Global Growth & Income Fund for Charities

Investment Report - Second Quarter 2011

NEWTON
The Power of Ideas

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Fund information

Long-term track record

The Global Growth & Income Fund for Charities has returned 87.8% 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 30 June 2011
128.02p (Bid price)
129.75p (Offer price)

Fund facts

Fund size (millions):	GBP 293	Pay dates:	Feb, May, Aug and Nov
Annual management charge:	0.6%	Last distribution:	1.3427p 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	1.3%				
Benchmark	1.5%				
FTSE All Share	1.9%	FTSE W World (ex UK)	0.3%	FTA Govt All Stocks	2.5%

Source: Newton, Datastream & WM, as at 30 June 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	Disposals
Pennon Group PLC	HSBC Holdings PLC
BP PLC	Marks & Spencer Group PLC
Microsoft Corp.	Vodafone Group PLC
Bunzl PLC	Telefonica S.A.
Sage Group PLC	IMI PLC

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

Fund manager report

In LS Lowry's 1949 painting, *The Football Match*, hundreds of 'matchstick' spectators are gathered around a pitch at a football match in Manchester, against a backdrop of belching factory chimneys. In May this year the painting was sold for £5.6m, a record for the Stretford-born artist's work at auction. Amid signs that the world's latter-day factories might be operating less confidently at the end of the first half of the year than at the beginning, investors wondered whether the world's leading economies would manage to stage a second-half comeback.

The second quarter may prove to have been one of unfortunate euphemism, should the effects of Japan's natural disaster, the sovereign debt crisis in Greece, rising inflation and political posturing over US government borrowing transpire not to be as fleeting as some suppose. Talk of a "soft patch" in economic activity was accompanied by the similarly veiled language of politicians in the creditor nations of Europe, who proposed that Greek sovereign debt be "re-profiled". The highly partisan fiscal disputes of US politicians prompted Moody's, the debt ratings agency, to remark merely that "the degree of retrenchment into conflicting positions has exceeded expectations".

The demise of Osama Bin Laden brought some near-term relief to equity markets at the beginning of May, as did the steep declines in commodity prices which occurred thereafter. However, the quarter's asset market returns derived as much from investors' broader trepidation as from any support they might have derived from such impulses.

Performance

The performance of the Fund on a midday basis net of fees is shown above. It shows a modest underperformance of the benchmark in the quarter and over the first half of 2011. However, when one compares the performance on the Fund's close of business, gross of fees price versus that of the benchmark, which is also computed at the end of the day, then the Fund outperformed the benchmark by 0.8% over the quarter with a return of 2.3% and also outperformed the benchmark over the six months by 0.6% with a return of 3.1%.

If we look at the attribution of the Fund on a close of business basis against its benchmark, then there are a number of reasons for the outperformance; the impact of stock selection was a positive whereas asset allocation was a neutral. The most positive areas of selection were UK equities followed by Corporate Bonds; within UK equities we benefited from the excellent relative performance of some of our medium sized companies such as Diploma and Go-

Ahead as well as not holding the banks, Barclays and Lloyds, which underperformed significantly; within Corporate Bonds we were helped by focusing on high quality short and medium dated issues. The biggest negative for relative performance was our underweight position in government bonds which outperformed, but which we feel look fully valued.

Portfolio Activity

Overall we did add to the portfolio's position in Corporate Bonds during the quarter. The emphasis was on high quality, investment grade issues, which are not in the financial sector as we feel the outlook for this area remains uncertain. We think the potential returns in corporate bonds look relatively attractive given our low growth outlook for western economies together with the fact that UK interest rates are likely to remain at low levels.

We made some significant changes to the equity content of the portfolio. The telecommunications sector has been an overweight for the Fund for a number of years. This has been due to the expected global increase in data traffic, as identified in our networked world theme, together with the attractive dividend yields that have been available. However, the investment case has been significantly undermined by the outlook for voice revenues. Therefore we reduced exposure to Vodafone, Telefonica and KPN whilst preferring companies such as Advanced Info Service in Thailand, which we believe has a more sustainable pricing model in a growing market, as well as a high dividend yield.

Investments in the healthcare sector continue to form a core part of the portfolio and we are overweight in this area. This positioning fits in with our population dynamics and medical technology themes. We added to our exposure to Sanofi, both on valuation grounds, but also owing to its attractive franchise in vaccines. We also added to existing positions in Novartis and Bayer.

Another area we continue to be overweight is utilities. We believe valuations are reasonable in this area and that dividend yields are attractive.

On the other hand the industrial sector has enjoyed an impressive re-rating over the last couple of years and valuations now appear stretched. As a result we sold the holding of IMI, which had performed very strongly.

Overall we continue to emphasise cash generative companies, with robust balance sheets and resilient earnings, which should be able to prosper, even in the lower economic growth environment that we expect.

Conclusion

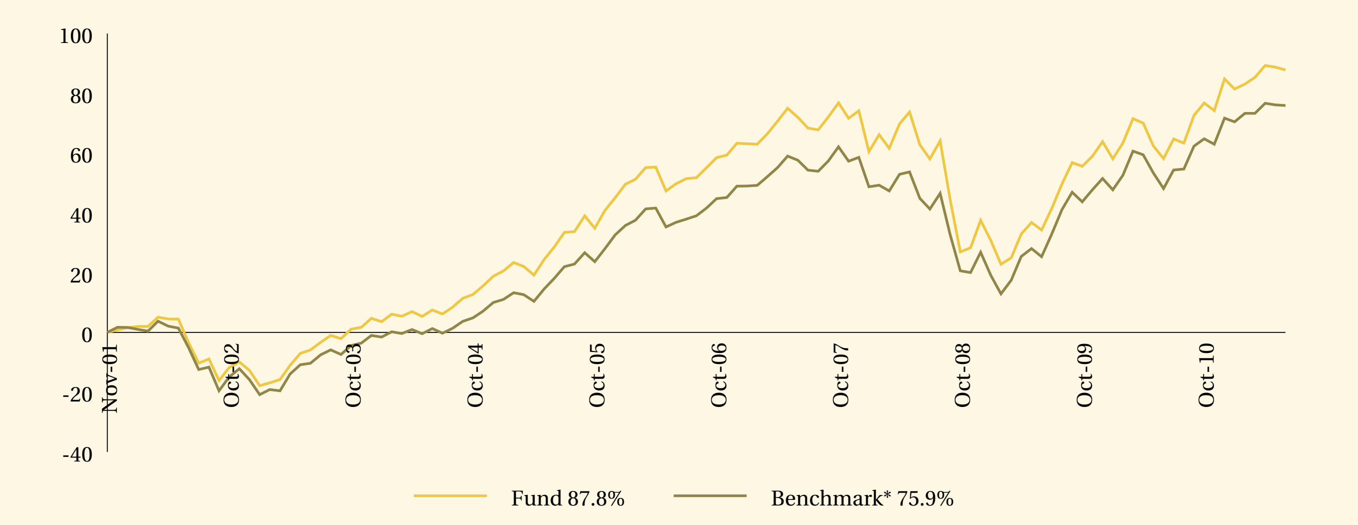
The outlook for investors is sensitive to some considerable challenges, on which history offers only sketchy guidance. Will the weakness in recent economic data prove to have been a blip, or a portent of a longer-lasting slowdown? Will politicians succeed in maintaining a firebreak in European sovereign bond markets, or will the flames from Greece set fire to other (weightier) parts of the eurozone, and particularly the banking system? Will US legislators cease squabbling in time to reach an agreement on the country's government debt, or will the slim chance of a US default become larger? How will central bankers seek to square the conflicting threats of rising inflation and slowing economic activity in their approaches? What implications will changes in China have for economies and financial markets elsewhere?

Whether or not the relaxed lexicon of the second quarter will be lost in the translation of hope into reality should become a little clearer in the period ahead. Nonetheless, the clouds of deleveraging (debt repayment) in almost all of the developed economies, and of capricious interference by authorities throughout much of the world, are likely to hang over financial markets for some time. History is clear that post-credit-bubble recessions are usually more severe and more enduring than ones caused by attempts to cool overheating economies, and the presence of 'more government' is far from guaranteed to make the recovery from the most recent credit crisis any less severe or protracted. If anything, the brinkmanship evident in recent attempts to resolve fiscal predicaments on both sides of the Atlantic underscores the risk that policymaking will be hostile, populist and counter-productive.

Against such an uncertain and febrile backdrop, financial markets are likely to be volatile and prone to sudden changes of fortune. However, the prospects for companies, and for investors in their debt and equity, are broadly appealing. Corporate earnings continue to grow healthily, balance sheets are robust, and borrowing costs for higher-quality businesses are low. Investors will have to be mindful of a broad range of risks in the coming months but, in seeking to reconcile those risks, they should take their opportunities as well.

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	1.6
Benchmark*	-17.2	17.6	11.1	20.5	12.3	6.5	-20.0	19.5	13.3	2.5

Discrete past performance (%)

From	30/06/06	30/06/07	30/06/08	30/06/09	30/06/10
To	30/06/07	30/06/08	30/06/09	30/06/10	30/06/11
Fund	14.9	-5.3	-17.6	17.8	18.8

Performance sourced from: Newton, Datastream, WM & Bloomberg, as at 30 June 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.

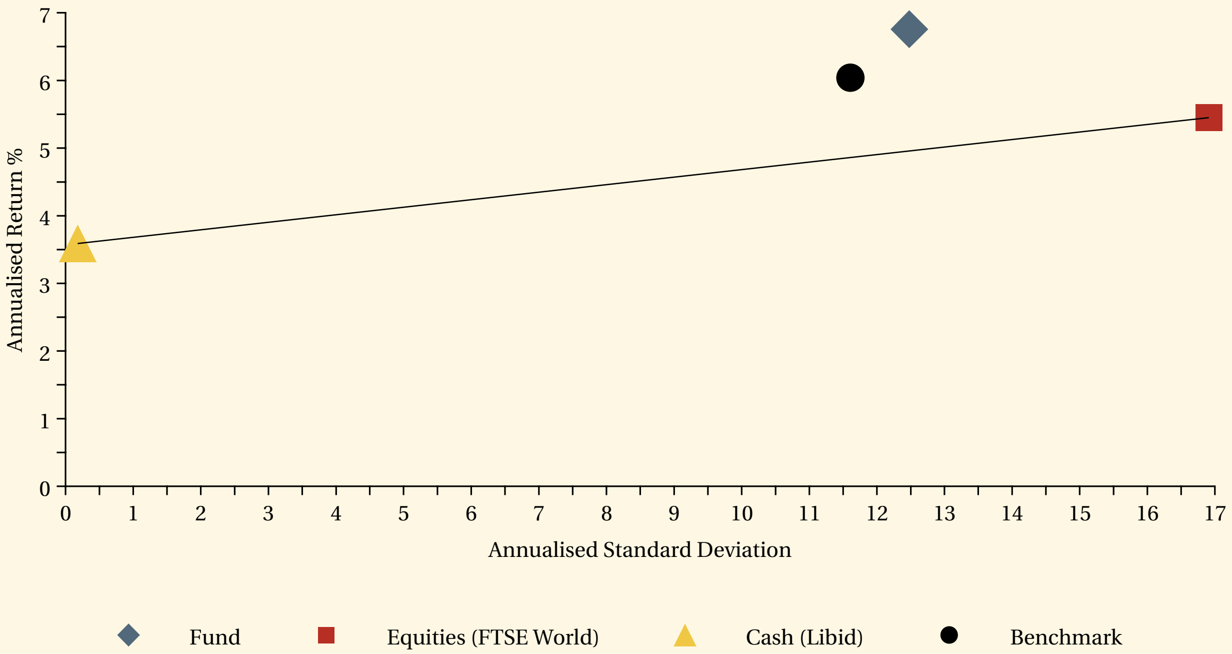
Risk factors

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%	12.5%	0.3
Benchmark*	6.0%	11.6%	0.2

Performance sourced from: Newton, Datastream, WM & Bloomberg, as at 30 June 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.

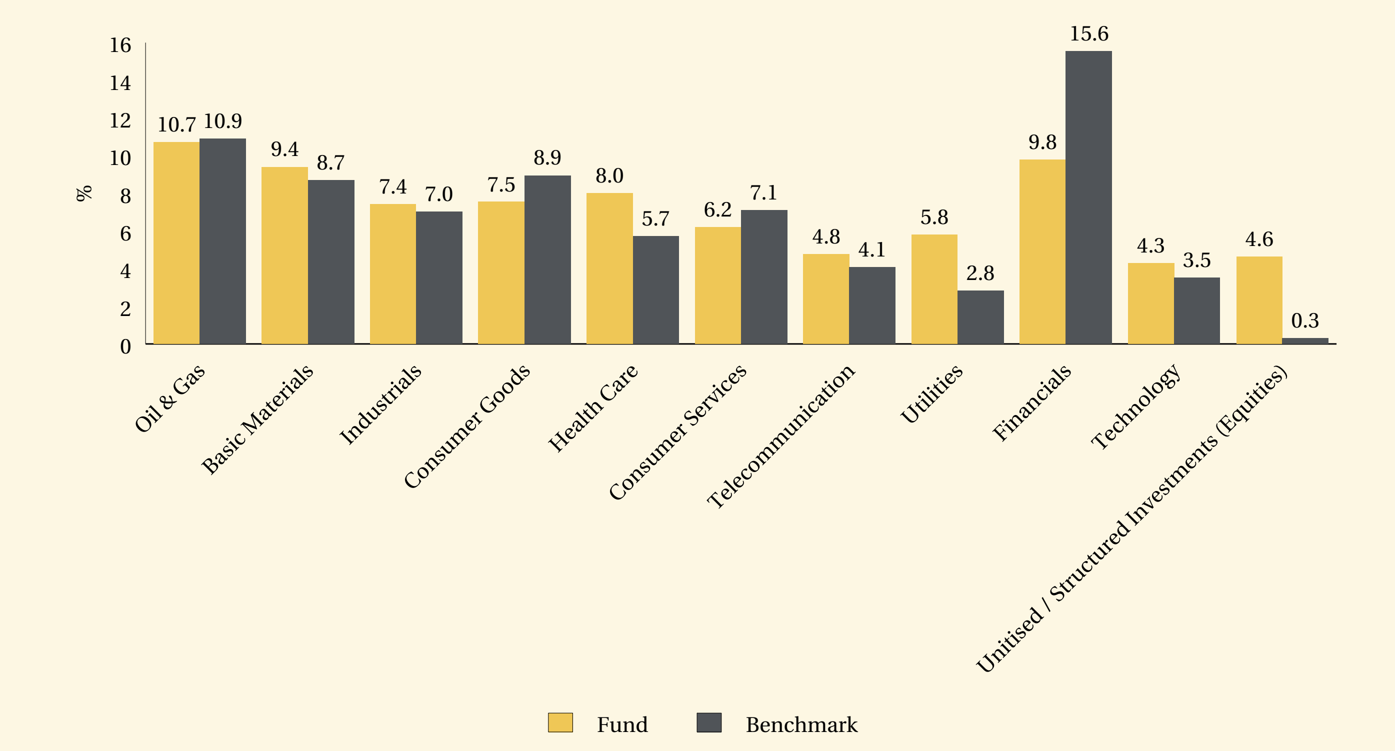
Strategy groups	Representatives from the strategy team, fund managers and research analysts identify global themes and formulate our economic view.
Research team	Global sector analysts, supported by fund managers, identify investment opportunities within the thematic backdrop.
Fund management	Fund managers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

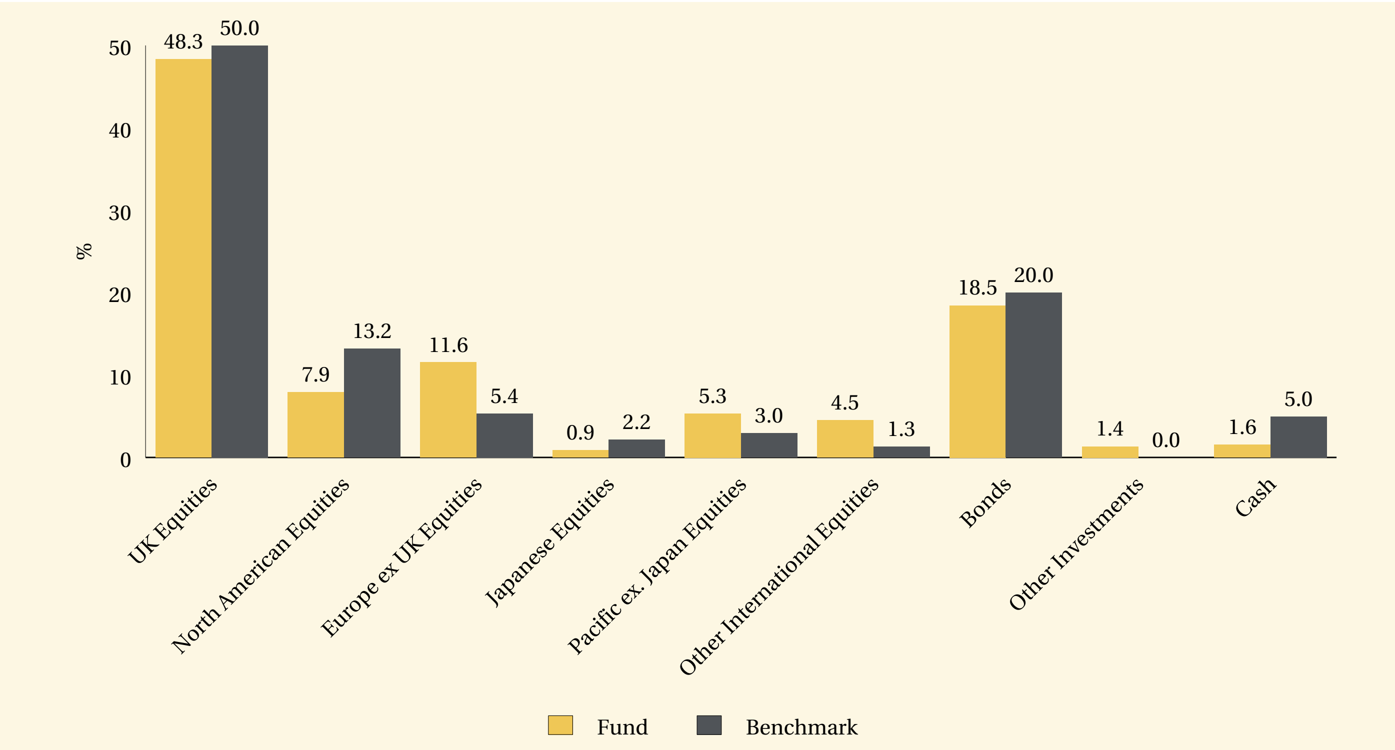
Theme	Factors	Investments
All change	The popping of the credit bubble has marked an end to the era of rapid growth in private sector debt in the developed world. Structurally impaired financial systems and regulatory burdens ensure that credit will be less freely available, and this has profound implications 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, Unilever, 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.	Advanced Info Service, Taiwan Semiconductor, Sage
Medical Technology	Increasingly ageing, affluent and active populations demand products and services that enhance and maintain lifestyles in addition to treating more serious medical conditions. New technologies, materials and services are continually improving the performance of existing products and procedures. Developing world demand for healthcare is rising and, in Western healthcare systems, a key challenge is to improve the efficiency of delivery by adding technology to currently archaic networks.	Smith & Nephew, Thermo Fisher Scientific

Fund analysis

Equity weightings by industry



Regional and asset class weightings



Source for all charts: Newton, as at 30 June 2011.

Portfolio valuation

	Holding (%)
Equities	78.61
Oil & Gas	10.71
Oil & Gas Producers	**9.94**
BG Group PLC	0.90
BP PLC	2.39
ENI SpA	0.59
Royal Dutch Shell PLC	4.13
Santos Ltd	0.46
Statoil ASA	0.75
Total SA	0.72
Oil Equipment Services & Distribution	**0.77**
Wood (John) Group PLC	0.77
Basic Materials	9.40
Chemicals	**2.69**
Air Liquide SA	0.59
Bayer AG	1.03
Mosaic Co	0.48
Syngenta AG	0.59
Mining	**6.72**
Anglo American PLC	0.88
Barrick Gold Corp	0.42
BHP Billiton PLC	2.75
Consol Energy Inc	0.54
Newcrest Mining Ltd	1.50
Rio Tinto PLC	0.63
Industrials	7.43
Aerospace & Defence	**0.44**
Cobham PLC	0.44
General Industrials	**1.57**
Siemens AG	0.84
Swire Pacific Ltd	0.73
Electronic & Electrical Equipment	**0.51**
Emerson Electric Co	0.51
Industrial Transportation	**0.59**

Portfolio valuation

BBA Aviation PLC	0.59
Support Services	**4.32**
Accenture PLC	0.56
Bunzl PLC	1.00
De La Rue PLC	0.57
Diploma PLC	1.44
Experian PLC	0.54
Mitsubishi Corp	0.20
Consumer Goods	7.55
Beverages	**1.61**
Britvic PLC	0.65
Diageo PLC	0.95
Food Producers	**3.98**
Associated British Foods PLC	0.82
Nestle SA	0.76
Rei Agro Ltd	0.42
Tate & Lyle PLC	0.92
Unilever PLC	1.06
Personal Goods	**1.96**
Belle Intl Holdings Ltd	0.26
L'Oreal SA	0.63
PZ Cussons PLC	0.92
Shiseido Co Ltd	0.15
Health Care	8.01
Health Care Equipment & Services	**1.02**
Smith & Nephew PLC	0.59
Thermo Fisher Scientific Inc	0.42
Pharmaceuticals & Biotechnology	**7.00**
Abbott Laboratories	0.45
AstraZeneca PLC	1.36
GlaxoSmithKline PLC	2.21
Johnson & Johnson	0.44
Novartis AG	0.95
Roche Hldgs AG	0.90
Sanofi	0.70

Portfolio valuation

Consumer Services	6.20
General Retailers	**0.35**
Next PLC	0.35
Media	**3.40**
Daily Mail & General Trust PLC	0.48
Pearson PLC	1.01
Reed Elsevier PLC	0.80
UBM PLC	0.70
Walt Disney Co	0.40
Travel & Leisure	**2.45**
Carnival Corp	0.39
Compass Group PLC	0.80
Go-Ahead Group PLC	0.89
William Hill PLC	0.38
Telecommunication	4.78
Fixed Line Telecommunications	**1.29**
AT&T Inc	0.60
Cable & Wireless Comms PLC	0.35
Tele Norte Leste Participacoes	0.35
Mobile Telecommunications	**3.48**
Advanced Info Service PCL	0.87
MTN Group Ltd	0.96
Vodafone Group PLC	1.64
Utilities	5.81
Electricity	**2.15**
Fortum Oyj	0.84
Scottish & Southern Energy PLC	1.31
Gas Water & Multiutilities	**3.66**
Centrica PLC	0.97
National Grid PLC	1.07
Pennon Group PLC	0.99
Severn Trent PLC	0.63
Financials	9.78
Banks	**2.24**

Portfolio valuation

DBS Group Holdings Ltd	0.77
DNB Nor ASA	0.43
Standard Chartered PLC	1.03
Nonlife Insurance	**2.28**
Amlin PLC	0.67
RSA Insurance Group PLC	0.98
Zurich Financial Services AG	0.63
Life Insurance	**2.48**
Aviva PLC	1.11
Prudential PLC	0.48
Standard Life PLC	0.90
Real Estate Investment Trusts	**0.81**
British Land Co PLC	0.81
Financial Services	**1.28**
Close Brothers Group PLC	0.67
ICAP PLC	0.61
Equity Investment Instruments	**0.69**
Montanaro UK Smaller Co IT PLC	0.69
Technology	4.30
Software & Computer Services	**1.98**
Logica PLC	0.44
Microsoft Corp	0.48
Sage Group PLC	1.05
Technology Hardware & Equipment	**2.32**
Applied Materials Inc	0.38
Canon Inc	0.54
Cisco Systems Inc	0.32
EMC Corp	0.51
Taiwan Semiconductor Manufact	0.57
Unitised / Structured Investments (Equities)	4.64
North America	**1.04**
Findlay Park Funds PLC American Fund USD (Inc)	1.04
Europe ex UK	**0.62**
JPMorgan Euro Smaller Cos Tst	0.62
Pacific ex Japan	**1.05**

Portfolio valuation

First State Investments (UK) Asia Pacific 'B' Shs (Acc) NAV	0.55
First State Investments (UK) Asia Pacific Leaders 'B' (Acc)	0.50
Other / Non Region Specific	**1.93**
Findlay Park Funds PLC Latin American USD Fund (Inc)	0.83
First State Investments (UK) Global Emerging Mkts 'B' (Acc)	0.48
JPMorgan Emerging Markets IT	0.61
Bonds	**18.47**
Government Bonds	5.15
UK Bonds	**5.15**
UK Treasury Gilt 4% 7/3/2022 GBP0.01	1.25
UK Treasury Stock 4.25% 7/06/2032 GBP0.01	1.50
UK Treasury Stock 4.25% 7/03/2036 GBP0.01	1.42
UK Treasury Stock 4.75% 7/03/2020 GBP0.01	0.97
Corporate Bonds	13.32
UK Corporate Bonds	**11.08**
AT&T Inc 5.875% Bds 28/4/2017 GBP50000	0.45
BASF SE 5.875% Bds 31/03/2017 GBP50000	0.57
Cable & Wireless PLC 8.75% Bds 6/8/2012 GBP(VAR)	0.30
Centrica PLC 7% Bds 19/09/2018 GBP	0.28
Centrica PLC 5.125% Bds 10/12/2014 GBP	0.70
Close Brothers Group PLC 6.5% Bds 10/02/2017 GBP	0.35
Daily Mail & General Trust PLC 7.5% Bds 29/3/2013 GBP10000	0.72
Daily Mail & General Trust PLC 5.75% Bds 07/12/2018 GBP(Var)	0.68
Firstgroup PLC 6.125% Bds 18/01/2019 GBP(Var)	0.72
GE Capital UK Funding 5.875% Bds 4/11/2020 GBP2000	0.63
Go-Ahead Group PLC 5.375% Bds 29/09/2017 GBP	0.71
HSBC Bank PLC 5.75% Bds 27/6/17 GBP1000 EMTN	0.43
John Lewis PLC 6.125% Bds 21/01/2025 GBP	0.69
Reed Elsevier Investment 7% Bds 11/12/2017 GBP50000	0.69
Scottish & Southern Energy PLC 5.453% Bds 31/10/2049 GBP	0.69
Smiths Group PLC 7.25% Bds 30/6/2016 GBP (Var)	0.60
Telefonica Emisiones SAU 5.289% Bds 09/12/2022 GBP50000	0.65
Tesco Property Finance 3 PLC 5.744% Bds 13/04/2040 GBP	0.51
United Business Media Ltd 6.5% Bds 23/11/2016 GBP	0.71
Overseas Corporate Bonds	**2.24**
Anglo American Capital PLC 5.875% Bds 17/04/2015 EUR	0.33

Portfolio valuation

BP Capital Markets PLC 6% Bds 17/03/2015 AUD	0.90
CRC Breeze Finance SA 5.29% Bds 8/05/2026 EUR50000	0.10
Nextel Communications Inc 6.875% Bds 31/10/2013 USD1000	0.63
Origin Energy Finance Limited 7.875% Bds 16/6/2071 EUR	0.29
Property	**1.36**
Charities Property	0.64
UK Commercial Property Tst Ltd	0.71
Cash	**1.56**

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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