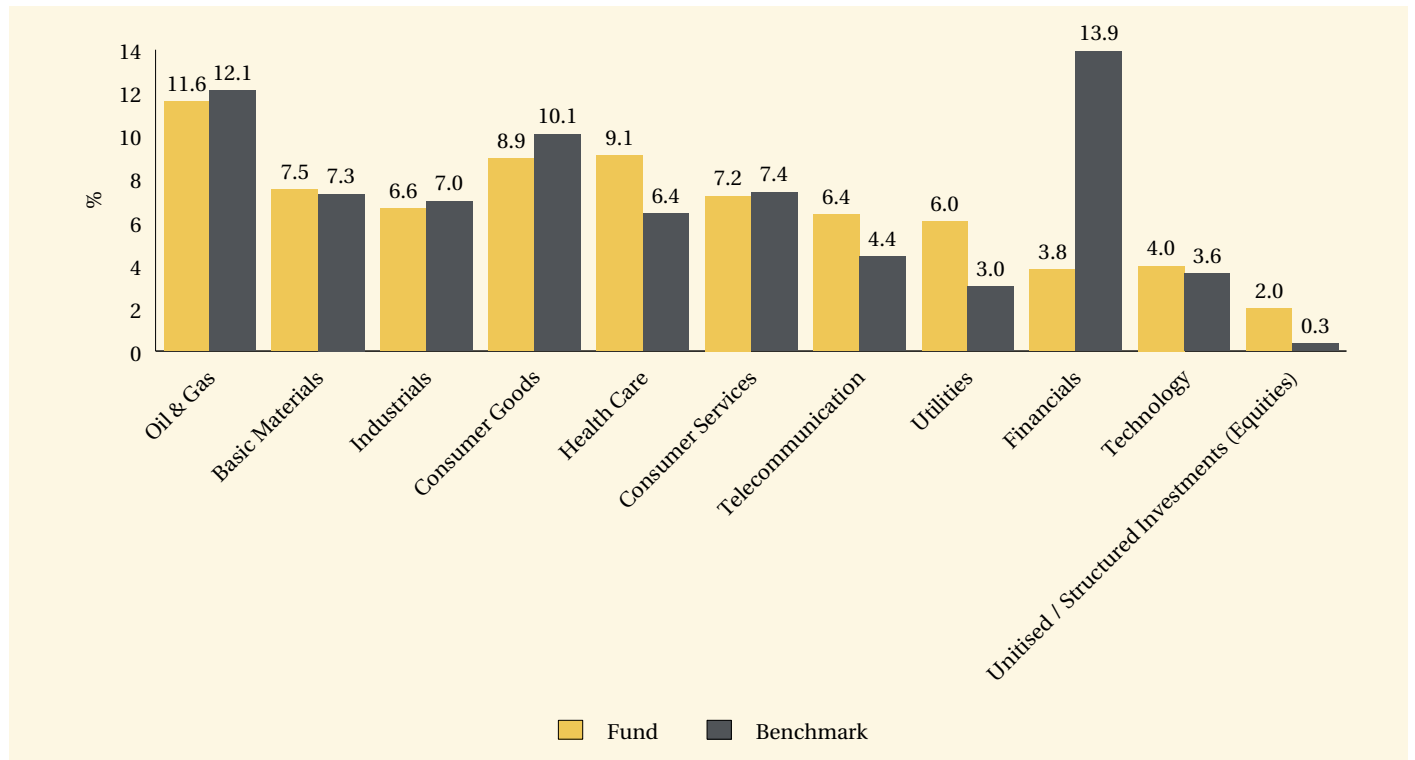
Strategy groups	Representatives from the strategy team, fund managers and research analysts identify global themes and formulate our economic view.
Research team	Global sector analysts, supported by fund managers, identify investment opportunities within the thematic backdrop.
Fund management	Fund managers 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.

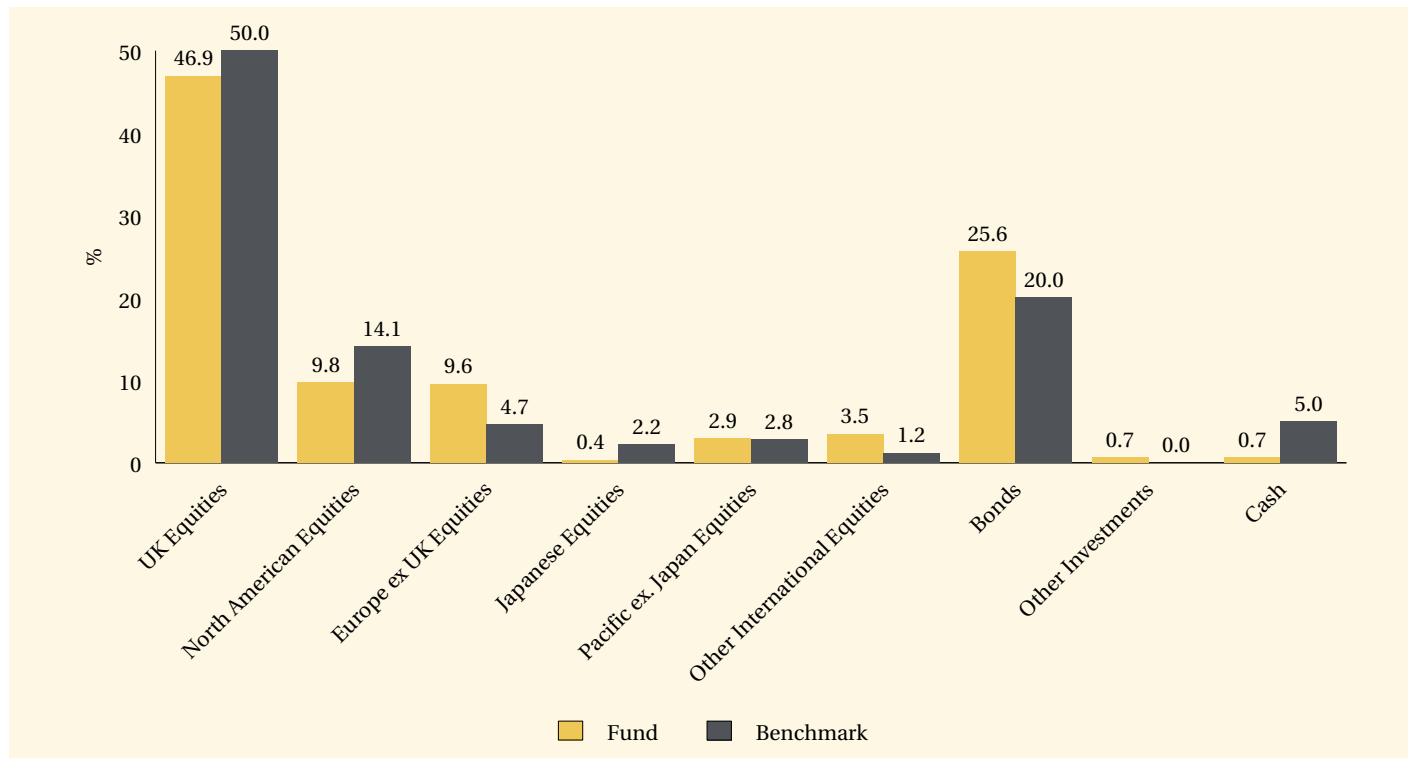
Theme	Factors	Investments
Deleverage	The credit bubble has left many economies carrying levels of debt which materially impair their economic prospects. We anticipate an extended period of relatively low growth and higher economic volatility as debt is reduced to more manageable levels. The scale of the accumulated public and private debt means that how the debt loads are reduced (whether in disorderly fashion or not) and the effect of offsetting policies will be critical for all aspects of the investment outlook.	underweight financials, overweight utilities and healthcare
Global realignment	Western industrialised nations still dominate the world's economic output, wealth, consumption and market capitalisation in US dollar terms, as well as consuming the lion's share of natural resources. The generally stronger growth potential and increasing economic influence of the developing world are progressively challenging this position. The trajectory of this realignment is likely to be volatile and increasingly prone to cyclical divergence.	holding companies like Unilever and direct holdings in emerging economies
Networked world	Networks are now ubiquitous, allowing information to flow between entities that may have previously been unconnected. The technologies being built into these networks are still developing at a rapid pace and the ecosystem of the web is unstable, offering unprecedented opportunities and risks for both web-based and traditional business models.	Advanced Info Service, Taiwan Semiconductor, Sage
Healthy demand	This theme covers a number of aspects. Expanding incomes and changes in lifestyles in the developing world, combined with ageing populations and severe budgetary constraints in the mature economies, fuel strong demand for 'affordable' healthcare solutions. At the same time, increasing recognition of the role of diet in disease (particularly in an era of high food costs) points to potential changes in patterns of food consumption in the West and the adoption of Western-style diets globally.	Johnson and Johnson, Smith and Nephew, Pharmaceuticals

Fund analysis

Equity weightings by industry



Regional and asset class weightings



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

Portfolio valuation

	Holding (%)
Equities	73.04
Oil & Gas	11.60
Oil & Gas Producers	11.11
BG Group PLC	0.93
BP PLC	3.38
Royal Dutch Shell PLC	4.97
Santos Ltd	0.46
Statoil ASA	0.65
Total SA	0.72
Oil Equipment Services & Distribution	0.49
Wood (John) Group PLC	0.49
Basic Materials	7.49
Chemicals	2.41
Air Liquide SA	0.56
Bayer AG	0.91
Mosaic Co	0.39
Syngenta AG	0.55
Mining	5.09
Anglo American PLC	0.50
Barrick Gold Corp	0.82
BHP Billiton PLC	1.64
Consol Energy Inc	0.41
Newcrest Mining Ltd	1.11
Yamana Gold Inc	0.60
Industrials	6.63
Aerospace & Defence	0.78
BAE Systems PLC	0.60
Cobham PLC	0.18
General Industrials	0.88
Siemens AG	0.27
Smiths Group PLC	0.61
Electronic & Electrical Equipment	0.48
Emerson Electric Co	0.48
Industrial Engineering	0.32

Portfolio valuation

Illinois Tool Works Inc	0.32
Industrial Transportation	0.19
BBA Aviation PLC	0.19
Support Services	3.99
Accenture PLC	0.39
Bunzl PLC	1.42
De La Rue PLC	0.75
Diploma PLC	0.89
Experian PLC	0.54
Consumer Goods	8.93
Beverages	2.13
Anheuser-Busch InBev NV	0.62
Britvic PLC	0.23
Diageo PLC	1.28
Food Producers	5.04
Associated British Foods PLC	0.80
Kraft Foods Inc	0.59
Nestle SA	0.90
Tate & Lyle PLC	1.23
Unilever PLC	1.52
Personal Goods	1.77
L'Oreal SA	0.58
PZ Cussons PLC	0.83
Shiseido Co Ltd	0.36
Health Care	9.08
Health Care Equipment & Services	1.18
Medtronic Inc	0.39
Smith & Nephew PLC	0.79
Pharmaceuticals & Biotechnology	7.91
Abbott Laboratories	0.52
AstraZeneca PLC	1.49
GlaxoSmithKline PLC	2.71
Johnson & Johnson	0.48
Novartis AG	0.99
Roche Hldgs AG	1.02
Sanofi	0.70

Portfolio valuation

Consumer Services	7.20
Food & Drug Retailers	1.06
Morrison (WM) Supermarkets PLC	0.46
Tesco PLC	0.60
General Retailers	0.82
eBay Inc	0.25
Next PLC	0.58
Media	3.52
Daily Mail & General Trust PLC	0.36
Pearson PLC	1.21
Reed Elsevier PLC	1.09
UBM PLC	0.43
Walt Disney Co	0.42
Travel & Leisure	1.80
Compass Group PLC	0.88
Go-Ahead Group PLC	0.77
William Hill PLC	0.14
Telecommunication	6.36
Fixed Line Telecommunications	1.28
AT&T Inc	0.65
TDC A/S	0.41
Tele Norte Leste Participacoes	0.23
Mobile Telecommunications	5.08
Advanced Info Service PCL	1.25
China Mobile (Hong Kong) Ltd	0.57
MTN Group Ltd	0.75
Vodafone Group PLC	2.51
Utilities	6.03
Electricity	1.02
SSE PLC	1.02
Gas Water & Multiutilities	5.01
Centrica PLC	1.01
National Grid PLC	1.44
Penon Group PLC	1.22
Severn Trent PLC	0.94

Portfolio valuation

Wisconsin Energy Corp	0.39
Financials	3.77
Banks	0.68
Bangkok Bank PCL	0.35
DNB ASA	0.33
Nonlife Insurance	0.30
RSA Insurance Group PLC	0.30
Life Insurance	1.38
Prudential PLC	0.45
Standard Life PLC	0.93
Financial Services	0.46
ICAP PLC	0.46
Equity Investment Instruments	0.95
JPMorgan Emerging Markets IT	0.36
Montanaro UK Smaller Co IT PLC	0.59
Technology	3.96
Software & Computer Services	2.15
Logica PLC	0.22
Microsoft Corp	0.60
Sage Group PLC	1.34
Technology Hardware & Equipment	1.81
Applied Materials Inc	0.33
Cisco Systems Inc	0.46
EMC Corp	0.44
Taiwan Semiconductor Manufact	0.58
Unitised / Structured Investments (Equities)	1.98
North America	0.85
Findlay Park Funds PLC American Fund USD (Inc)	0.85
Europe ex UK	0.36
JPMorgan Euro Smaller Cos Tst	0.36
Pacific ex Japan	0.76
First State Investments (UK) Asia Pacific 'B' Shs (Acc) NAV	0.37
First State Investments (UK) Asia Pacific Leaders 'B' (Acc)	0.39

Portfolio valuation

Bonds	25.61
Government Bonds	12.28
UK Bonds	6.60
UK Treasury Gilt 4% 7/3/2022 GBP0.01	1.63
UK Treasury Stock 4.25% 7/06/2032 GBP0.01	1.93
UK Treasury Stock 4.25% 7/03/2036 GBP0.01	1.74
UK Treasury Stock 4.75% 7/03/2020 GBP0.01	1.31
Overseas Bonds	5.68
Norway (Kingdom of) 4.25% Bds 19/05/2017 NOK1000	1.21
Norway (Kingdom of) 4.5% Bds 22/05/2019 NOK1000	1.20
Norway (Kingdom of) 3.75% Bds 25/05/2021 NOK1000	1.23
USA Treasury Notes 0.375% 31/10/2012 USD100	2.03
Index Linked	0.40
UK Index Linked	0.40
National Grid Electricity Tran 2.983% Ind-Linked 8/7/2018 GBP	0.40
Corporate Bonds	12.93
UK Corporate Bonds	10.98
AT&T Inc 5.875% Bds 28/4/2017 GBP50000	0.67
BASF SE 5.875% Bds 31/03/2017 GBP50000	0.63
Cable & Wireless PLC 8.75% Bds 6/8/2012 GBP(VAR)	0.30
Centrica PLC 7% Bds 19/09/2018 GBP	0.52
Centrica PLC 5.125% Bds 10/12/2014 GBP	0.77
Close Brothers Group PLC 6.5% Bds 10/02/2017 GBP	0.36
Daily Mail & General Trust PLC 7.5% Bds 29/3/2013 GBP10000	0.77
Daily Mail & General Trust PLC 5.75% Bds 07/12/2018 GBP(Var)	0.70
Firstgroup PLC 6.125% Bds 18/01/2019 GBP(Var)	0.81
Go-Ahead Group PLC 5.375% Bds 29/09/2017 GBP	0.76
HSBC Bank PLC 5.75% Bds 27/6/17 GBP1000 EMTN	0.45
John Lewis PLC 6.125% Bds 21/01/2025 GBP	0.79
Reed Elsevier Investment 7% Bds 11/12/2017 GBP50000	0.74
Smiths Group PLC 7.25% Bds 30/6/2016 GBP (Var)	0.67
SSE PLC 5.453% Bds 31/10/2049 GBP	0.69
Tesco Property Finance 3 PLC 5.744% Bds 13/04/2040 GBP	0.58
United Business Media Ltd 6.5% Bds 23/11/2016 GBP	0.76
Overseas Corporate Bonds	1.96
Anglo American Capital PLC 5.875% Bds 17/04/2015 EUR	0.34

Portfolio valuation

BP Capital Markets PLC 6% Bds 17/03/2015 AUD	0.50
Nextel Communications Inc 6.875% Bds 31/10/2013 USD1000	0.68
Origin Energy Finance Limited 7.875% Bds 16/6/2071 EUR	0.19
Statoil ASA 1.8% Bds 23/11/2016 USD1000	0.25
Property	0.68
Charities Property Property Fund (Inc)	0.68
Cash	0.66

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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