

BNY Mellon Investment Funds

# Interim Short Report

31 December 2012



BNY MELLON





# Contents

Authorised Corporate Director letter	2
Economic and market overview	3

---

## FUND REVIEWS

BNY Mellon American Fund	6
BNY Mellon Global Strategic Bond Fund	8
BNY Mellon Long-Term Global Equity Fund	10
Newton 50/50 Global Equity Fund	12
Newton Asian Income Fund	14
Newton Balanced Fund	18
Newton Cautious Managed Fund	20
Newton Continental European Fund	22
Newton Corporate Bond Fund	24
Newton Emerging Income Fund	26
Newton European Higher Income Fund	28
Newton Global Balanced Fund	30
Newton Global Dynamic Bond Fund	32
Newton Global Equity Fund	34
Newton Global High Yield Bond Fund	36
Newton Global Higher Income Fund	38
Newton Global Opportunities Fund	42
Newton Higher Income Fund	44
Newton Index Linked Gilt Fund	48
Newton International Bond Fund	50
Newton Long Corporate Bond Fund	52
Newton Long Gilt Fund	54
Newton Managed Fund	56
Newton Oriental Fund	58
Newton Overseas Equity Fund	60
Newton Pan-European Fund	62
Newton Phoenix Multi-Asset Fund	64
Newton Real Return Fund	66
Newton UK Equity Fund	70
Newton UK Opportunities Fund	74

---

## ADDITIONAL INFORMATION

Synthetic Risk Reward Indicator	76
Investor information	79
Investment Funds information	85
Management and professional services	85

# Authorised Corporate Director letter

**This is the interim report for BNY Mellon Investment Funds ICVC ("BNY MIF") for the six-month period to 31 December 2012. This is the Short Report.**

The second half of 2012 saw tentative signs of a return to health for the global economy. Unprecedented policy action from government and central bankers around the world helped ease the concerns of investors and financial markets alike. European Central Bank (ECB) President Mario Draghi's vow to do "whatever it takes" to save the euro, coupled with a high profile bailout for Spain, boosted financial markets. Meanwhile, the US and UK continued to expand their respective quantitative easing programmes, effectively the printing of more money.

Interest rates throughout the developed world remained at record low levels as policymakers endeavoured to fire up their countries' economic engines. There were signs of progress in the US where the housing market, the epicentre of the credit crisis in 2008, seems to have finally recovered. However, unlike its European counterparts, the US has yet to embark upon large-scale debt reduction.

Following President Obama's re-election in November, the attention of US politicians switched to the "fiscal cliff"; this was a series of tax rises and spending cuts that were due to come into force at the turn of the year. While a last-minute deal was hatched, a number of major decisions were postponed.

The economic picture in Europe was more positive than it was six months ago, boosted by the actions of the ECB, but it is by no means out of trouble just yet; a number of the countries on the edge of the eurozone, such as Spain and Greece, remain burdened by unsustainable levels of debt. Similarly, while the UK emerged from recession during the final six months of 2012, economic growth continues to be hard to come by and a return to recession is not unthinkable.

Meanwhile, in Asia, worries over a potential slowdown in Chinese economic growth seem to have passed. The country's once-in-a-decade leadership change in November is expected to prompt a significant economic policy change from China's government, with a greater focus on domestic growth and consumption and a shift away from a reliance on exports.

Global equity (company share) markets experienced some upward and downward movements throughout the period, but ended the six months on a positive note. The better news emanating from the eurozone boosted the European equity market which, along with Asia-Pacific ex Japan, registered double-digit returns.

As the economic picture improved, investors sought riskier areas of the market, such as equities. These comfortably outperformed global government bonds (debt issued by governments) which are perceived as being "safe havens", such as those issued by the UK, US and Germany. However, corporate bonds (debt issued by companies), and especially the riskier and higher-paying European

high yield bonds, performed strongly; their returns were more similar to the performance of equity markets.

Against this backdrop, the majority of the fund range ended the six-month period in positive territory, with the fixed income funds a particular highlight. We were pleased to introduce a new fund to the range over the period; the Newton Emerging Income Fund aims to deliver income and capital growth over the long term by investing in equities listed or located in a number of global emerging market countries. Newton is one of the pioneers in global equity-income investing.

Looking ahead, while there are early signs of a sustained global economic recovery, risks remain. Indeed, there are challenges facing both the developed and developing worlds, whether it is large-scale debt reduction or a change of economic focus. Such an environment can lead to financial market fluctuations and uncertainty. However, such conditions can also create investment opportunities. Our asset managers are well placed to take advantage of those opportunities as and when they arise.

**Greg Brisk**

**Director**

**For and on behalf of BNY Mellon Fund Managers Limited  
Authorised Corporate Director**

**11 February 2013**

# Economic and market overview

## Introduction

Amid unprecedented intervention by central banks and governments around the world, the second half of 2012 proved to be a smoother ride for investors than the first six months of the year, albeit with some hiccups. In July, the European Central Bank (ECB) President, Mario Draghi announced his intention to do “whatever it takes” to secure the Eurozone’s future. This was followed in September by the introduction of the Outright Monetary Transactions (OMT) programme – which aims to cut the borrowing costs of heavily-indebted Eurozone countries by buying their government bonds (debt issued by a government to support its spending). Meanwhile, across the Atlantic the US Federal Reserve (Fed) chairman, Ben Bernanke, announced a third round of quantitative easing (QE) – printing of more money – also known as QE3, in an attempt to kick-start the US economy.

However, economic concerns remained. The UK emerged from recession but was still far from the path to sustained economic recovery. Meanwhile, concerns over the ability of some of the countries on the edge of the Eurozone to pay their debts continued to worry market participants, with both Greece and Spain the subject of high profile negotiations within the ECB and European Union with regards to their debt-reduction plans. Further afield, while the US economy showed more positive signs, President Obama, who won a second Presidential term in early November, faced the tough task of dealing with the US government’s high levels of debt. Finally, with worries over the strength of its economy, China underwent its once-in-a-decade leadership change.

Overall, the actions of central banks did much to ease the concerns of market participants and global equity (company share) markets rose steadily over the period as investor risk appetite gradually increased. The FTSE World Index rose by 6.35%.

## North America

The concern dominating the US headlines over the final six months of 2012 was its “fiscal cliff”; the potential simultaneous increase in taxes and cuts in spending that was due to come into force at the turn of the year. However, in a last-minute deal this “cliff” was avoided, with the proposed spending cuts postponed by two months. This was the first major task of Obama’s second term in office, having beaten the Republican Party candidate, Mitt Romney, by a narrow margin in November’s elections. However, the Republicans remain in control of the House of Representatives, placing them in a position to block any Democrat plans over which they disagree.

On the economic front, the past six months saw further improvements in the US housing market, while the unemployment continued its gradual decline, although it still stands at close to 8%. However, the Fed highlighted concerns that economic growth might not be strong enough to generate a sustained improvement in the US labour market. Indeed, the Fed announced in December that interest rates would remain on hold at between zero and 0.25% until the unemployment rate dropped below 6.5%. This was the first time that the central bank has tied a policy decision to a specific level of employment.

The US equity market made small gains over the final six months of 2012 but underperformed the global average. The S&P 500 Index rose by 2.23%.

## Europe

Events in Europe have arguably been the single most important driver of world markets so far this year. On the back of President Draghi's vow to do "whatever it takes" and the actions of the ECB in September, the European equity market rose strongly. The announcement of the OMT programme eased many of the concerns surrounding the future of the Eurozone, but that's not to say that problems no longer exist. A number of countries on the periphery of the single currency area, such as Spain and Greece, continued to be saddled by unsustainable levels of debt. Both received European Union (EU) bail-outs over the period but it is possible that they may require further assistance in due course.

The risk of popular unrest in some of these areas remains high, while there is a possibility of a stalemate should Germany – the economic powerhouse of the region – fail to soften its stance on the bail-out of those troubled Eurozone economies. With the German electorate firmly against such moves, Chancellor Angela Merkel is reluctant to court bad press in the run-up to the German elections next year.

The region's equity market performed strongly on the back of the ECB's actions, comfortably outperforming the global average, with the FTSE World Europe ex UK Index returning 15.26%. Meanwhile, the UK equity market remained sensitive to global events, but did better than the global average over the six-month period as the FTSE All Share Index returned 8.7%.

In the UK, the Bank of England extended its QE programme in July by £50 billion, to £375 billion. Meanwhile, in the third quarter of 2012, the number of people in work surged to its highest since records began in 1971, with unemployment falling to its lowest level in more than a year. The UK economy finally emerged from recession in the third quarter as data showed that the economy expanded over the period, boosted by London hosting the summer Olympics. The Bank of England (BoE) kept interest rates firmly on hold at 0.5%. In late November, the government announced Sir Mervyn King's successor as Governor of the BoE, with Mark Carney, the governor of the Canadian central bank, set to take over in June 2013.

In his Autumn Statement, seen as the pre-amble to the Spring Budget, Chancellor George Osborne re-affirmed the UK's commitment to debt-reduction amid continued fears over the country's economic growth prospects.

## Asia

In Asia, as well as in other global markets, a slowdown in Chinese economic growth remained a key concern. In July, the People's Bank of China reduced its benchmark deposit and lending rates to 3.0% and 6.0% respectively. Figures released at the end of the period showed that China's industrial production grew at an annualised rate of 8.9% in August, its slowest pace in three years. The flow of external investment also continued to decline. However, economic growth continued to be strong, albeit weaker than in recent times, with the economy expanding by 7.4% in the 12 months to the end of the third quarter of 2012.

November saw China's once-in-a-decade leadership change, with new President Xi Jinping reaffirming his party's desire to shift the Chinese economy away from a reliance on exports and towards a greater focus on domestic growth and consumption. Elsewhere in the region, the Reserve Bank of Australia reduced its benchmark interest rate by 0.25% to 3.25% in October. This followed a slump in Australian new-home sales in August.

The region's equity market produced a strong positive return over the final six months of 2012, outperforming the global average. The FTSE AW Asia Pacific ex Japan Index returned 12.51%.

Meanwhile, Japan's stock market struggled over the second half of 2012 as the European debt crisis led investors to avoid the euro and seek shelter in historically perceived "stable" currencies like the Japanese yen. This was a significant negative for Japanese exporters as the rising yen had a negative impact on their overseas profits when converted back, for example, from US dollars, euros and sterling.

In an attempt to inject life into its ailing economy, the Bank of Japan (BoJ) – Japan's central bank – continued with its QE programme, increasing its size by around ¥11 trillion (£78 billion) in October, to ¥91 trillion (just under £650 billion). In further bad news for the economy, industrial production in Japan fell by 8.1% in September compared with a year earlier, with output suffering its greatest monthly decline since the natural disasters of March 2011.

## Fixed income

Bond markets can often move in the opposite directions from stock markets and this was the case in the final six months of 2012. Investors were more inclined to invest in riskier assets such as company shares, and this led to money moving out of those government bonds that may have historically been perceived as “safe havens” by investors, such as those issued by the US, UK and Germany. Against this backdrop, global government bond markets ended the period very slightly in negative territory.

The exception to this trend was the corporate bond – debt issued by companies – sector, and especially European high yield bonds, which are high paying and with greater risk. Their returns are typically more similar to the performance of equity markets. Corporate bonds, like equities, performed well.

## Currencies and commodities

The moderating of investors’ concerns over the sovereign risk of Italy and Spain helped the euro to rally 3.8% against the US dollar, while an increase in the oil price gave the Norwegian krone a further boost in its 8.1% appreciation against the dollar. The South Korean won was the world’s strongest major currency over the six-month period, rallying versus all major currencies, aided by the improved stability of the eurozone, which is one of South Korea’s key export markets. Meanwhile, the Japanese yen was the world’s weakest currency (losing 8.9% against the dollar), undermined by investors’ increased expectations of further quantitative easing by the BoJ. Meanwhile, sterling strengthened versus the US dollar, but marginally lost ground against the euro.

Having started the period at just under US\$1,600 per ounce, the gold price reached a high of US\$1,790 in late September before falling back to end the year at US\$1,675. Meanwhile, the price of a barrel of crude oil rose by 8.1% over the six months, to US\$92, having peaked at just under US\$100 in early September. Elsewhere in commodity markets, lead was the strongest performer over the period, rising by 24%, while the weakest performer was coffee, which fell by 18%.

**BNY Mellon Asset Management International Limited**  
**January 2013**

**\* All performance data are from 30 June 2012 to 31 December 2012, total returns are in sterling terms unless otherwise indicated, sourced from Lipper Hindsight and Bloomberg.**

# BNY Mellon American Fund

## General information

<b>Fund management team:</b>	Elizabeth Slover and Matthew Griffin
<b>Fund size:</b>	£43.98m
<b>Fund launch:</b>	31 October 1986 (managed by The Boston Company since 30 January 2012)
<b>Comparative index:</b>	S&P 500 Index
<b>Sector:</b>	IMA North America
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

**Annual:** 30 June

Distribution payment dates for all share classes:

**Annual:** 31 October

## Investment objective

The objective of the Fund is to achieve capital growth from a portfolio of predominantly US and Canadian securities. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund utilises a dynamic, diversified fundamental research approach within the framework of stringent risk-control disciplines. Analysts with expertise in their coverage areas are responsible for conducting research, analysing fundamentals and making investment decisions.

## Risk profile

The Fund invests in US equities and as such will be exposed to any risk specific to this market. Risk is managed from an overall portfolio level through both quantitative and qualitative measures by the portfolio manager, who is responsible for implementation and oversight. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 1.69% against 2.23% for the S&P 500 Index.

Over the period, the Fund registered a positive return but underperformed the broad US equity (company share) market as global equities staged a rebound in the third quarter, led by positive news from the eurozone and the US Federal Reserve's announcement of a third cycle of quantitative easing – the printing of more money. In July, European Central Bank (ECB) President Mario Draghi said the ECB would do whatever was necessary to save the euro, and this helped to boost equity markets. Most global equities rallied during the fourth quarter as US lawmakers finally reached a deal to avoid a budget crisis that many feared would cripple the global economy, finishing the year comfortably in positive territory. In this environment, the Fund's exposure to the materials, industrials and consumer goods sectors boosted performance. Conversely, exposure to the healthcare, financials and consumer services sectors weighed on returns.

During the period, the Fund initiated a position in the US fashion retailer, Urban Outfitters, as the company's growth prospects are solid, given its recent focus on sharper merchandising, new store expansion and accelerated e-commerce, which are expected to positively influence operating margins. Meanwhile, the position in the machinery giant, Caterpillar, was sold as the company's outlook continues to deteriorate on macroeconomic pressures. The company's management has cut its full-year sales and earnings projections due to weakening demand in a number of product categories, most notably mining equipment.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	9.52%	-9.88%	21.10%	26.74%	-22.27%
Euro Accumulation	8.59%	-9.99%	19.93%	24.99%	-21.98%
Sterling Exempt 1 (Net Accum.)	10.67%	-8.93%	22.40%	28.09%	-21.47%
Sterling Institutional (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
S&P 500 Index	10.91%	2.87%	18.68%	12.60%	-12.77%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.68	1.67
Euro Accumulation	2.17	2.18
Sterling Exempt 1 (Net Accum.)	0.61	0.60
Sterling Institutional (Net Accum.)	1.10	1.11
Sterling Institutional W (Net Inc.)	0.86	N/A
Sterling Institutional W (Net Accum.)	0.86	N/A
Sterling Retail Adv B (Net Inc.)	1.18	N/A
Sterling Retail Adv B (Net Accum.)	1.18	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.



## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Apple	4.31	8.09
Google	3.65	2.81
Oracle	3.32	2.91
Qualcomm	2.96	2.75
Philip Morris International	2.87	3.09
Pepsico	2.73	2.91
Amazon	2.72	1.60
EMC	2.14	0.00
Union Pacific	2.05	1.98
Wal-Mart Stores	1.98	1.61
Home Depot	1.94	1.71
Monsanto	1.93	1.73
Caterpillar	0.00	1.85

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	94.84	60.22	N/A
2009	94.08	66.43	0.3547
2010	112.25	89.16	N/A
2011	114.30	87.43	N/A
2012	114.93	99.42	N/A
<b>Euro Accumulation</b>	<b>(cents)</b>	<b>(cents)</b>	<b>(cents)</b>
2008	65.70	37.03	N/A
2009	53.65	37.80	0.0617
2010	67.67	52.71	N/A
2011	69.82	51.06	N/A
2012	73.99	60.73	N/A
<b>Sterling Exempt 1 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	87.19	55.46	0.4786
2009	88.09	61.37	1.0584
2010	106.21	83.55	0.5113
2011	108.33	83.32	0.5282
2012	110.74	95.10	0.6769
<b>Sterling Institutional (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 24 April)	106.55	95.73	0.0719
<b>Sterling Institutional W (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 30 August)	101.66	95.42	N/A
<b>Sterling Institutional W (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 30 August)	101.66	95.42	N/A
<b>Sterling Retail Adv B (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 24 September)	100.38	94.24	N/A
<b>Sterling Retail Adv B (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 24 September)	100.38	94.25	N/A

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		<b>(pence)</b>	
30/06/10	45,458	93.91	48,406,863
30/06/11	62,966	109.62	57,437,967
30/06/12	53,691	106.36	50,479,569
31/12/12	38,724	109.91	35,232,306
<b>Euro Accumulation</b>		<b>(cents)</b>	
30/06/10	5,305	59.07	10,983,785
30/06/11	2,054	62.02	3,661,987
30/06/12	1,559	67.36	2,869,623
31/12/12	1,001	68.44**	1,793,685
<b>Sterling Exempt 1 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	5,733	88.40	6,485,199
30/06/11	5,313	104.30	5,093,757
30/06/12	884	102.22	865,204
31/12/12	726	106.22	683,463
<b>Sterling Institutional (Net Accum.)</b>		<b>(pence)</b>	
30/06/12	15	98.45	15,000
31/12/12	262	102.06	257,037
<b>Sterling Institutional W (Net Inc.)</b>		<b>(pence)</b>	
31/12/12	5	97.44	5,000
<b>Sterling Institutional W (Net Accum.)</b>		<b>(pence)</b>	
31/12/12	5	97.44	5,000
<b>Sterling Retail Adv B (Net Inc.)</b>		<b>(pence)</b>	
31/12/12	3,246	96.19	3,375,157
<b>Sterling Retail Adv B (Net Accum.)</b>		<b>(pence)</b>	
31/12/12	7	96.16	7,521

\*\* Euro/Sterling exchange rate at midday 31 December 2012: 1.226027.

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
Retail	10.72	10.58
Software	9.05	8.36
Internet	8.59	7.64
Technology, Hardware & Equipment	7.12	9.09
Pharmaceuticals	6.53	6.14
Biotechnology	5.98	3.72
Chemicals	5.08	4.12
Semiconductors	5.04	5.05
Oil & Gas	4.49	3.65
Beverages	4.01	4.07
Commercial Services	3.75	3.01
Transportation	3.40	3.30
Manufacturers	3.17	2.72
Food Processing	3.09	1.61
Telecommunications	2.96	2.75
Agriculture	2.87	3.09
Diversified Financial Services	2.39	2.07
Media	2.29	2.11
Metal Fabrication	1.79	1.37
Machinery	1.65	0.00
Engineering & Construction	1.40	1.26
Auto Parts & Equipment	1.12	1.36
Apparel	0.92	0.86
Consumer Services	0.84	0.65
Lodging	0.84	0.00
Construction & Mining	0.00	1.85
Housewares	0.00	0.96
Electrical Components & Equipment	0.00	0.82
Health Care	0.00	0.77
Cosmetics & Personal Care	0.00	0.62
Electronics	0.00	0.57
Cash & Others	0.91	5.83
	<b>100.00</b>	<b>100.00</b>

# BNY Mellon Global Strategic Bond Fund

## General information

<b>Fund management team:</b>	David Leduc, Brendan Murphy and Thant Han (Standish Mellon Asset Management)
<b>Fund size:</b>	£108.22m
<b>Fund launch:</b>	8 April 2009
<b>Comparative index:</b>	Barclays Capital Global Aggregate Bond Index (hedged to Sterling)
<b>Sector:</b>	IMA £ Strategic Bond
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to maximise the total return from income and capital growth from a globally diversified multi-sector fixed income portfolio of bonds and other debt instruments issued by corporations, agencies and governments in developed and emerging market economies. The Fund may also invest in certain permitted deposits, approved money market instruments, permitted derivative instruments and forward transactions and units in collective investment schemes. At least 80% of the Fund's assets shall be invested in sterling-denominated assets or assets that are hedged back to sterling.

## Investment policy

The Fund will seek to maximise the total return from income and capital growth by means of a globally diversified multi-sector portfolio of bonds and other debt instruments issued by corporations, governments, and government agencies of developed and emerging-market countries. The Fund may also invest in credit-linked notes and other structured notes, structured products, asset-backed securities, convertible bonds and preferred securities, total return swaps and credit default swaps, money market futures, time deposits and bank loans, exchange-traded interest rate, bond and currency futures, OTC options and futures, spot and forward currency contracts and collective investment schemes. At least 80% of the Fund's assets shall be invested in sterling-denominated assets or in assets that are hedged back to sterling.

## Risk profile

The Fund will invest in global fixed income securities that are subject to both interest rate risk and default risk. The Fund may also invest in securities that are denominated in a currency other than the base currency of the Fund, and this risk may not be fully hedged. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 5.39% against 2.95% for the Barclays Capital Global Aggregate Bond Index (hedged to Sterling).

Over the period, the Fund generated a positive return, comfortably outperforming its comparative index. The Fund's outperformance came from a combination of currency allocation, asset allocation and, most notably, security selection. The only source of underperformance in the second half of 2012 was active positioning along the yield curve – the yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The Fund began the period with a modest overweight to spread sectors – non-US Treasury – including emerging markets US dollar-denominated debt, investment grade – rated BBB+ and above by the credit rating agency Standard & Poor's – and high yield corporate credit – debt issued by companies that is rated BBB and below by the credit rating agency Standard & Poor's. As the economic and policy backdrop became more favourable, the size of these positions was increased. Security selection within the European government bond – debt issued by governments – market was positive for performance, with positions in Irish government and government-guaranteed debt doing particularly well. Significant positions in both US and European investment grade credit, as well as US high yield credit, contributed strongly to performance.

The Fund's currency positioning contributed to performance over the six-month period. In particular, the Fund benefited from limited exposure to the Japanese yen and euro, and greater exposure to currencies such as the Korean won and the South African rand.

## STATUTORY PERFORMANCE DATA

From To	31/12/11	31/12/10	31/12/09	31/12/08	31/12/07
Sterling Income <sup>1</sup>	9.12%	2.61%	5.46%	N/A	N/A
Sterling Institutional (Net Inc.) <sup>1</sup>	9.73%	3.18%	6.04%	N/A	N/A
Sterling Institutional (Net Accum.) <sup>1</sup>	9.72%	3.19%	6.05%	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Barclays Global Capital Aggregate Bond Index (hedged to Sterling)	5.93%	5.80%	4.82%	5.31%	7.59%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.46	1.46
Sterling Institutional (Net Inc.)	0.89	0.89
Sterling Institutional (Net Accum.)	0.89	0.89
Sterling Institutional W (Net Inc.)	0.77	N/A
Sterling Institutional W (Net Accum.)	0.77	N/A
Sterling Retail Adv B (Net Inc.)	1.05	N/A
Sterling Retail Adv B (Net Accum.)	1.05	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

**MAJOR HOLDINGS**

Holding	31/12/12 (%)	30/06/12 (%)
US Treasury Bill 0.00% October 2013	5.76	0.00
Commit to Purchase FNMA 3.00% Bonds 2043	5.50	0.00
Treasury 3.75% Stock 2021	3.86	0.00
US Treasury Inflation Index 2.125% 2019	3.33	0.00
US Treasury Inflation Index 2.00% 2014	2.51	0.00
Buoni Poliennali del Tes 4.75% Bonds 2017	2.38	0.00
New Zealand 6.00% Bonds 2017	2.17	0.00
Treasury 1.875% Stock 2022	2.05	0.00
Treasury 4.25% Stock 2040	1.70	2.48
Spain 5.85% Bonds 2022	1.32	0.00
Slovakia 4.375% Bonds 2022	1.12	1.64
Japan 1.70% Bonds 2033	1.00	2.42
South Africa 7.00% Bonds 2031	1.00	1.57
South Africa 6.25% Bonds 2036	0.91	1.64
US Treasury Bill 0.00% July 2012	0.00	11.73
Commit To Purchase FNMA 3.50% Bonds August 2042	0.00	6.78
Commit To Purchase FNMA 3.50% Bonds July 2042	0.00	2.64
Commit To Purchase GNMA 3.50% Bonds 2042	0.00	2.20
Mexico 9.00% Bonds 2012	0.00	1.58

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2009 (from 8 April)	112.09	99.51	3.1823
2010	115.85	109.29	4.0146
2011	113.12	109.51	2.9158
2012	119.81	110.95	2.6021
<b>Sterling Institutional (Net Inc.)</b>	(pence)	(pence)	(pence)
2009 (from 8 April)	112.58	99.53	3.1855
2010	116.83	109.77	4.0992
2011	114.49	110.82	3.0128
2012	122.19	112.57	2.7128
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2009 (from 8 April)	113.11	99.53	3.2685
2010	122.73	112.97	4.2540
2011	124.15	119.37	3.2357
2012	135.43	123.40	2.9908
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 30 August)	103.62	100.23	0.8524
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 30 August)	103.62	100.23	0.8318
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 24 September)	102.10	99.84	0.6563
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 24 September)	102.10	99.84	0.6563

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	11,113	111.70	9,948,884
30/06/11	39,820	109.38	36,404,279
30/06/12	46,247	110.75	41,756,986
31/12/12	66,511	118.16	56,287,364
<b>Sterling Institutional (Net Inc.)</b>		(pence)	
30/06/10	16,341	112.46	14,529,600
30/06/11	17,153	110.69	15,496,671
30/06/12	17,471	112.36	15,549,899
31/12/12	17,276	120.48	14,338,985
<b>Sterling Institutional (Net Accum.)</b>		(pence)	
30/06/10	49,043	118.15	41,508,939
30/06/11	44,525	120.03	37,095,861
30/06/12	44,504	123.17	36,133,710
31/12/12	25,058	135.12	18,545,476
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	529	102.53	516,379
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	27	103.38	26,846
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	5	101.20	5,000
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	101.86	5,000

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
AAA	8.53	22.89
AA	7.10	35.26
A	15.53	20.61
BBB	19.25	14.55
BB	5.98	4.48
B	2.05	1.44
CCC	0.25	0.00
Not rated (by S&P)	41.99	10.17
Derivatives	0.44	(0.25)
Cash & Others	(1.12)	(9.15)
	100.00	100.00

# BNY Mellon Long-Term Global Equity Fund

## General information

<b>Fund management team:</b>	Roy Leckie and Charles Macquaker (Walter Scott & Partners Limited)
<b>Fund size:</b>	£216.76m
<b>Fund launch:</b>	24 August 2007
<b>Comparative index:</b>	FTSE All World Index
<b>Sector:</b>	IMA Global
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

**Annual:** 30 June

Distribution payment dates for all share classes:

**Annual:** 31 August

## Investment objective

The objective of the Fund is to achieve long-term capital appreciation through investments in predominantly equity securities of companies located throughout the world. The Fund may also invest in collective investment schemes and warrants.

## Investment policy

The Fund will invest in equity securities from around the world that the Investment Manager believes to be capable of producing returns in excess of historic stock market averages. The Fund will emphasise long-term investments in profitable business rather than short-term speculative activity. This approach tends to result in relatively low portfolio turnover. It is anticipated that the Fund will maintain a portfolio of approximately 40 to 60 investments.

## Risk profile

The Fund is relatively concentrated, globally diversified and managed with no regard to its comparative index. It is exposed to foreign currency movements and it may also invest in companies from emerging markets. These factors may affect the absolute and relative performance of the Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 7.66% against 6.56% for the FTSE All World Index.

Over the period, the Fund registered a strong positive return, outperforming global equity (company share) markets. The Fund's Asia Pacific ex Japan holdings were the standout performers, while all other regional returns were all positive. At the stock level, while Japanese and US holdings struggled over the period, the Fund's selective holdings in the US were a positive for performance. Similarly, stock selection in Japanese and Asia Pacific ex Japan holdings also contributed to performance. The only significant detractor from performance came from the Fund's exposure to Europe ex UK companies.

Financials was the strongest performing sector over the six-month period, however, the Fund's limited exposure in this sector detracted from returns. The Fund's exposure to the technology sector, which was weak over the period, was a negative, although stock selection in the sector helped to offset these losses. Areas of weakness included basic materials and consumer goods companies.

Two new holdings were added to the Fund; Komatsu, the world's second largest manufacturer of construction and mining equipment, and Taiwan Semiconductor, the world's leading semiconductor foundry. Five positions were sold; CR Bard, Daikin Industries, Flir Systems, Morrisons and Tenaris.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income <sup>1</sup>	12.24%	-3.59%	14.09%	22.13%	-8.42%
Sterling Institutional (Net Accum.)	12.87%	-3.05%	14.76%	22.68%	-7.99%
Sterling Exempt 2 (Net Accum.)	13.15%	-2.81%	15.04%	22.93%	-7.81%
Sterling X (Net Accum.) <sup>1</sup>	14.01%	-2.09%	N/A	N/A	N/A
Sterling Institutional W (Net Inc.)	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.)	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.)	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.)	N/A	N/A	N/A	N/A	N/A
FTSE All World Index	12.00%	-6.57%	16.74%	21.24%	-19.36%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.62	1.65
Sterling Institutional (Net Accum.)	1.06	1.07
Sterling Exempt 2 (Net Accum.)	0.81	0.82
Sterling X (Net Accum.)	0.06	0.07
Sterling Institutional W (Net Inc.)	0.81	N/A
Sterling Institutional W (Net Accum.)	0.81	N/A
Sterling Retail Adv B (Net Inc.)	1.13	N/A
Sterling Retail Adv B (Net Accum.)	1.13	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

**MAJOR HOLDINGS**

Holding	31/12/12 (%)	30/06/12 (%)
Komatsu	2.25	0.00
Hong Kong & China Gas	2.16	2.01
Taiwan Semiconductor Manufacturing ADR	2.13	0.00
Honda Motor	2.11	2.13
Precision Castparts	2.10	1.84
Syngenta	2.07	2.09
Google	2.06	1.98
HSBC	2.05	2.05
L'Oreal	2.03	2.01
Fanuc	2.03	1.98
CNOOC	1.99	2.18
Novo-Nordisk	1.99	2.08
Nestle	1.94	2.09
Industria De Diseno Textil	1.91	2.19
Denso	1.90	2.22
Johnson & Johnson	1.87	2.14
Hennes & Mauritz	1.86	2.26
TJX	1.76	2.09

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	105.91	77.66	0.1956
2009	114.79	82.39	0.5915
2010	129.61	109.15	0.2998
2011	132.07	110.82	0.2534
2012	155.17	135.96	0.4695
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	112.99	83.17	0.7168
2009	124.44	88.39	1.0447
2010	141.68	119.00	0.9304
2011	145.09	121.82	0.9950
2012	139.58	123.42	1.3238
<b>Sterling Exempt 2 (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	113.14	83.36	0.8991
2009	125.01	88.68	1.2155
2010	142.69	119.70	1.2403
2011	146.31	122.88	1.3365
2012	157.05	137.27	1.6883
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2010 (from 17 December)	102.21	99.99	N/A
2011	105.20	88.43	1.1189
2012	114.17	99.06	1.9737
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 30 August)	104.72	98.67	N/A
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 30 August)	104.72	98.67	N/A
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 25 September)	103.92	98.25	N/A
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 25 September)	103.92	98.25	N/A

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	615	111.28	552,778
30/06/11	1,400	128.08	1,092,867
30/06/12	5,243	128.40	4,083,178
31/12/12	13,723	138.23	9,927,489
<b>Sterling Institutional (Net Accum.)</b>		(pence)	
30/06/10	21,785	121.30	17,959,931
30/06/11	28,562	140.69	20,302,101
30/06/12	68,803	142.34	48,335,714
31/12/12	65,960	153.69	42,917,788
<b>Sterling Exempt 2 (Net Accum.)</b>		(pence)	
30/06/10	28,119	122.01	23,046,814
30/06/11	40,022	141.86	28,212,088
30/06/12	60,432	143.89	41,997,908
31/12/12	71,695	155.55	46,090,563
<b>Sterling X (Net Accum.)</b>		(pence)	
30/06/11	41,812	101.99	40,997,484
30/06/12	53,954	104.22	51,766,962
31/12/12	61,815	113.09	54,662,149
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	195	103.72	187,554
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	3,366	103.72	3,244,958
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	5	102.92	5,000
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	102.92	5,000

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
United States of America	38.22	40.73
Japan	14.57	13.23
United Kingdom	9.77	10.31
Hong Kong	8.64	7.74
Switzerland	5.71	5.87
Australia	3.87	3.89
France	3.34	3.42
Taiwan	2.13	0.00
Denmark	1.99	2.08
Canada	1.98	2.01
Singapore	1.96	2.03
Spain	1.91	2.19
Sweden	1.86	2.26
Brazil	1.72	1.85
Luxembourg	0.00	0.41
Cash & Others	2.33	1.98
	100.00	100.00

# Newton 50/50 Global Equity Fund

## General information

<b>Fund management team:</b>	Matthew Brown and Rob Stewart
<b>Fund size:</b>	£546.31m
<b>Fund launch:</b>	15 February 1999
<b>Comparative index:</b>	50% FTSE All Share / 16.67% FTSE AW North America, 16.67% FTSE AW Europe ex UK, 16.67% FTSE AW Asia Pacific
<b>Sector:</b>	IMA Global

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	30 September
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to invest in a broad spread of UK and international securities to achieve income and capital growth over the longer term. The Fund will be managed to a benchmark of approximately 50% UK equities and 50% international equities. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund invests directly in International equities, aiming to outperform its comparative index over rolling 5 year periods.

## Risk profile

As a diversified global equity Fund, the risks associated with the Fund are consistent with International Equity Investing, these include Equity Market risk, Exchange Rate risk, Liquidity risk and Stock specific risk. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Exempt 1 (Net Accum.) Share Class of the Fund returned 8.66% against 8.71% for the composite benchmark; 50% FTSE All Share / 16.67% FTSE AW North America / 16.67% FTSE AW Europe ex UK, 16.67% FTSE AW Asia Pacific.

Over the period, the Fund registered a positive return but marginally underperformed its composite benchmark. The Fund's exposure to gold via gold mining equities reduced performance, with Barrick Gold and Yamana Gold both seeing their company share price fall. The manager still anticipates that gold will be a natural beneficiary in the current global economic environment. In the financial sector, the underweight stance in banks, and specifically the avoidance of HSBC Holdings, Barclays and Lloyds Banking Group was the other major negative. Exposure to the oil and gas sector was a positive in the equity portion of the Fund, largely attributable to the takeover of Nexen, a Canadian exploration and production company. Meanwhile, Bayer, a German chemicals and pharmaceutical company, also performed strongly.

During the six months, Nexen was sold after it was the subject of a successful takeover bid. Meanwhile, in the US a new position was established in Dollar General, which operates a chain of discount stores with a strong bias towards everyday staple items such as food and personal care products. Elsewhere, despite its compelling reserves base, the weighting in the natural gas company, BG Group, was pared back. This was a result of a recent downgrade of production growth and management changes which, in our view, are likely dampen the company's share price performance in the near term.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Exempt 1 (Net Accum.)	12.75%	-7.61%	13.28%	24.84%	-23.08%
Sterling X (Net Accum.)	13.30%	-7.15%	13.84%	25.40%	-22.77%
Sterling Exempt 2 (Net Accum.)	12.63%	-7.70%	13.16%	24.73%	-23.14%
Comparative index <sup>1</sup>	12.97%	-6.48%	14.81%	26.23%	-25.98%

Source: Lipper as at 31 December 2012 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> 50% FTSE All Share / 16.67% FTSE AW North America / 16.67% FTSE AW Europe ex UK / 16.67% FTSE AW Asia Pacific. Prior to 31 March 2010: 60% FTSE All Share / 13.3% FTSE AW North America / 13.3% FTSE AW Europe ex UK / 13.3% FTSE AW Asia Pacific. Prior to 31 March 2010, comparative index returns represent those of the old comparative index. From 31 March 2010 comparative index returns represent those of the new comparative index.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Exempt 1 (Net Accum.)	0.56	0.56
Sterling X (Net Accum.)	0.06	0.06
Sterling Exempt 2 (Net Accum.)	0.66	0.66

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
GlaxoSmithKline	3.96	3.94
BP	3.20	3.27
Bayer	2.86	2.34
Royal Dutch Shell B	2.60	1.23
British American Tobacco	2.43	2.93
Standard Chartered	2.32	2.13
Tesco	2.30	2.14
Syngenta	2.14	1.61
BHP Billiton	1.88	1.70
Sprint Nextel	1.81	1.18
Roche	1.78	1.71
BG	0.69	1.99

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Exempt 1 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	185.40	112.90	4.1836
2009	175.88	118.79	4.3068
2010	198.13	164.56	4.1837
2011	204.92	165.23	4.5018
2012	207.02	180.61	4.8147
<b>Sterling X (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	187.62	114.45	4.9920
2009	179.22	120.59	5.0573
2010	202.91	168.11	5.1902
2011	210.41	169.86	5.5949
2012	214.10	186.26	5.9709
<b>Sterling Exempt 2 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	138.08	84.06	3.0554
2009	130.80	88.41	3.1040
2010	147.20	122.32	2.9765
2011	152.17	122.67	3.2060
2012	153.50	133.99	3.4206

\* Distributions are shown in the year declared rather than paid.

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
United Kingdom	39.66	42.39
United States of America	18.03	13.88
Switzerland	5.81	5.81
Japan	5.11	4.07
France	4.26	4.00
Canada	3.58	3.48
Germany	2.86	2.34
Sweden	2.18	1.12
Hong Kong	1.80	1.35
Brazil	1.57	1.42
India	1.34	1.37
South Africa	1.33	1.25
China	1.32	1.61
Norway	1.07	1.29
Collective Investment Schemes	1.05	0.93
Australia	0.84	0.55
Thailand	0.80	0.81
Belgium	0.78	0.00
Philippines	0.57	0.57
Mexico	0.52	0.00
Indonesia	0.32	0.24
Singapore	0.00	1.63
Italy	0.00	0.37
Derivatives	(0.02)	0.01
Cash & Others	5.22	9.51
	<b>100.00</b>	<b>100.00</b>

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Exempt 1 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	406,578	167.40	242,878,647
30/06/11	440,864	199.27	221,239,988
30/06/12	344,784	189.03	182,396,418
31/12/12	377,803	205.36	183,970,103
<b>Sterling X (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	188,716	171.01	110,355,984
30/06/11	222,627	204.58	108,819,530
30/06/12	148,847	195.04	76,314,827
31/12/12	122,463	212.43	57,649,730
<b>Sterling Exempt 2 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	48,501	124.43	38,977,948
30/06/11	57,540	147.97	38,885,155
30/06/12	45,733	140.23	32,613,768
31/12/12	46,048	152.27	30,241,879



# Newton Asian Income Fund

## General information

<b>Fund management team:</b>	Jason Pidcock and Caroline Keen
<b>Fund size:</b>	£3,034.95m
<b>Fund launch:</b>	30 November 2005
<b>Comparative index:</b>	FTSE AW Asia Pacific ex Japan Index
<b>Sector:</b>	IMA Asia Pacific excluding Japan
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December, 31 March, 30 September

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February, 31 May, 30 November

## Investment objective

The objective of the Fund is to achieve income together with long-term capital growth predominantly through investments in securities in the Asia Pacific ex Japan (including Australia & New Zealand) region. The Fund may also invest in collective investment schemes.

## Investment policy

The manager will invest in companies from around the Asia Pacific ex Japan region that will achieve a steady income stream along with capital growth.

## Risk profile

As a regional portfolio, the Fund will be exposed to changes in currencies and investments in less-developed markets. These factors may affect the performance of the Fund. Charges are deducted from the capital of the Fund which will affect its growth. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 11.34% against 12.51% for the FTSE AW Pacific ex Japan Index.

The Fund underperformed the broad Asia-Pacific ex Japan equity market over the period, but nevertheless registered a strong positive return. At the sector level, the Fund's exposure to basic materials, consumer goods, consumer services and financials was beneficial, while its oil and gas, technology and healthcare exposure detracted from performance. In the financial sector, Link Real Estate Investment Trust was a notable outperformer as it continued to show strong rental growth despite what appeared to be a weaker macroeconomic background. Meanwhile, the Fund's telecoms performance was mixed; while Telecom Corp of New Zealand disappointed, Advanced Info Service, in Thailand, performed well following continued growth in average revenues per user as well as more clarity on 3G license issuance. Australia's largest telecoms firm, Telstra, was another strong performer. The technology sector was also an area of weakness. The avoidance of Samsung Electronics, which is not held as it does not meet the Fund's yield criteria – all new holdings must have a prospective yield greater than the comparative index – cost some performance, while HTC's performance remained weak as it downgraded its market expectations. Elsewhere, the Macau casino operator Sands China rebounded following weaker performance earlier in the summer following strong performance from mass market gamblers, where Sands has its largest exposure.

The manager took advantage of the drop in Standard Chartered's share price, caused by recent regulatory problems in the US, to introduce this stock into the Fund. The bank has an excellent regional footprint and superior corporate governance compared to many of its peers. The manager added a position in BHP Billiton to the Fund, which offers a good yield at a low valuation. The Thailand-based PTT, a state-owned fully integrated gas and oil company, was also added. Following a challenging year for the company, the manager decided to sell HTC, given the company's struggle to regain market share from Apple and Samsung.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	21.46%	-1.45%	31.98%	49.81%	-25.23%
Sterling Institutional (Net Inc.) <sup>1</sup>	22.15%	-0.89%	32.74%	50.58%	-24.90%
Sterling Institutional (Net Accum.) <sup>1</sup>	22.18%	-0.91%	32.66%	50.59%	-24.86%
Sterling X (Net Inc.) <sup>1</sup>	23.37%	0.11%	34.17%	N/A	N/A
Euro Institutional (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Euro Institutional (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Euro Accumulation <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Euro Income <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
US Dollar Institutional (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
US Dollar Institutional (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
US Dollar Income <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
US Dollar Accumulation <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE AW Asia Pacific ex Japan Index	17.47%	-14.84%	23.88%	55.54%	-33.05%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.



**ONGOING CHARGES**

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.65	1.66
Sterling Institutional (Net Inc.)	1.08	1.09
Sterling Institutional (Net Accum.)	1.08	1.08
Sterling X (Net Inc.)	0.08	0.08
Euro Institutional (Net Accum.)	1.08	1.09
Euro Institutional (Net Inc.)	1.08	1.09
Euro Accumulation	1.65	1.66
Euro Income	1.66	1.66
US Dollar Institutional (Net Inc.)	1.08	1.10
US Dollar Institutional (Net Accum.)	1.08	1.10
US Dollar Income	1.66	1.67
US Dollar Accumulation	1.66	1.67
Sterling Institutional W (Net Inc.)	0.84	N/A
Sterling Institutional W (Net Accum.)	0.84	N/A
Sterling Retail Adv B (Net Inc.)	1.16	N/A
Sterling Retail Adv B (Net Accum.)	1.16	N/A
Sterling P (Net Inc.)	1.09	N/A
Sterling P (Net Accum.)	1.09	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

**MAJOR HOLDINGS**

Holding	31/12/12 (%)	30/06/12 (%)
Taiwan Semiconductor Manufacturing	4.08	4.19
Australia & New Zealand Bank	3.70	3.46
Telstra	3.69	3.47
China Mobile (Hong Kong)	3.56	3.37
Sands China	3.56	2.92
Hutchison Port	3.20	4.38
HSBC	3.20	2.72
Link REIT	3.06	3.77
Advanced Info Service	2.78	3.58
Keppel	2.75	2.50
Transurban	2.57	3.56
Taiwan Mobile	2.23	3.05
HTC	0.00	3.41

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	133.32	74.58	6.0311
2009	135.26	83.87	6.1402
2010	168.26	126.82	8.2595
2011	167.98	143.52	8.3898
2012	181.69	155.55	8.3516
<b>Sterling Institutional (Net Inc.)</b>	(pence)	(pence)	(pence)
2008	134.72	75.68	6.0611
2009	138.09	85.25	6.2765
2010	172.65	129.50	8.5536
2011	172.79	147.80	8.7425
2012	188.31	160.39	8.7531
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	146.33	85.98	6.7210
2009	166.54	98.11	7.3818
2010	219.73	157.46	10.5480
2011	228.48	198.68	11.4586
2012	266.60	217.59	12.0926
<b>Sterling X (Net Inc.)</b>	(pence)	(pence)	(pence)
2009 (from 2 April)	136.82	93.75	5.1291
2010	172.79	128.41	8.6236
2011	173.83	149.06	8.7853
2012	192.29	162.16	8.8748
<b>Euro Institutional (Net Accum.)</b>	(cents)	(cents)	(cents)
2012 (from 30 January)	120.69	100.00	5.4466
<b>Euro Institutional (Net Inc.)</b>	(cents)	(cents)	(cents)
2012 (from 5 March)	110.16	96.61	4.2555
<b>Euro Accumulation</b>	(cents)	(cents)	(cents)
2012 (from 5 March)	113.57	96.84	4.3057
<b>Euro Income</b>	(cents)	(cents)	(cents)
2012 (from 5 March)	109.71	96.50	4.1918
<b>US Dollar Institutional (Net Inc.)</b>	(cents)	(cents)	(cents)
2012 (from 2 April)	108.63	92.05	3.7008
<b>US Dollar Institutional (Net Accum.)</b>	(cents)	(cents)	(cents)
2012 (from 2 April)	111.96	92.06	3.7875
<b>US Dollar Income</b>	(cents)	(cents)	(cents)
2012 (from 2 April)	108.22	91.95	3.7368
<b>US Dollar Accumulation</b>	(cents)	(cents)	(cents)
2012 (from 2 April)	111.54	91.95	3.7561
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 30 August)	102.07	98.47	1.0399
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 30 August)	102.07	98.47	1.0225
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 1 October)	105.21	100.00	0.6655
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 1 October)	105.21	100.00	0.6655
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 20 September)	105.97	99.73	0.6878
<b>Sterling P (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 1 October)	105.22	100.00	0.6834

\* Distributions are shown in the year declared rather than paid.

# NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income (pence)</b>			
30/06/10	238,209	136.48	174,536,666
30/06/11	493,586	162.97	302,868,975
30/06/12	884,043	164.78	536,506,491
31/12/12	1,007,152	179.00	562,642,963
<b>Sterling Institutional (Net Inc.) (pence)</b>			
30/06/10	143,823	139.66	102,977,599
30/06/11	349,398	167.61	208,453,195
30/06/12	785,835	170.33	461,363,300
31/12/12	1,079,747	185.50	582,062,362
<b>Sterling Institutional (Net Accum.) (pence)</b>			
30/06/10	41,793	174.64	23,930,489
30/06/11	50,054	221.73	22,574,060
30/06/12	319,625	236.75	135,002,535
31/12/12	492,224	264.36	186,192,252
<b>Sterling X (Net Inc.) (pence)</b>			
30/06/10	5,016	139.07	3,607,114
30/06/11	31,979	168.59	18,968,673
30/06/12	78,691	173.05	45,472,142
31/12/12	42,696	189.43	22,539,445
<b>Euro Institutional (Net Accum.) (cents)</b>			
30/06/12	6,975	107.47	8,048,862
31/12/12	42,138	118.68**	43,530,250
<b>Euro Institutional (Net Inc.) (cents)</b>			
30/06/12	12	99.96	15,000
31/12/12	1,089	107.62**	1,240,339
<b>Euro Accumulation (cents)</b>			
30/06/12	59	101.38	72,755
31/12/12	4,539	111.65**	4,984,954
<b>Euro Income (cents)</b>			
30/06/12	12	99.79	15,000
31/12/12	192	107.18**	219,495
<b>US Dollar Institutional (Net Inc.) (cents)</b>			
30/06/12	9	95.15	15,000
31/12/12	5,554	107.39***	8,361,027
<b>US Dollar Institutional (Net Accum.) (cents)</b>			
30/06/12	3,268	96.29	5,294,867
31/12/12	6,253	111.38***	9,076,583
<b>US Dollar Income (cents)</b>			
30/06/12	9	95.04	15,000
31/12/12	798	106.99***	1,206,054
<b>US Dollar Accumulation (cents)</b>			
30/06/12	40	96.13	64,819
31/12/12	3,157	110.96***	4,600,415
<b>Sterling Institutional W (Net Inc.) (pence)</b>			
31/12/12	311,502	106.03	293,787,276
<b>Sterling Institutional W (Net Accum.) (pence)</b>			
31/12/12	37,398	107.11	34,914,471
<b>Sterling Retail Adv B (Net Inc.) (pence)</b>			
31/12/12	5	103.66	5,000
<b>Sterling Retail Adv B (Net Accum.) (pence)</b>			
31/12/12	5	104.32	5,000
<b>Sterling P (Net Inc.) (pence)</b>			
31/12/12	358	104.39	343,121
<b>Sterling P (Net Accum.) (pence)</b>			
31/12/12	142	104.34	136,525

\*\* Euro/Sterling exchange rate at midday 31 December 2012: 1.226027.

\*\*\* USD/Sterling exchange rate at midday 31 December 2012: 1.616700.

# PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
Australia	27.90	26.05
Hong Kong	20.72	20.02
Singapore	10.44	11.99
Thailand	7.69	7.21
China	7.66	7.19
Taiwan	6.31	11.66
United Kingdom	4.00	0.00
New Zealand	3.31	3.31
Malaysia	3.28	2.95
Philippines	2.51	3.69
South Korea	1.95	1.94
Indonesia	1.54	2.12
India	0.19	0.00
Pakistan	0.00	0.50
Cash & Others	2.50	1.37
	100.00	100.00



# Newton Balanced Fund

## General information

<b>Fund management team:</b>	Iain Stewart and Matthew Brown
<b>Fund size:</b>	£2,888.64m
<b>Fund launch:</b>	4 November 1986 (managed by Newton since July 1997)
<b>Comparative index:</b>	IMA Mixed Investment 40-85% Shares
<b>Sector:</b>	IMA Mixed Investment 40-85% Shares
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to achieve a balance between capital growth and income predominantly from a portfolio of UK and international securities. The Fund may also invest in derivative instruments, forward transactions and collective investment schemes.

## Investment policy

The Fund invests directly in a range of asset classes aiming to outperform its comparative index on rolling 5 year periods.

## Risk profile

The risks associated with the Fund will be risks that are consistent with a broad exposure to global capital markets. These include Equity Market risk, Currency Rate risk, Liquidity risk, Stock specific risk, Interest Rate risk and Credit risk. The resulting volatility is likely to be lower than that experienced by a 100% equity portfolio. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 3.84% against 7.18% for the IMA Mixed Investment 40-85% Shares.

The Fund delivered a small positive return but underperformed the IMA Mixed Investment 40-85% Shares. The equity portion of the Fund was the main area of weakness over the period. The Fund's exposure to gold via gold mining equities detracted from performance; Newcrest Mining and Barrick Gold were particularly hard hit. The manager still anticipates that gold will prove to be a natural beneficiary in the current global economic environment. In the financial sector, the underweight stance in banks, and specifically the avoidance of HSBC Holdings, Barclays and Lloyds Banking Group was the other major negative. Other equity holdings which disappointed over the period included Japan Tobacco, along with the healthcare giant GlaxoSmithKline. Exposure to the oil and gas sector was a positive in the equity portion of the Fund, largely attributable to the takeover of Nexen, a Canadian exploration and production company. In the fixed interest portion of the Fund, the preference for credit – debt issued by companies – and overseas government bonds – debt issued by governments – over UK Gilts (UK government bonds) contributed positively.

Equity sales from the portfolio over the period included the international service company Serco Group and the German pharmaceuticals and chemicals firm, Bayer. Telecoms remains a favoured area of exposure; during the review period, the manager established a holding in the Swedish telecoms company TeliaSonera. The group is well managed and benefits from operating in a stable domestic market. The oil and gas company, Royal Dutch Shell, was also added to the Fund. In the fixed income portion of the Fund, the manager sold the positions in 4.5% Kingdom of Norway 2019 and 2.5% USA Treasury 2029, and added an index-linked issue in New Zealand.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	5.26%	-5.33%	9.82%	14.46%	-4.08%
Sterling Institutional (Net Accum.)	5.87%	-4.77%	10.45%	15.04%	-3.60%
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
IMA Mixed Investment 40-85% Shares	9.87%	-5.57%	12.34%	19.97%	-21.75%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.61	1.62
Sterling Institutional (Net Accum.)	1.04	1.05
Sterling Institutional W (Net Inc.)	0.79	N/A
Sterling Institutional W (Net Accum.)	0.79	N/A
Sterling Retail Adv B (Net Inc.)	1.11	N/A
Sterling Retail Adv B (Net Accum.)	1.11	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
UK Treasury Bill 0.00% 2013	5.40	0.00
GlaxoSmithKline	3.62	3.44
Norway 3.75% Bonds 2021	3.35	3.42
Bayer	2.19	2.23
Royal Dutch Shell B	2.00	0.96
Newcrest Mining	1.90	2.07
ETFS Physical Gold 0.00% Secured Note (GBP)	1.89	1.95
Australia 4.75% Bonds 2027	1.75	1.92
Barrick Gold	1.72	1.25
BP	1.65	1.70
Australia 5.50% Bonds 2023	0.96	1.68
UK Treasury Bill 0.00% 2012	0.00	9.07
Norway 4.50% Bonds 2019	0.00	1.50

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	156.33	116.56	4.4416
2009	161.38	126.97	4.9298
2010	170.38	146.93	4.9022
2011	171.47	148.82	4.7051
2012	163.19	151.96	4.5095
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	166.84	126.80	4.8004
2009	182.99	140.27	5.4750
2010	200.87	172.70	5.8070
2011	205.19	181.15	5.7942
2012	205.61	187.76	5.7520
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 31 August)	102.07	98.47	0.7358
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 31 August)	102.07	98.47	0.7342
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 28 September)	100.44	96.87	1.1239
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 28 September)	100.44	96.87	1.1225

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	748,226	149.28	501,231,295
30/06/11	1,032,420	165.93	622,220,659
30/06/12	1,193,486	153.89	775,545,628
31/12/12	1,270,937	158.19	803,420,546
<b>Sterling Institutional (Net Accum.)</b>		(pence)	
30/06/10	1,048,625	175.48	597,573,297
30/06/11	1,500,969	201.68	744,219,516
30/06/12	1,575,912	193.62	813,916,116
31/12/12	1,616,463	201.86	800,789,934
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	97	99.54	97,277
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	49	100.28	48,434
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	1,089	97.48	1,117,135
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	8	98.60	8,027

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
United Kingdom	26.99	23.28
United States of America	13.95	9.62
Overseas Government Stocks	9.03	10.82
UK Government Stocks	5.40	9.07
Switzerland	5.38	5.05
Non-Sterling Denominated Corporate Bonds	4.50	4.99
France	4.32	3.79
Germany	3.60	3.45
Japan	3.44	2.46
Canada	2.99	2.41
Sterling Denominated Corporate Bonds	2.89	2.75
Commodities	2.63	2.71
Australia	1.90	2.07
Sweden	1.86	0.62
Collective Investment Schemes	1.41	1.43
Norway	1.21	1.13
China	1.08	1.08
South Africa	1.06	1.07
Netherlands	0.92	0.65
Hong Kong	0.90	0.87
Denmark	0.68	0.55
Brazil	0.46	0.44
Investment Trusts	0.44	0.42
Belgium	0.41	0.53
Peru	0.28	0.36
Poland	0.03	0.60
Singapore	0.00	0.44
Italy	0.00	0.09
Derivatives	0.40	0.07
Cash & Others	1.84	7.18
	100.00	100.00

# Newton Cautious Managed Fund

## General information

<b>Fund management team:</b>	Simon Nichols and Rob Stewart
<b>Fund size:</b>	£38.06m
<b>Fund launch:</b>	31 January 1994
<b>Comparative index:</b>	IMA Mixed Investment 20-60% Shares
<b>Sector:</b>	IMA Mixed Investment 20-60% Shares

## Distribution

Period end dates for distributions for Sterling Income:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December, 31 March, 30 September

Distribution payment dates for Sterling Income:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February, 31 May, 30 November

## Investment objective

The objective of the Fund is to achieve income and capital growth from a portfolio of equities and fixed interest securities. The Fund may also invest in collective investment schemes.

## Investment policy

This Fund invests in equities and bonds to achieve both income and capital growth. It invests predominantly within the UK, but has the ability to buy international securities when attractive opportunities arise.

## Risk profile

The Fund will be exposed to changes in currency rates. The portfolio may contain some investments in less-developed markets. These factors may affect the performance of the Fund. Charges are deducted from the capital of the Fund, which will affect its growth. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 6.41% against 5.84% for the IMA Mixed Investment 20-60% Shares.

The Fund generated a positive return, outperforming the IMA Mixed Investment 20-60% Shares. Equity (company shares) markets performed well following comments from Mario Draghi, president of the European Central Bank (ECB), when he stated that the ECB was ready to do 'whatever it takes' to preserve the euro. This had the effect of significantly lowering the borrowing costs for a number of those troubled countries on the edge of the eurozone, and reducing funding costs for the financial system. Meanwhile, corporate bonds – debt issued by companies – continued to perform well but those government bonds – debt issued by governments – perceived to be "safe havens" produced more lacklustre returns. In terms of Fund performance, equity and corporate bond exposure was advantageous.

Within equities, the holding in Standard Life performed well while the position in the German pharmaceutical and chemical company, Bayer, did well as earnings estimates for the company were upgraded due to its strong performance. The holding in the professional publisher, Reed Elsevier, also performed well as investors became more positive about the earnings outlook for this company. Defensive holdings – those that are in areas of the market which are less sensitive to economic change – performed less well and holdings in Japan Tobacco, the pharmaceutical giant GlaxoSmithKline and the utilities company, Severn Trent performed poorly. The Fund's limited exposure to the banking sector was also costly as companies which are not held in the portfolio, such as Lloyds Banking Group and Barclays, performed well.

The manager continues to favour equities and introduced new positions in Wolseley, a building trade distributor, to take advantage of the recovering US housing market, Xylem, a leader in water resource management systems, and Millicom, a Central American mobile telecoms company. Sales included Imperial Tobacco and Tesco. Within the fixed income portion of the Fund, the manager reduced the holding in John Lewis and United Business Media, and introduced new holdings in 3i and Marks and Spencer.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	8.88%	-0.56%	10.95%	19.71%	-21.30%
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
IMA Mixed Investment 20-60% Shares <sup>2</sup>	8.24%	-2.06%	8.68%	15.78%	-16.38%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

<sup>2</sup> The Fund was in the Balanced Managed sector until December 2009. Performance figures for Balanced Managed sector are available upon request.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.43	1.43
Sterling Institutional W (Net Inc.)	0.87	N/A
Sterling Institutional W (Net Accum.)	0.87	N/A
Sterling Retail Adv B (Net Inc.)	1.20	N/A
Sterling Retail Adv B (Net Accum.)	1.20	N/A
Sterling P (Net Inc.)	1.11	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
UK Treasury Bill 0.00% 2013	4.99	0.00
Novartis	2.98	2.82
BP	2.72	2.76
Norway 6.50% Bonds 2013	2.28	2.32
Australia 4.75% Bonds 2027	2.27	2.45
Royal Dutch Shell B	2.27	2.39
Norway 3.75% Bonds 2021	2.22	2.22
Roche	2.18	1.98
Bayer	2.05	1.61
GlaxoSmithKline	1.94	2.13
HSBC	1.09	2.09
Treasury 0.00% Stock 2012	0.00	5.38
USA Treasury Notes 0.375% 2012	0.00	2.61

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	177.37	115.24	6.9953
2009	152.92	111.92	6.0698
2010	162.74	143.71	5.8935
2011	164.84	148.72	5.2487
2012	165.34	153.23	5.0998
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 31 August)	102.84	99.44	0.7554
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 31 August)	102.97	99.44	0.7543
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 5 October)	100.94	98.05	0.6090
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 5 October)	100.94	98.05	0.6092
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 20 September)	101.47	98.55	0.6603

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	43,928	145.01	30,293,253
30/06/11	44,794	161.91	27,666,501
30/06/12	37,161	155.45	23,906,066
31/12/12	37,689	163.00	23,121,380
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	121	101.40	119,471
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	5	102.16	5,000
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	222	99.53	222,816
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	22	100.14	21,514
<b>Sterling P (Net Inc.)</b>		(pence)	
31/12/12	5	100.04	5,002

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
United Kingdom	32.64	32.62
Sterling Denominated Corporate Bonds	18.45	18.48
Switzerland	7.98	7.35
Overseas Government Stocks	6.77	9.60
UK Government Stocks	6.75	6.37
United States of America	5.12	3.19
Germany	3.06	2.63
France	2.11	1.85
Commodities	1.92	0.00
Non-Sterling Denominated Corporate Bonds	1.63	2.75
Japan	1.30	0.00
Singapore	1.04	0.92
Australia	1.00	1.07
Collective Investment Schemes	0.90	0.83
Sweden	0.77	0.00
Investment Trusts	0.72	1.32
Norway	0.72	0.59
Belgium	0.58	0.54
China	0.53	0.53
Taiwan	0.50	0.69
Canada	0.00	0.41
Derivatives	0.04	(0.04)
Cash & Others	5.47	8.30
	100.00	100.00

# Newton Continental European Fund

## General information

<b>Fund management team:</b>	Raj Shant and Thomas Beevers
<b>Fund size:</b>	£170.61m
<b>Fund launch:</b>	1 June 1987 (managed by Newton since November 1994)
<b>Comparative index:</b>	FTSE World Europe excluding UK
<b>Sector:</b>	IMA Europe excluding UK
<b>Fund ratings:</b>	A Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

**Annual:** 30 June

Distribution payment dates for all share classes:

**Annual:** 31 October

## Investment objective

The objective of the Fund is to achieve capital growth from a portfolio of predominantly European securities. The Fund may also invest in collective investment schemes.

## Investment policy

This Fund offers diversified exposure to blue chip corporate Europe through a concentrated portfolio of high conviction holdings. The Fund aims to optimise long-term capital growth.

## Risk profile

As the Fund invests in equities across Europe, it is exposed to currency fluctuations. Whilst being well diversified by sector and by country, the Fund tends to hold fewer than 60 stocks. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 14.35% against 15.26% for the FTSE World Europe excluding UK.

Over the period, the Fund generated a strong positive return but underperformed the broader equity (company share) market. At the sector level, the Fund was underweight in the industrials, consumer goods and financials sectors and this held back performance, while positive contributions came from the consumer services and technology sectors. At the stock level, the greatest negative impact derived from Swedish Match, which issued a profit-warning amid pricing pressure in its key Scandinavian market, the holding was later sold. The French toll roads and construction company Vinci, a leading European infrastructure stock, hurt performance after the company revised down its outlook. Other underperformers over the period included the Italian bank, Intesa Sanpaolo. In contrast, strong contributions to performance came from the German chemical and pharmaceutical company Bayer, which continued to benefit from strong product positioning. The Fund's position in the professional publisher Reed Elsevier was also positive, as was the avoidance of the underperforming German utility company, E.ON.

The Fund established a position in AXA, a global insurer listed in France, which the manager believes should benefit from the gradual return of stability and confidence in the eurozone. The manager also bought a holding in RWE, Germany's second largest electricity producer, which after many years of underperformance is now led by a new management team, is repairing its balance sheet and cutting costs. The manager sold the position in the Italian bank Intesa Sanpaolo ahead of the country's general elections in 2013, and market concerns which may accompany them. Finally, the manager sold Svenska Handelsbanken following strong performance over the past 18 months.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	18.47%	-17.19%	2.32%	15.09%	-18.21%
Euro Accumulation	17.45%	-17.28%	1.32%	13.73%	-17.99%
Sterling Exempt 1 (Net Accum.)	19.73%	-16.30%	3.42%	16.04%	-17.55%
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE World Europe excluding UK	17.82%	-14.71%	5.75%	20.09%	-23.99%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.65	1.65
Euro Accumulation	2.15	2.15
Sterling Exempt 1 (Net Accum.)	0.58	0.58
Sterling P (Net Inc.)	1.07	1.09
Sterling Institutional W (Net Inc.)	0.83	N/A
Sterling Institutional W (Net Accum.)	0.83	N/A
Sterling Retail Adv B (Net Inc.)	1.14	N/A
Sterling Retail Adv B (Net Accum.)	1.14	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.



## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Nestle	4.26	4.65
Allianz	3.73	2.79
Roche	3.63	3.82
SAP	3.59	2.32
Sanofi	3.11	3.46
BNP Paribas	3.11	0.95
ENI	3.08	3.61
Air Liquide	3.08	3.37
Volkswagen	3.06	2.03
Bayer	3.00	3.30
Syngenta	3.00	2.69
Novartis	2.95	3.85
UBS	2.57	3.43
Total	2.29	3.92
Deutsche Telekom	1.82	3.28

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	192.83	122.03	2.1842
2009	176.55	119.30	2.5335
2010	174.38	141.46	1.9553
2011	176.41	125.03	2.3903
2012	162.25	135.66	3.0310
<b>Euro Accumulation</b>	(cents)	(cents)	(cents)
2008	121.58	72.12	0.7168
2009	94.22	64.22	0.9950
2010	100.08	84.11	0.7392
2011	103.00	72.58	0.7584
2012	101.94	84.42	1.3424
<b>Sterling Exempt 1 (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	165.87	106.59	3.1971
2009	158.26	104.59	3.2372
2010	157.09	129.56	3.3519
2011	163.03	117.65	3.8922
2012	157.99	129.06	4.3313
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 20 June)	116.49	97.00	0.0458
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 30 August)	110.77	100.00	N/A
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 30 August)	110.77	100.00	N/A
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 27 September)	107.30	98.19	N/A
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 27 September)	107.30	98.19	N/A

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	232,313	144.27	161,029,141
30/06/11	229,462	168.98	135,789,911
30/06/12	154,806	140.14	110,466,430
31/12/12	165,015	160.29	102,946,456
<b>Euro Accumulation</b>		(cents)	
30/06/10	2,618	88.65	3,611,867
30/06/11	2,176	94.74	2,539,742
30/06/12	1,399	89.57	1,937,381
31/12/12	1,140	100.97**	1,384,321
<b>Sterling Exempt 1 (Net Accum.)</b>		(pence)	
30/06/10	3,322	132.13	2,513,875
30/06/11	7,465	158.63	4,706,063
30/06/12	1,542	135.79	1,135,596
31/12/12	1,620	156.10	1,037,772
<b>Sterling P (Net Inc.)</b>		(pence)	
30/06/12	15	100.37	15,000
31/12/12	62	115.10	53,977
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	66	109.45	60,221
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	11	109.44	9,897
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	2,690	106.01	2,537,440
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	106.02	5,000

\*\* Euro/Sterling exchange rate at midday 31 December 2012: 1.226027.

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
France	25.26	21.91
Germany	25.18	22.81
Switzerland	18.93	22.96
Netherlands	7.51	4.18
Italy	7.36	11.07
Sweden	4.69	7.28
Belgium	2.59	2.66
Norway	1.54	2.32
Spain	1.42	0.00
Denmark	1.38	1.93
Finland	0.00	1.32
Poland	0.00	0.90
Cash & Others	4.14	0.66
	100.00	100.00

# Newton Corporate Bond Fund

## General information

<b>Fund management team:</b>	Howard Cunningham and Parmeshwar Chadha
<b>Fund size:</b>	£55.39m
<b>Fund launch:</b>	3 November 1997
<b>Comparative index:</b>	75% BofA Merrill Lynch Non-Gilt / 25% Euro High Yield (100% hedged to Sterling)
<b>Sector:</b>	IMA £ Corporate Bond Sector <sup>2</sup>

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	Last day of each month

Distribution payment dates for all share classes:

<b>Annual:</b>	31 July
<b>Interim:</b>	Second last day of each month

## Investment objective

The objective of the Fund is to provide a high yield through a flexible allocation between investment grade and sub-investment grade corporate bonds and other predominantly fixed interest-securities. The Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes.

## Investment policy

Within the constraints of the income and capital preservation objective, the Fund is managed with reference to a hybrid index: 75% BofA Merrill Lynch Sterling Non-Gilts Index / 25% Merrill Lynch Euro High Yield Constrained Index (hedged\* back to sterling). Typically the Fund will be well diversified, with around 100 holdings.

## Risk profile

The Fund invests in Bonds denominated in European currencies, from issuers rated "investment grade" and below "investment grade", and is therefore exposed to credit risk. However, all investments in currencies other than sterling are hedged\* back to sterling which may help to mitigate the effects of currency movements. The Fund is also exposed to changes in market interest rates, investing predominantly in fixed interest securities. These factors may affect the performance of the Fund. Charges are deducted from the capital of the Fund, which will affect its growth. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 8.3% against 7.92% for the IMA £ Corporate Bond Sector.

Over the six-month period, the Fund generated a strong positive return and outperformed the IMA £ Corporate Bond Sector. Chief reasons for the strong performance from corporate bonds – debt issued by companies – over the period were reduced concerns with regards to the economic picture in the eurozone; and the early signs of success of the Bank of England's actions were increasing banks' appetite and ability to lend, both to the corporate and household sectors. Financial sectors generally performed best, particularly insurance, as did Spanish and Italian issuers. Towards the end of the period, the Fund's significant weighting in sub-investment grade bonds – debt issued by companies that are rated below BBB by the credit rating agency Standard and Poor's – was a major contributor. This was partially offset by limited exposure to banks, particularly in peripheral Europe, which performed well.

The manager participated in a new long-dated new issue from University of Cambridge; the latter against the trend of generally reducing the Fund's long-dated exposure. Following a strong rally in BAE Systems bonds, stemming from the announcement of a potential merger with fellow defence and aerospace company EADS, the manager sold the position. Finally, the manager added a position in the conventional Gilt – UK government bond – 4.25% UK 2032.

\* Currency hedging is a technique whereby the fund manager seeks to protect the Fund from adverse currency movements that may impact the share price.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	14.12%	3.76%	8.42%	16.72%	-16.41%
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
75% BofA Merrill Lynch Non-Gilt / 25% Euro High Yield (100% hedged to Sterling)	15.92%	4.71%	10.42%	25.50%	-11.16%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

<sup>2</sup> The Fund was in the UK Other Bonds sector until June 2008. Performance figures for the UK Other Bonds sector are available upon request.

<sup>3</sup> The Sterling X (Net Accum.) Share Class closed on 3 February 2011.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.18	1.17
Sterling P (Net Inc.)	1.13	1.10
Sterling Institutional W (Net Inc.)	0.62	N/A
Sterling Institutional W (Net Accum.)	0.62	N/A
Sterling Retail Adv B (Net Inc.)	0.95	N/A
Sterling Retail Adv B (Net Accum.)	0.95	N/A
Sterling P (Net Accum.)	1.13	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
SLM Student Loan Trust 5.15% EMTN 2015/39	2.16	2.13
Annington Finance No.4 0.00% 2023	1.79	1.78
HBOS Treasury Services 4.875% EMTN 2024	1.79	1.77
UK Treasury Stock 4.25% 2032	1.67	0.00
Land Securities Capital Markets 4.875% EMTN 2019	1.64	1.74
National Westminster Bank 7.875% Bonds 2015	1.59	0.00
General Electric Capital 6.44% Bonds 2022	1.54	1.82
Nationwide Building Society 5.25% 2018	1.44	0.00
Co-Operative Bank 7.875% Bonds 2022	1.37	0.00
SSE 5.00% Bonds 2018	1.37	1.46
Pacific Life Funding 5.125% Bonds 2015	1.33	1.44
CGIS 9.625% 1st Mtg Deb 2019	1.29	1.40
Coventry Building Society 5.875% Bonds 2022	1.28	1.52
Royal Bank of Scotland 7.50% Bonds 2024	0.00	1.46

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	86.11	66.68	4.4672
2009	75.55	60.26	3.7475
2010	81.00	74.66	3.3988
2011	79.20	75.55	3.3168
2012	84.54	76.93	3.3529
<b>Sterling X (Net Accum.)<sup>3</sup></b>	(pence)	(pence)	(pence)
2008 (from 19 March)	82.76	70.13	3.5529
2009	84.87	64.42	4.1373
2010	95.40	84.42	3.9923
2011 (to 3 February)	92.56	91.70	0.3702
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 20 June)	106.40	99.98	2.2484
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 3 September)	103.05	99.66	1.3353
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 3 September)	104.07	99.66	1.3419
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	101.92	99.85	0.9475
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	102.55	99.85	0.9506
<b>Sterling P (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 12 October)	102.38	100.00	0.8774

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	67,592	77.22	87,534,764
30/06/11	61,503	77.65	79,209,935
30/06/12	51,106	78.86	64,806,071
31/12/12	54,938	83.77	65,584,130
<b>Sterling X (Net Accum.)<sup>3</sup></b>		(pence)	
30/06/10	614	89.64	684,472
<b>Sterling P (Net Inc.)</b>		(pence)	
30/06/12	15	99.25	15,000
31/12/12	333	105.43	316,182
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	11	102.10	11,185
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	5	103.44	5,000
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	5	100.98	5,015
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	8	101.94	8,339
<b>Sterling P (Net Accum.)</b>		(pence)	
31/12/12	86	101.77	84,516

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
AAA	11.21	8.12
AA	10.76	12.25
A	24.54	20.26
BBB	28.76	23.24
BB	5.51	6.33
B	3.68	3.31
CCC	0.86	0.86
C	0.49	0.49
Not rated (by S&P)	10.85	21.19
Derivatives	(0.19)	(0.03)
Cash & Others	3.53	3.98
	100.00	100.00

# Newton Emerging Income Fund

## General information

<b>Fund management team:</b>	Jason Pidcock and Sophia Whitbread
<b>Fund size:</b>	£142.20m
<b>Fund launch:</b>	4 October 2012
<b>Comparative index:</b>	FTSE All World Emerging Index TR
<b>Sector:</b>	IMA Global Emerging Markets

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December, 31 March, 30 September

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February, 31 May, 30 November

## Investment objective

The objective of the Fund is to achieve income together with long-term capital growth predominantly through investments in a diversified portfolio of securities in global emerging markets. The Fund may from time to time hold a concentrated portfolio because of its investments in a limited number of securities. The Fund may also invest in collective investment schemes.

## Investment policy

The manager will invest in global emerging market companies that will achieve a steady income stream along with capital growth.

## Risk profile

As a global portfolio investing in emerging markets, the Fund will be exposed to changes in currencies and investments in less-developed markets. These factors may affect the performance of the Fund. Charges are deducted from the capital of the Fund which will affect its growth.

## Portfolio summary

The Fund was launched on 4 October 2012. It aims to deliver income and capital growth over the long term, by investing in shares equities (company shares) and similar investments of companies listed or located in a number of global emerging market countries.

Since launch, the Sterling Income Share Class of the Fund returned 7.06% against 4.70% for the FTSE All World Emerging Index TR.

Over this period, the Fund's Mexican holdings were the greatest area of strength; most notably, Fibra Uno, Mexico's first real estate investment trust, which has exposure to retail and industrial property in Central and Southern Mexico. Elsewhere, shares in the Mexican airport companies Grupo Aeroportuario del Sureste (ASUR) and Grupo Aeroportuario del Pacifico (GAP) were both boosted by positive traffic reports. Meanwhile, the holding in the Brazilian oil and gas giant, Petrobras, made the greatest negative contribution to returns as the Brazilian government continued to delay implementing fuel price increases.

Current portfolio positioning is tilted towards defensive industries, which are those that tend to be less sensitive to economic change, across South and Central America, South Africa and South-East Asia. At the sector level, areas of focus include real estate investment trusts, telecoms and the consumer segment, with a preference for companies exposed to strong domestic demand.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Accumulation <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling X (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling X (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A

Source: Lipper as at 31 December 2012 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)
Sterling Income	1.75
Sterling Accumulation	1.75
Sterling X (Net Inc.)	0.18
Sterling X (Net Accum.)	0.18
Sterling Institutional W (Net Inc.)	0.93
Sterling Institutional W (Net Accum.)	0.93
Sterling Institutional (Net Inc.)	1.18
Sterling Institutional (Net Accum.)	1.18
Sterling Retail Adv B (Net Inc.)	1.25
Sterling Retail Adv B (Net Accum.)	1.25

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

**MAJOR HOLDINGS**

Holding	31/12/12 (%)
Fibra Uno Administracion	3.04
Life Healthcare	2.92
Taiwan Semiconductor Manufacturing	2.90
Kimberly-Clark de Mexico	2.69
Souza Cruz	2.68
Sands China	2.66
MTN	2.63
China Mobile	2.58
Standard Chartered	2.42
Vale ADR	2.41

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	107.21	99.39	0.9140
<b>Sterling Accumulation</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	107.21	99.39	0.9173
<b>Sterling X (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	107.60	99.43	0.9065
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	107.59	99.43	0.8969
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	107.42	99.41	0.9268
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 15 October)	107.38	100.50	0.7577
<b>Sterling Institutional (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 15 October)	107.32	100.50	0.7563
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 15 October)	107.34	100.50	0.7860
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 23 October)	105.60	98.92	0.6693
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 23 October)	105.62	98.92	0.7005

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
31/12/12	30,202	105.79	28,549,196
<b>Sterling Accumulation</b>		(pence)	
31/12/12	60,287	106.71	54,498,308
<b>Sterling X (Net Inc.)</b>		(pence)	
31/12/12	8,750	106.18	8,240,827
<b>Sterling X (Net Accum.)</b>		(pence)	
31/12/12	29,947	107.07	27,968,955
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	12,432	105.98	11,731,114
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	25	106.85	23,562
<b>Sterling Institutional (Net Inc.)</b>		(pence)	
31/12/12	419	106.03	395,359
<b>Sterling Institutional (Net Accum.)</b>		(pence)	
31/12/12	118	106.82	110,357
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	19	104.42	18,301
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	105.10	5,000

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)
Brazil	16.12
South Africa	14.55
Mexico	11.08
Hong Kong	9.94
Thailand	9.85
China	8.41
Malaysia	7.81
Taiwan	4.49
Indonesia	2.91
Chile	2.20
Poland	2.09
Sweden	2.07
United States of America	1.95
Philippines	1.93
Czech Republic	1.92
Cash & Others	2.68
	100.00

# Newton European Higher Income Fund

## General information

<b>Fund management team:</b>	Raj Shant and Thomas Beevers
<b>Fund size:</b>	£20.85m
<b>Fund launch:</b>	30 January 2007
<b>Comparative index:</b>	FTSE Europe ex UK Index
<b>Sector:</b>	IMA Europe excluding UK

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December, 31 March, 30 September

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February, 31 May, 30 November

## Investment objective

The objective of the Fund is to achieve income together with long-term capital growth predominantly through investments in European securities (excluding UK). The Fund may also invest in collective investment schemes.

## Investment policy

The Fund invests predominantly in high-yielding European equities and tends to be focused around 40 to 60 high conviction holdings, to achieve a steady income stream along with capital growth. The Fund can invest in collective investment schemes and may also hold derivative investments to reduce risk.

## Risk profile

The Fund invests predominantly in high-yielding European equities and will therefore be exposed to changes in currency rates. Charges are deducted from the capital of the Fund, which will affect its growth. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 13.87% against 15.26% for the FTSE Europe ex UK Index.

The Fund posted a strong positive return, but underperformed the comparative index as equity (company share) markets made good ground over the period. While the Fund's exposure to the consumer services, healthcare and basic materials sectors boosted performance, holdings in industrials, consumer goods, telecoms, utilities and technology lagged. Having very limited exposure to eurozone banks detracted from performance. At the stock level, the French toll-roads and construction company Vinci, a leading European infrastructure stock, reduced performance after the company revised down its outlook. Germany's second largest electricity producer, RWE, also struggled, while the telecom holdings in TeliaSonera and Deutsche Telekom also detracted from performance. On the positive front, the strongest contribution to performance at the stock level came from the professional publisher Reed Elsevier, which continued to streamline its portfolio of assets with small disposals. The Polish insurance company, PZU, also performed strongly. Finally, the avoidance of the German utility E.ON, along with the telecom providers Telefonica and KPN, boosted performance.

The Fund established a position in AXA, a French listed insurer, which should benefit from increasing financial stability in the eurozone. A holding in the Germany-based chemical company, BASF, was also added. The manager sold the holding in the German pharmaceuticals and chemicals firm Bayer following strong performance. Similarly, Bilfinger Berger, a German construction and industrial services company which has been gradually selling down its construction businesses and investing in industrial services, performed well.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	16.29%	-17.42%	3.11%	7.09%	-18.64%
Sterling Institutional (Net Inc.)	16.94%	-16.95%	3.71%	7.66%	-18.20%
Sterling Institutional (Net Accum.)	16.94%	-16.92%	3.67%	8.19%	-18.28%
Sterling X (Net Inc.) <sup>1,2</sup>	18.10%	-16.11%	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE Europe ex UK Index	17.82%	-14.71%	5.75%	20.09%	-23.99%

Source: Lipper as at 31 December 2012 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

<sup>2</sup> The Sterling X (Net Inc.) Share Class was launched on 2 April 2009, closed on 28 April 2010 and re-opened on 12 November 2010.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.77	1.77
Sterling Institutional (Net Inc.)	1.20	1.20
Sterling Institutional (Net Accum.)	1.20	1.20
Sterling X (Net Inc.)	0.21	0.19
Sterling Institutional W (Net Inc.)	0.96	N/A
Sterling Institutional W (Net Accum.)	0.96	N/A
Sterling Retail Adv B (Net Inc.)	1.28	N/A
Sterling Retail Adv B (Net Accum.)	1.28	N/A
Sterling P (Net Inc.)	1.21	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

**MAJOR HOLDINGS**

Holding	31/12/12 (%)	30/06/12 (%)
Roche Genusscheine	5.58	4.76
ENI	4.78	5.80
Allianz	4.34	2.79
BASF	4.17	0.94
Sanofi	4.09	5.60
Nestle	4.09	4.30
Total	3.59	4.15
Reed Elsevier	3.36	3.20
Ageas	3.36	1.18
Enel	3.11	2.53
Novartis	2.81	3.96
TeliaSonera	2.46	3.44
Zurich Insurance	2.38	4.01
Deutsche Telekom	1.76	3.64
Bayer	0.00	3.35

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	110.83	68.50	4.3249
2009	91.25	65.44	4.1824
2010	89.69	72.00	4.2414
2011	88.58	61.01	3.9560
2012	74.42	62.66	3.5356
<b>Sterling Institutional (Net Inc.)</b>	(pence)	(pence)	(pence)
2008	111.36	69.10	4.3794
2009	92.52	66.15	4.2661
2010	91.16	73.26	4.3781
2011	90.51	62.53	4.0974
2012	76.68	64.38	3.6715
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	113.26	73.29	4.4988
2009	104.06	70.40	4.6083
2010	103.07	85.61	5.0399
2011	108.73	78.23	4.9618
2012	101.17	81.31	4.6613
<b>Sterling X (Net Inc.)<sup>2</sup></b>	(pence)	(pence)	(pence)
2009 (from 2 April)	92.00	67.23	3.9333
2010 (to 28 April)	91.06	80.04	0.4680
2010 (from 12 November)	105.12	96.67	0.5762
2011	110.24	76.59	4.9842
2012	94.97	79.27	4.5148
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 3 September)	110.11	99.49	0.4911
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 3 September)	110.37	99.49	0.4916
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 2 October)	106.26	97.03	0.2224
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 2 October)	106.26	97.03	0.2224
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 20 September)	106.04	96.82	0.4349

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	25,131	73.02	34,417,524
30/06/11	15,399	83.00	18,552,092
30/06/12	8,879	64.77	13,707,993
31/12/12	9,426	73.27	12,864,110
<b>Sterling Institutional (Net Inc.)</b>		(pence)	
30/06/10	5,977	74.29	8,045,072
30/06/11	5,188	84.88	6,112,139
30/06/12	3,532	66.57	5,306,426
31/12/12	3,505	75.50	4,642,804
<b>Sterling Institutional (Net Accum.)</b>		(pence)	
30/06/10	179	86.94	205,991
30/06/11	68	105.21	64,265
30/06/12	53	87.40	61,196
31/12/12	61	99.84	60,635
<b>Sterling X (Net Inc.)<sup>2</sup></b>		(pence)	
30/06/11	6,451	103.55	6,230,001
30/06/12	3,126	82.04	3,810,001
31/12/12	7,792	93.51	8,332,990
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	7	108.40	6,295
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	5	108.92	5,000
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	5	104.64	5,000
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	104.86	5,000
<b>Sterling P (Net Inc.)</b>		(pence)	
31/12/12	42	104.40	40,146

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
Germany	23.31	24.98
France	19.17	20.05
Switzerland	14.86	17.03
Italy	7.89	10.82
Netherlands	7.31	7.65
Belgium	5.78	1.18
Sweden	5.00	7.12
Spain	3.18	1.77
Norway	3.01	3.53
Poland	2.62	3.32
Finland	1.22	2.53
Denmark	1.07	1.56
Cash & Others	5.58	(1.54)
	100.00	100.00



# Newton Global Balanced Fund

## General information

<b>Fund management team:</b>	Iain Stewart and Matthew Brown
<b>Fund size:</b>	£501.09m
<b>Fund launch:</b>	23 September 1998
<b>Comparative index:</b>	CAPS Pooled Fund Median Net
<b>Sector:</b>	IMA Mixed Investment 40-85% Shares

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	30 September
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to maximize returns by investing predominantly in a worldwide portfolio of equities and fixed interest securities. The Fund may also invest in derivative instruments, forward transactions and collective investment schemes.

## Investment policy

The Fund invests directly in a range of asset classes aiming to outperform its benchmark over rolling 5 year periods.

## Risk profile

The risks associated with the Fund will be risks that are consistent with a broad exposure to global capital markets. These include Equity Market risk, Currency Rate risk, Liquidity risk, Stock specific risk, Interest Rate risk and Credit risk. The resulting volatility is likely to be lower than that experienced by a 100% equity portfolio. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Exempt 1 (Net Accum.) Share Class of the Fund returned 5.09% against 6.85% for the CAPS Pooled Fund Median Net.

The Fund delivered a small positive return but underperformed the comparative index. The equity portion of the Fund was the main area of weakness over the period. The Fund's exposure to gold via gold mining equities detracted from performance; Newcrest Mining and Barrick Gold were particularly hard hit. The manager still anticipates that gold will prove to be a natural beneficiary in the current global economic environment. In the financial sector, the underweight stance in banks, and specifically the avoidance of HSBC Holdings, Barclays and Lloyds Banking Group was the other major negative. Other equity holdings which disappointed over the period included Japan Tobacco, along with the healthcare giant GlaxoSmithKline. Exposure to the oil and gas sector was a positive in the equity portion of the Fund, largely attributable to the takeover of Nexen, a Canadian exploration and production company. In the fixed interest portion of the Fund, the preference for credit – debt issued by companies – and overseas government bonds – debt issued by governments – over UK Gilts (UK government bonds) contributed positively.

Equity sales from the portfolio over the period included the international service company Serco Group and the German pharmaceuticals and chemicals firm, Bayer. Telecommunications remains a favoured area in the Fund; during the review period, the manager established a holding in the Swedish telecoms company TeliaSonera. The group is well managed and benefits from operating in a stable domestic market. The oil and gas company, Royal Dutch Shell, was also added to the Fund. In the fixed income portion of the Fund, the manager sold the positions in 4.5% Kingdom of Norway 2019 and 2.5% USA Treasury 2029, and added an index-linked issue in New Zealand.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Exempt 1 (Net Accum.)	6.88%	-4.43%	11.34%	17.14%	-4.21%
Sterling Exempt 2 (Net Accum.)	6.80%	-4.50%	11.25%	17.05%	-4.28%
Sterling X (Net Accum.)	7.31%	-4.04%	11.78%	17.61%	-3.82%
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
CAPS Pooled Fund Median Net	10.49%	-5.30%	13.80%	20.50%	-20.30%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Exempt 1 (Net Accum.)	0.55	0.56
Sterling Exempt 2 (Net Accum.)	0.65	0.66
Sterling X (Net Accum.)	0.05	0.06
Sterling P (Net Inc.)	1.05	1.07

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.



**MAJOR HOLDINGS**

Holding	31/12/12 (%)	30/06/12 (%)
GlaxoSmithKline	3.82	3.93
Norway 3.75% Bonds 2021	2.93	2.90
Source Physical Markets Secured Gold Linked Note (USD)	2.83	2.73
Bayer	2.19	2.55
Royal Dutch Shell B	2.02	1.39
Newcrest Mining	1.98	2.08
BP	1.77	1.76
Barrick Gold	1.70	1.26
BHP Billiton	1.63	0.72
Roche	1.55	1.66
SSE	1.53	1.50
Australia (Commonwealth) 4.75% Bonds 2027	1.43	1.52
Norway 4.50% Bonds 2019	0.00	1.77

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Exempt 1 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	220.16	164.00	5.3826
2009	243.72	182.41	6.5629
2010	269.63	230.29	6.9568
2011	276.34	242.14	7.2416
2012	279.59	252.27	7.4019
<b>Sterling Exempt 2 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	149.68	111.47	3.5501
2009	165.49	123.94	4.3438
2010	182.94	156.31	4.5884
2011	187.42	164.19	4.7713
2012	189.44	170.98	4.8715
<b>Sterling X (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	222.71	166.20	6.2583
2009	248.14	185.11	7.5241
2010	275.63	234.95	8.1062
2011	283.08	248.29	8.4993
2012	287.85	259.32	8.7136
<b>Sterling P (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 21 June)	106.66	98.45	0.8872

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Exempt 1 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	480,245	234.22	205,041,416
30/06/11	526,443	271.24	194,088,790
30/06/12	460,855	260.83	176,691,129
31/12/12	465,715	274.16	169,867,568
<b>Sterling Exempt 2 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	18,157	158.98	11,421,152
30/06/11	20,267	183.96	11,017,187
30/06/12	18,713	176.76	10,586,487
31/12/12	19,526	185.72	10,513,507
<b>Sterling X (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	21,909	238.95	9,168,708
30/06/11	21,396	277.83	7,701,130
30/06/12	15,225	268.24	5,675,834
31/12/12	15,834	282.53	5,604,514
<b>Sterling P (Net Inc.)</b>		<b>(pence)</b>	
30/06/12	15	99.63	15,000
31/12/12	16	104.49	15,000

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
United Kingdom	28.25	26.52
United States of America	13.60	10.61
Overseas Government Bonds	8.00	9.73
Switzerland	5.85	5.58
Non-Sterling Denominated Corporate Bonds	4.92	5.67
France	4.89	4.35
Germany	3.67	3.91
Japan	3.51	2.64
Sterling Denominated Corporate Bonds	3.01	3.68
Canada	2.96	2.64
Commodities	2.83	2.84
Australia	1.98	2.08
Sweden	1.80	0.73
Collective Investment Schemes	1.78	1.75
Norway	1.61	1.47
China	1.23	1.18
South Africa	1.18	1.17
Hong Kong	1.04	0.98
Netherlands	0.94	0.66
Denmark	0.70	0.59
Brazil	0.55	0.52
Investment Trusts	0.52	0.49
Belgium	0.43	0.53
Peru	0.41	0.50
Poland	0.04	0.63
Singapore	0.00	0.53
Italy	0.00	0.10
Derivatives	0.29	(0.01)
Cash & Others	4.01	7.93
	<b>100.00</b>	<b>100.00</b>

# Newton Global Dynamic Bond Fund

## General information

<b>Fund management team:</b>	Paul Brain and Howard Cunningham / Parmeshwar Chadha
<b>Fund size:</b>	£723.37m
<b>Fund launch:</b>	28 April 2006
<b>Performance reference:</b>	LIBOR GBP 1-Month + 2%
<b>Sector:</b>	IMA Global Bonds
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December, 31 March, 30 September

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February, 31 May, 30 November

## Investment objective

The objective of the Fund is to maximise the total return from income and capital growth from a globally diversified portfolio of predominantly higher yielding corporate and government fixed interest securities. The Fund may also invest in deposits, derivative instruments, forward transactions, approved money market instruments and collective investment schemes.

## Investment policy

The Fund invests in a broad range of bond markets around the world, with the aim of achieving an absolute return. A mixture of high and low quality bonds and currencies can be used to meet this objective.

## Risk profile

The Fund invests in Global Fixed Income securities from issuers above and below "investment grade" (BBB) and is therefore exposed to credit risk. The Fund can also be exposed to changes in currency, interest and inflation rates. These factors may affect the performance of the Fund. Charges are deducted from the capital of the Fund, which will affect its growth. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 5.37% against 1.26% for LIBOR GBP 1-Month + 2%.

Over the period, the Fund generated a strong positive return, outperforming its LIBOR GBP 1-Month + 2% performance aim. Investors' demand for risk assets softened slightly towards the end of the period, as the boost to financial markets from the US Federal Reserve's additional quantitative easing faded and the broadly unchanged US political landscape (following the presidential election) raised concerns over the looming "fiscal cliff" – the potential simultaneous increase in taxes and cuts in spending that was due to come into force at the turn of the year. However, over the period as a whole investor risk appetite rose on the back of the improved economic picture in the eurozone and European Central Bank (ECB) President Mario Draghi's assertion that the ECB will do "whatever it takes" to save the euro. While some "core" government bond – debt issued by governments – markets struggled (such as UK Gilts, German Bunds and US Treasuries), the Fund's exposure to these areas was very small, and the higher yielding corporate – debt issued by companies that are rated BBB and below by the rating agency Standard and Poor's – and emerging market government bond positions performed well.

The manager significantly reduced the Fund's exposure to the mainstream developed government bond markets, with the remaining significant positions focused on higher-yielding corporate bonds and emerging-market government bonds. Notable government bond additions to the Fund over the period included the 6.5% Kingdom of Norway 2013 and the 2% Canada 2016. Meanwhile, sales included an index-linked UK Gilt – which moves in line with inflation – that matures in 2017, along with some longer-dated US Treasuries and Gilts.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	9.78%	-0.13%	11.34%	18.95%	0.14%
Sterling Exempt 2 (Gross Accum.)	11.78%	1.86%	13.89%	21.70%	2.45%
Sterling Institutional (Net Inc.)	10.38%	0.43%	11.95%	19.61%	0.70%
Sterling X (Net Accum.) <sup>1</sup>	11.21%	1.19%	12.79%	20.51%	N/A
Sterling X (Net Inc.) <sup>1</sup>	11.21%	1.19%	N/A	N/A	N/A
Sterling X (Gross Accum.) <sup>1</sup>	12.23%	N/A	N/A	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A

Source: Lipper as at 31 December 2012 – All Share Classes except Sterling Exempt 2 (Gross Accum.) and Sterling X (Gross Accum.) – Total return including revenue net of UK tax and annual charges, but excluding initial charge. Sterling Exempt 2 (Gross Accum.) and Sterling X (Gross Accum.) – Total return including gross revenue and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.38	1.39
Sterling Exempt 2 (Gross Accum.)	0.46	0.46
Sterling Institutional (Net Inc.)	0.81	0.81
Sterling X (Net Accum.)	0.06	0.06
Sterling X (Net Inc.)	0.06	0.06
Sterling X (Gross Accum.)	0.06	0.07
Sterling P (Net Inc.)	1.06	1.08
Sterling Institutional W (Net Inc.)	0.71	N/A
Sterling Institutional W (Net Accum.)	0.69	N/A
Sterling Retail Adv B (Net Inc.)	0.99	N/A
Sterling Retail Adv B (Net Accum.)	0.99	N/A
Sterling P (Net Accum.)	1.07	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Norway 6.50% Bonds 2013	3.93	1.48
Canada 2.00% Bonds 2016	2.94	1.24
iShares II JPMorgan \$ Emerging Markets Bond Fund	2.81	3.50
USA Treasury Notes 2.125% 2021	2.52	5.12
Poland 5.75% Bonds 2022	2.41	0.00
New Zealand 5.50% Bonds 2023	1.94	2.99
FMS Wertmanagement 3.00% Bonds 2018	1.68	1.89
Mexico 7.75% Bonds 2017	1.64	1.94
Norway 4.50% Bonds 2019	1.58	1.79
Malaysia 4.378% Bonds 2019	1.47	0.00
Mexico 8.00% Bonds 2020	1.29	2.83
UK Treasury Gilt 1.25% Index-Linked 2017	0.00	2.32
Poland 5.75% Bonds 2021	0.00	2.32
Poland 5.00% Bonds 2022	0.00	1.86
Canada 2.00% Notes 2012	0.00	1.82

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	97.44	85.19	4.7372
2009	105.30	86.15	5.2547
2010	112.15	103.17	5.8674
2011	109.48	103.75	4.4786
2012	111.36	104.15	3.8442
<b>Sterling Exempt 2 (Gross Accum.)</b>	(pence)	(pence)	(pence)
2008	112.16	100.58	7.2858
2009	134.42	104.15	8.2518
2010	154.99	134.22	9.9560
2011	156.79	152.78	8.1669
2012	173.86	155.53	7.4539
<b>Sterling Institutional (Net Inc.)</b>	(pence)	(pence)	(pence)
2008	98.78	86.73	5.1421
2009	107.71	87.86	5.4224
2010	115.31	105.65	6.0852
2011	112.91	107.19	4.6822
2012	115.78	107.70	4.0490
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2008 (from 19 March)	99.66	89.25	4.0891
2009	118.07	92.07	5.8205
2010	134.73	117.65	6.9499
2011	135.71	131.98	5.6539
2012	149.21	134.15	5.1303
<b>Sterling X (Net Inc.)</b>	(pence)	(pence)	(pence)
2010 (from 11 October)	100.34	97.79	1.0419
2011	98.84	94.11	4.1008
2012	102.58	94.74	3.5739
<b>Sterling X (Gross Accum.)</b>	(pence)	(pence)	(pence)
2011 (from 18 February)	156.96	153.23	7.0124
2012	175.17	156.08	7.4948
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 21 June)	104.84	100.00	1.9058
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 3 September)	103.13	100.00	1.1799
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 3 September)	103.39	100.00	1.1711
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 2 October)	102.31	100.00	0.8600
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 2 October)	102.62	100.00	0.8600
<b>Sterling P (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 3 October)	102.14	100.00	0.8634

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	251,988	105.68	238,436,301
30/06/11	276,881	106.86	259,105,047
30/06/12	292,226	106.19	275,189,620
31/12/12	313,832	109.97	285,374,612
<b>Sterling Exempt 2 (Gross Accum.)</b>		(pence)	
30/06/10	13,684	140.47	9,741,116
30/06/11	23,846	155.13	15,372,091
30/06/12	108,592	162.91	66,658,502
31/12/12	112,971	173.23	65,215,177
<b>Sterling Institutional (Net Inc.)</b>		(pence)	
30/06/10	3,207	108.49	2,956,216
30/06/11	6,560	110.25	5,949,820
30/06/12	14,275	110.11	12,964,819
31/12/12	31,832	114.32	27,844,581
<b>Sterling X (Net Accum.)</b>		(pence)	
30/06/10	27,312	124.71	21,901,035
30/06/11	55,398	134.18	41,286,615
30/06/12	99,675	140.16	71,116,149
31/12/12	128,253	148.67	86,266,005
<b>Sterling X (Net Inc.)</b>		(pence)	
30/06/11	30,454	96.58	31,531,196
30/06/12	60,696	97.19	62,448,912
31/12/12	84,982	101.29	83,899,022
<b>Sterling X (Gross Accum.)</b>		(pence)	
30/06/11	40,843	155.36	26,289,846
30/06/12	43,064	163.80	26,289,846
31/12/12	45,884	174.53	26,289,846
<b>Sterling P (Net Inc.)</b>		(pence)	
30/06/12	15	99.84	15,000
31/12/12	383	103.52	370,222
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	5,055	101.83	4,964,389
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	115	103.00	111,860
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	5	101.06	5,000
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	44	101.94	43,544
<b>Sterling P (Net Accum.)</b>		(pence)	
31/12/12	11	101.78	10,910

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
AAA	20.24	20.71
AA	5.71	7.61
A	11.82	15.08
BBB	16.80	12.25
BB	8.58	4.86
B	10.82	8.73
CCC	2.24	2.32
C	0.00	0.11
Not rated (by S&P)	12.78	19.75
Global/International Bond Funds	2.81	3.50
Equities	0.05	0.04
Derivatives	0.13	(0.21)
Cash & Others	8.02	5.25
	100.00	100.00

\* Distributions are shown in the year declared rather than paid.

# Newton Global Equity Fund

## General information

<b>Fund management team:</b>	Jeff Munroe and Paul Markham
<b>Fund size:</b>	£1,137.77m
<b>Fund launch:</b>	1 June 1987 (managed by Newton since November 1994)
<b>Comparative index:</b>	MSCI AC World Index NR
<b>Sector:</b>	IMA Global
<b>Fund ratings:</b>	A Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

**Annual:** 30 June

Distribution payment dates for all share classes:

**Annual:** 31 October

## Investment objective

The objective of the Fund is to achieve capital growth from a portfolio of international securities. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund invests in a broad range of companies from around the world and has no bias towards company size or region. It aims to generate capital growth by identifying those companies with the greatest potential.

## Risk profile

As an international Fund, the Fund will be exposed to changes in currency rates. The portfolio may contain some investments in less-developed markets. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 5.92% against 6.06% for the MSCI AC World Index NR.

Over the period, the Fund delivered a positive return but marginally underperformed the global equity (company share) market. At the sector level, the Fund's holdings in the telecoms, energy and industrials sectors boosted performance, while its financials exposure proved to be disadvantageous. The US mobile telecoms operator Sprint Nextel led performance with impressive second-quarter results, amid positive changes of internal management, and in anticipation of domestic industry consolidation. The industrials sector was a further area of positive performance, led by the US company, Shaw Group, which benefited from being a takeover target during the period. Among energy companies, the Canadian oil and gas company Nexen was beneficial, following a takeover bid. Additionally, the position in the German chemicals company, Bayer, was advantageous. Areas of negative performance included the financials sector, in which underweight exposure to the market was disadvantageous as the sector rallied amid improved market sentiment. In the healthcare sector, Laboratory Corp America was a detractor as its second-quarter sales growth was below expectations, while in the technology sector, the position in Microsoft also detracted from performance.

New additions to the portfolio over the period included the internet search engine company Google, whose shares are trading at an attractive valuation given its earnings growth potential and strong cash position. Sales included the nuclear industrial company Shaw Group, following appreciation of the share price in light of news that Chicago Bridge and Iron planned to acquire the company. The manager also sold the position in Wisconsin Energy, which has performed well over the long term. Finally, the manager exited the position in the US telecoms giants AT&T.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	11.46%	-10.43%	14.27%	21.05%	-26.49%
Euro Accumulation	10.51%	-10.56%	13.17%	19.32%	-26.23%
Sterling Exempt 2 (Net Accum.)	12.93%	-9.55%	15.37%	22.13%	-25.77%
Sterling Exempt 1 (Net Accum.)	12.66%	-9.45%	15.48%	22.25%	-25.74%
Sterling X (Net Accum.)	13.23%	-9.01%	16.06%	22.79%	-25.45%
Sterling Exempt 3 (Net Accum.) <sup>1</sup>	12.39%	-9.69%	15.20%	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
MSCI AC World Index NR	11.03%	-6.66%	16.21%	19.86%	-19.97%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.62	1.63
Euro Accumulation	2.12	2.13
Sterling Exempt 2 (Net Accum.)	0.65	0.66
Sterling Exempt 1 (Net Accum.)	0.55	0.56
Sterling X (Net Accum.)	0.05	0.06
Sterling Exempt 3 (Net Accum.)	0.80	0.81
Sterling P (Net Inc.)	1.05	1.06
Sterling Institutional W (Net Inc.)	0.81	N/A
Sterling Institutional W (Net Accum.)	0.81	N/A
Sterling Retail Adv B (Net Inc.)	1.12	N/A
Sterling Retail Adv B (Net Accum.)	1.12	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Roche	2.87	2.51
Toyota Motor	2.40	1.97
Bayer	2.38	1.81
Microsoft	2.20	2.19
Novartis	2.14	1.96
Anheuser-Busch InBev	2.02	2.13
Bangkok Bank	2.02	2.10
British American Tobacco	1.96	2.04
Pfizer	1.95	1.82
Nestle	1.89	2.17
Altria	1.72	1.95
AT&T	0.00	2.04

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	83.78	49.16	0.5031
2009	72.18	51.09	0.8758
2010	80.78	67.29	0.7011
2011	83.50	66.21	0.5086
2012	80.94	71.76	0.6422
<b>Euro Accumulation</b>	<b>(cents)</b>	<b>(cents)</b>	<b>(cents)</b>
2008	97.98	52.05	0.0591
2009	71.36	50.17	0.5615
2010	87.50	69.21	0.3936
2011	86.79	69.45	0.1182
2012	91.81	77.13	0.2925
<b>Sterling Exempt 2 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	164.28	97.45	2.4082
2009	146.80	101.65	2.7712
2010	167.58	137.94	2.7947
2011	175.18	139.22	2.6084
2012	173.41	151.26	2.8744
<b>Sterling Exempt 1 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	119.42	70.88	1.7999
2009	106.88	73.95	2.0881
2010	122.13	100.44	2.1358
2011	127.74	101.55	2.0264
2012	126.57	110.36	2.2106
<b>Sterling X (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	119.75	71.19	1.9220
2009	107.91	74.39	2.4526
2010	123.92	101.46	2.6745
2011	129.94	103.42	2.6375
2012	129.56	112.53	2.8357
<b>Sterling Exempt 3 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2009 (from 2 February)	106.63	73.93	1.3523
2010	121.54	100.18	1.8772
2011	126.95	100.86	1.7168
2012	125.39	109.54	1.9151
<b>Sterling P (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 21 June)	108.79	98.21	0.0630
<b>Sterling Institutional W (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 3 September)	103.25	98.17	N/A
<b>Sterling Institutional W (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 3 September)	103.25	98.17	N/A
<b>Sterling Retail Adv B (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 8 October)	99.86	95.05	N/A
<b>Sterling Retail Adv B (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 8 October)	99.86	95.05	N/A

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		<b>(pence)</b>	
30/06/10	441,959	68.71	643,218,942
30/06/11	515,101	81.36	633,151,377
30/06/12	449,230	74.64	601,861,316
31/12/12	458,740	79.08	580,071,524
<b>Euro Accumulation</b>		<b>(cents)</b>	
30/06/10	12,387	75.59	20,041,747
30/06/11	14,140	81.02	19,298,296
30/06/12	12,793	83.66	18,963,660
31/12/12	11,611	87.40**	16,286,371
<b>Sterling Exempt 2 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	14,853	141.85	10,471,068
30/06/11	17,072	170.65	10,003,884
30/06/12	18,709	159.45	11,733,694
31/12/12	69	170.32	40,362
<b>Sterling Exempt 1 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	184,083	103.33	178,155,292
30/06/11	140,990	124.44	113,299,834
30/06/12	134,784	116.39	115,805,542
31/12/12	124,290	123.97	100,258,549
<b>Sterling X (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	242,071	104.58	231,470,125
30/06/11	562,466	126.57	444,398,816
30/06/12	475,758	118.97	399,888,301
31/12/12	520,496	127.04	409,711,017
<b>Sterling Exempt 3 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	9,193	102.95	8,929,114
30/06/11	13,428	123.67	10,857,927
30/06/12	15,131	115.39	13,113,288
31/12/12	21,235	122.75	17,299,771
<b>Sterling P (Net Inc.)</b>		<b>(pence)</b>	
30/06/12	15	100.17	15,000
31/12/12	33	106.43	31,443
<b>Sterling Institutional W (Net Inc.)</b>		<b>(pence)</b>	
31/12/12	20	101.07	20,051
<b>Sterling Institutional W (Net Accum.)</b>		<b>(pence)</b>	
31/12/12	5	101.08	5,000
<b>Sterling Retail Adv B (Net Inc.)</b>		<b>(pence)</b>	
31/12/12	1,262	97.82	1,290,551
<b>Sterling Retail Adv B (Net Accum.)</b>		<b>(pence)</b>	
31/12/12	5	97.82	5,000

\*\* Euro/Sterling exchange rate at midday 31 December 2012: 1.226027.

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
United States of America	43.14	40.13
Switzerland	9.09	9.81
United Kingdom	8.94	7.90
Japan	6.62	7.07
France	5.95	5.28
Germany	4.58	3.22
Canada	4.25	3.32
Hong Kong	2.69	1.91
Belgium	2.02	2.13
Thailand	2.02	2.10
Australia	1.87	1.96
Singapore	1.70	2.91
Brazil	1.69	1.98
China	1.55	1.66
Sweden	1.21	1.15
Collective Investment Schemes	0.46	0.63
India	0.43	0.35
South Africa	0.00	1.08
Norway	0.00	0.63
Derivatives	(0.04)	0.37
Cash & Others	1.83	4.41
	<b>100.00</b>	<b>100.00</b>

# Newton Global High Yield Bond Fund

## General information

Fund management team:	Parmeshwar Chadha and Howard Cunningham
Fund size:	£144.57m
Fund launch:	2 October 2000
Comparative index:	Bank of America Merrill Lynch Global High Yield excluding Bank Capital & Junior Subordinated GBP (Hedged) Index
Sector:	IMA £ High Yield

## Distribution

Period end dates for distributions for all share classes:

Annual:	30 June
Interim:	Last day of each month

Distribution payment dates for all share classes:

Annual:	31 July
Interim:	Second last day of each month

## Investment objective

The objective of the Fund is to achieve a high yield from a globally diversified portfolio which may include but is not limited to fixed interest bonds and other debt instruments (such as floating rate notes and index-linked notes). The Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes. At least 80% of the Fund's assets should be in Sterling denominated assets or hedged\* back to Sterling.

## Investment policy

Within the constraints of the income and capital preservation objective, the Fund is managed with reference to a hybrid index: Bank of America Merrill Lynch Global High Yield excluding Bank Capital & Junior Subordinated GBP (Hedged) Index. Typically the Fund will be relatively diversified.

## Risk profile

The Fund invests in fixed income securities denominated in Global currencies, predominantly from issuers below "investment grade" (rated below BBB or equivalent), and is therefore exposed to credit risk. The Fund can also be exposed to changes in currency rates and interest rates. These factors may affect the performance of the Fund. Charges are deducted from the capital of the Fund, which will affect its growth. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Sub-Fund returned 10.96% against 9.02% for the Bank of America Merrill Lynch Global High Yield excluding Bank Capital & Junior Subordinated GBP (Hedged) Index.

The Fund generated a strong positive return, outperforming its comparative index. The final six months of the year was very positive for high-yield corporate bonds – debt issued by companies that is rated BBB and below by the rating agency Standard and Poor's. Chief reasons for this strong performance from corporate bonds were investors' ongoing search for yield, reduced concerns surrounding the eurozone, further quantitative easing – the printing of more money – and early signs of success of the Bank of England's efforts to increase banks' appetite and ability to lend, both to the corporate and household sectors. In Europe, high-yield bonds performed especially strongly on the back of improved news with regards to the health of the eurozone and the Fund's significant exposure to the region was advantageous. Notable strong performers within the Fund included a position in the Italian telecoms company, Wind, which benefited from better-than-expected operating performance plus positive news from its main shareholder. The Fund's holdings in the UK retail sector, including Matalan and House of Fraser were also advantageous as the sector benefited from improved sentiment following resilient operating results.

Activity over the period included new positions in the miner, New Quantum Minerals, the deepwater driller Pacific Drilling and Virgin Media Finance. Meanwhile, notable sales included the position in the travel company, TUI Travel and the ferry company Stena.

\* Currency hedging is a technique whereby the fund manager seeks to protect the Fund from adverse currency movements that may impact the share price.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	21.79%	-8.67%	15.40%	50.18%	-28.96%
Sterling X (Net Accum.) <sup>1</sup>	23.12%	-7.71%	16.66%	51.84%	N/A
Sterling X (Net Inc.) <sup>1</sup>	23.09%	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Bank of America Merrill Lynch Global High Yield excluding Bank Capital & Junior Subordinated GBP (Hedged) Index <sup>2</sup>	17.46%	3.44%	14.24%	54.63%	-26.92%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

<sup>2</sup> The Fund was in the IMA Global Bonds sector until October 2009. The performance figures for the IMA Global Bonds sector are available upon request.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.15	1.16
Sterling X (Net Accum.)	0.08	0.08
Sterling X (Net Inc.)	0.08	0.09
Sterling Institutional W (Net Inc.)	0.59	N/A
Sterling Institutional W (Net Accum.)	0.59	N/A
Sterling Retail Adv B (Net Inc.)	0.91	N/A
Sterling Retail Adv B (Net Accum.)	0.91	N/A
Sterling P (Net Inc.)	1.09	N/A
Sterling P (Net Accum.)	1.09	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.



**MAJOR HOLDINGS**

Holding	31/12/12 (%)	30/06/12 (%)
UK Treasury Bill 0.00% 2013	2.25	0.00
Wind Acquisition Finance 11.75% Bonds 2017	1.97	1.79
Ziggo Bond 8.00% Bonds 2018	1.67	1.34
Jaguar Land Rover 8.125% Bonds 2018	1.49	1.97
HeidelbergCement 7.50% Bonds 2020	1.47	1.13
Conti-Gummi Finance 7.50% Bonds 2017	1.40	0.00
Cable & Wireless International Finance 8.625% Bonds 2019	1.27	1.60
Pacific Drilling 7.25% Bonds 2017	1.27	0.00
Boparan 9.875% Bonds 2018	1.25	1.02
Phones4U Finance 9.50% Bonds 2018	1.22	1.47
Taylor Wimpey 10.375% Bonds 2015	1.19	1.87
Unitymedia 8.125% Bonds 2017	1.19	1.74
Offshore Group Investment 11.50% Bonds 2015	1.07	1.66
Ardagh Glass Finance 7.125% Bonds 2017	0.93	1.33
Matterhorn Mobile 6.75% Bonds 2019	0.88	1.34

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	69.91	44.73	4.6986
2009	64.35	42.63	4.3220
2010	69.00	63.73	4.6256
2011	69.22	55.83	4.2829
2012	66.77	58.34	3.9294
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2008 (from 20 March)	66.45	47.76	3.7527
2009	74.83	46.66	4.9248
2010	87.31	75.47	5.7323
2011	90.59	75.78	5.7367
2012	99.00	80.88	5.6873
<b>Sterling X (Net Inc.)</b>	(pence)	(pence)	(pence)
2011 (from 25 May)	90.31	74.01	3.4252
2012	89.63	77.54	5.2954
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 3 September)	105.23	100.00	1.9385
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 3 September)	106.67	100.00	1.9525
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	102.63	99.47	1.3457
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	103.47	99.47	1.3518
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 21 September)	103.17	99.39	1.5771
<b>Sterling P (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 15 October)	103.37	100.00	1.2069

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	25,757	64.44	39,972,149
30/06/11	56,823	66.30	85,709,757
30/06/12	51,021	61.16	83,415,987
31/12/12	74,725	66.00	113,223,881
<b>Sterling X (Net Accum.)</b>		(pence)	
30/06/10	26,625	79.45	33,511,627
30/06/11	50,957	88.25	57,739,318
30/06/12	27,032	87.97	30,730,287
31/12/12	47,261	98.36	48,048,139
<b>Sterling X (Net Inc.)</b>		(pence)	
30/06/11	3,910	88.16	4,434,987
30/06/12	13,351	81.69	16,343,831
31/12/12	22,353	88.59	25,231,607
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	17	104.00	16,693
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	5	105.98	5,037
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	5	101.45	5,020
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	102.80	5,000
<b>Sterling P (Net Inc.)</b>		(pence)	
31/12/12	128	101.97	125,621
<b>Sterling P (Net Accum.)</b>		(pence)	
31/12/12	67	107.55	61,903

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
AAA	0.65	1.02
AA	0.41	0.60
A	0.45	0.00
BBB	0.86	1.29
BB	22.85	29.25
B	43.61	45.84
CCC	8.49	8.05
C	0.12	0.19
Not rated (by S&P)	12.71	9.94
Derivatives	(0.75)	(0.46)
Cash & Others	10.60	4.28
	100.00	100.00

# Newton Global Higher Income Fund

## General information

<b>Fund management team:</b>	James Harries and Nick Clay
<b>Fund size:</b>	£3,193.59m
<b>Fund launch:</b>	30 November 2005
<b>Comparative index:</b>	FTSE World Index
<b>Sector:</b>	IMA Global Equity Income
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December, 31 March, 30 September

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February, 31 May, 30 November

## Investment objective

The objective of the Fund is to achieve increasing annual distributions together with long-term capital growth from investing predominantly in global securities. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund is actively managed investing in equities from around the world. The Fund has the ability to invest in derivative investments to reduce risk.

## Risk profile

The Fund invests in a portfolio of high yielding global equities and will therefore be exposed to fluctuations in currency rates. Charges are deducted from capital which will affect its growth. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 5.1% against 6.35% for the FTSE World Index.

The Fund posted a positive return over the period but underperformed its comparative index. As market confidence improved, performance was led by the financials sector, in which holdings among banks, financial services, insurance and real estate firms were beneficial. Leading contributors included the Norwegian bank, DNB, Aberdeen Asset Management, Link Real Estate Investment Trust and the Australian life insurance company, AMP. The industrials sector was a further area of positive returns. Other notable contributors over the period included the German diversified chemicals company Bayer. In terms of negative performance, the primary area of weakness was the consumer goods sector, where exposure to the tobacco company, Reynolds American, was disadvantageous. The sector suffered both from a recovery in investors' appetite for riskier areas of the market, and from concerns that dividend tax increases resulting from the fiscal cliff deal would impact high yield stocks. The technology sector was also negative over the period on account of the poor performance by smartphone manufacturer HTC. Meanwhile, the Polish telecoms provider Telekom Polska was a further negative.

The key event at the stock level that occurred over the period was the sale of the substantial holding in Bayer, the company having reached the Fund's yield-driven sell target – any holding whose prospective yield falls below that of the FTSE World Index yield will be sold – after strong performance. Meanwhile, new positions were established in Bilfinger Berger and Staples. Bilfinger is a German industrial services business while Staples is a predominantly US-based office supplies and furniture retailer.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	10.19%	2.54%	13.31%	17.71%	-16.94%
Sterling Institutional (Net Inc.)	10.83%	3.12%	13.96%	18.31%	-16.56%
Sterling Institutional (Net Accum.)	10.84%	3.13%	13.95%	18.35%	-16.58%
Sterling Exempt 2 (Net Inc.)	11.10%	3.38%	14.24%	18.57%	-16.39%
Sterling X (Net Accum.)	11.92%	4.12%	15.09%	19.39%	-15.90%
Sterling X (Net Inc.) <sup>1</sup>	11.42%	3.63%	N/A	N/A	N/A
Sterling Accumulation <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE World Index	11.83%	-5.79%	16.28%	19.64%	-18.18%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.62	1.63
Sterling Institutional (Net Inc.)	1.05	1.06
Sterling Institutional (Net Accum.)	1.05	1.06
Sterling Exempt 2 (Net Inc.)	0.80	0.81
Sterling X (Net Accum.)	0.05	0.06
Sterling X (Net Inc.)	0.05	0.06
Sterling Accumulation	1.62	1.62
Sterling Institutional W (Net Inc.)	0.81	N/A
Sterling Institutional W (Net Accum.)	0.81	N/A
Sterling P (Net Inc.)	1.06	N/A
Sterling P (Net Accum.)	1.06	N/A
Sterling Retail Adv B (Net Inc.)	1.13	N/A
Sterling Retail Adv B (Net Accum.)	1.13	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.



## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Reynolds American	4.76	5.49
Philip Morris International	4.72	5.38
Roche	3.19	3.30
Novartis	3.04	2.01
Sysco	3.04	1.98
SSE	2.58	2.64
MTN	2.18	2.03
CCR	2.15	1.86
Deutsche Post	2.12	1.99
China Mobile (Hong Kong)	2.10	2.08
Link REIT	2.03	2.16
Pfizer	1.98	2.12
GlaxoSmithKline	1.97	2.11
Merck	1.89	2.16
Bayer	0.00	3.12

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	138.06	85.41	5.7890
2009	119.65	85.30	5.3642
2010	127.41	108.53	6.0220
2011	130.42	111.11	5.8884
2012	133.20	121.74	5.7863
<b>Sterling Institutional (Net Inc.)</b>	(pence)	(pence)	(pence)
2008	139.77	86.67	5.8177
2009	122.15	86.71	5.4790
2010	130.73	111.06	6.2497
2011	134.10	114.35	6.1414
2012	137.79	125.78	6.0721
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	151.23	96.66	6.3537
2009	144.06	97.88	6.3115
2010	162.55	136.38	7.5722
2011	171.03	147.58	7.8299
2012	188.12	166.52	8.1222
<b>Sterling Exempt 2 (Net Inc.)</b>	(pence)	(pence)	(pence)
2008	140.34	87.12	5.7841
2009	123.16	87.23	5.4911
2010	132.14	112.12	6.2980
2011	135.68	115.76	6.2142
2012	139.87	127.58	6.1586
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	142.70	91.54	5.7607
2009	137.81	92.95	5.8785
2010	157.06	130.57	7.2592
2011	166.07	143.42	7.5326
2012	184.91	162.49	7.9258
<b>Sterling X (Net Inc.)</b>	(pence)	(pence)	(pence)
2010 (from 8 October)	107.25	100.00	0.7396
2011	110.60	94.50	5.0324
2012	115.19	104.75	5.0315
<b>Sterling Accumulation</b>	(pence)	(pence)	(pence)
2012 (from 13 March)	105.63	93.99	3.7931
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 4 September)	102.20	97.81	1.0379
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 4 September)	102.45	98.05	1.0419
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 21 September)	101.24	96.86	0.8962
<b>Sterling P (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 3 October)	100.92	96.56	0.7321
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 1 October)	101.42	97.03	0.7719
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 1 October)	101.42	97.03	0.7719

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income (pence)</b>			
30/06/10	786,925	109.80	716,661,223
30/06/11	1,301,747	126.20	1,031,506,129
30/06/12	1,683,680	125.26	1,344,147,459
31/12/12	1,763,531	129.36	1,363,304,411
<b>Sterling Institutional (Net Inc.) (pence)</b>			
30/06/10	207,464	112.36	184,636,278
30/06/11	405,822	129.79	312,669,245
30/06/12	563,291	129.48	435,045,095
31/12/12	578,289	134.05	431,393,572
<b>Sterling Institutional (Net Accum.) (pence)</b>			
30/06/10	64,087	138.40	46,307,134
30/06/11	113,195	167.54	67,561,916
30/06/12	173,599	175.05	99,172,471
31/12/12	179,268	184.53	97,147,415
<b>Sterling Exempt 2 (Net Inc.) (pence)</b>			
30/06/10	26,635	113.44	23,479,924
30/06/11	21,669	131.36	16,496,177
30/06/12	18,603	131.37	14,159,989
31/12/12	16,819	136.19	12,349,622
<b>Sterling X (Net Accum.) (pence)</b>			
30/06/10	16,400	133.07	12,324,598
30/06/11	41,903	162.65	25,763,120
30/06/12	78,328	171.60	45,646,830
31/12/12	92,824	181.79	51,060,759
<b>Sterling X (Net Inc.) (pence)</b>			
30/06/11	122,272	107.15	114,110,762
30/06/12	132,528	107.97	122,741,486
31/12/12	140,897	112.35	125,405,874
<b>Sterling Accumulation (pence)</b>			
30/06/12	4,053	98.43	4,117,309
31/12/12	55,094	103.48	53,240,097
<b>Sterling Institutional W (Net Inc.) (pence)</b>			
31/12/12	346,642	99.51	348,344,525
<b>Sterling Institutional W (Net Accum.) (pence)</b>			
31/12/12	19,350	100.56	19,242,174
<b>Sterling P (Net Inc.) (pence)</b>			
31/12/12	420	98.51	426,389
<b>Sterling P (Net Accum.) (pence)</b>			
31/12/12	450	99.00	454,081
<b>Sterling Retail Adv B (Net Inc.) (pence)</b>			
31/12/12	5	98.70	5,000
<b>Sterling Retail Adv B (Net Accum.) (pence)</b>			
31/12/12	5	99.46	5,000

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
United States of America	33.49	31.89
United Kingdom	10.49	11.64
Switzerland	9.19	8.05
Netherlands	4.42	4.01
Germany	4.39	6.41
France	4.12	3.79
Norway	3.58	3.84
Brazil	3.16	3.03
Singapore	2.99	2.94
South Africa	2.72	2.46
Preference Shares	2.68	3.08
Australia	2.64	2.41
Taiwan	2.25	3.42
China	2.10	2.08
Canada	2.03	2.01
Hong Kong	2.03	2.73
Denmark	1.88	1.82
Poland	1.38	1.37
South Korea	1.04	1.04
Thailand	0.55	0.00
Derivatives	(0.38)	0.21
Cash & Others	3.25	1.77
	<b>100.00</b>	<b>100.00</b>



# Newton Global Opportunities Fund

## General information

<b>Fund management team:</b>	Rob Hay and Paul Markham
<b>Fund size:</b>	£373.38m
<b>Fund launch:</b>	1 July 2005
<b>Comparative index:</b>	FTSE All World Index
<b>Sector:</b>	IMA Global
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

**Annual:** 30 June

Distribution payment dates for all share classes:

**Annual:** 31 October

## Investment objective

The objective of the Fund is to achieve long-term capital growth from a concentrated portfolio predominately invested in the securities of companies located worldwide. The Fund does not have a bias towards any economic sector or company size. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund invests in a broad range of companies from around the world and has no bias towards company size or region. It aims to generate capital growth by identifying those companies with the greatest potential.

## Risk profile

The Fund has a highly concentrated global portfolio and hence may be exposed to currency movements. The Fund may also invest in emerging markets. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 4.60% against 6.56% for the FTSE All World Index.

The Fund generated a positive return but underperformed the global equity market. Positioning within the healthcare, financials and consumer goods sectors were notable sources of weakness over the period. Meanwhile, the Fund's holdings within the commodity-related, utilities and telecoms sectors boosted performance. Among healthcare stocks, Laboratory Corp America was a detractor as its fourth-quarter sales growth was below expectations. GlaxoSmithKline and Fresenius Medical Care also struggled over the six months. Elsewhere, the position in Microsoft detracted from performance. The Fund's tobacco holdings in Altria Group and Japan Tobacco were also weak. On the positive front, the German chemicals company Bayer released positive fourth-quarter results which demonstrated strength across its diversified business segments. The US mobile telecoms operator Sprint Nextel led performance with good fourth-quarter results, amid positive changes of internal management, and in anticipation of domestic industry consolidation. Elsewhere, the Fund benefited from not holding Apple.

New additions to the portfolio over the period included the US bank Keycorp, which consists of a traditional branch-based US regional bank to serve individuals and small businesses and a corporate bank which operates nationwide. Xylem, a producer of pumps and equipment used in the distribution, testing and treatment of water, was also added to the Fund. The manager purchased the Canadian oil company Suncor Energy, which boasts substantial reserves, has a stable domestic political backdrop and production growth capabilities. Further additions included the US railway company CSX, which has a strong competitive position and has exhibited improving profit margins. Meanwhile, sales included the French cosmetics company L'Oréal, which has performed strongly. Finally, the manager sold the holding in the African mobile telecom operator MTN Group on concerns that price competition in several key markets, notably Nigeria, could damage the company's high profit margins.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	10.47%	-9.19%	20.24%	22.75%	-31.07%
Sterling Exempt 2 (Net Accum.)	11.38%	-8.43%	21.21%	23.64%	-30.58%
Sterling X (Net Accum.)	12.23%	-7.75%	22.13%	24.47%	-30.18%
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE All World Index	12.00%	-6.57%	16.74%	21.24%	-19.36%

Source: Lipper as at 31 December 2012 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.63	1.64
Sterling Exempt 2 (Net Accum.)	0.81	0.82
Sterling X (Net Accum.)	0.06	0.07
Sterling Institutional W (Net Inc.)	0.82	N/A
Sterling Institutional W (Net Accum.)	0.82	N/A
Sterling Retail Adv B (Net Inc.)	1.14	N/A
Sterling Retail Adv B (Net Accum.)	1.14	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
USA Treasury Bills 0.00% 24/01/2013	3.68	0.00
Novartis	2.93	2.83
Roche	2.72	2.52
Bayer	2.72	2.42
Microsoft	2.68	2.49
United Technologies	2.62	2.46
Newcrest Mining	2.57	2.68
Nestle	2.55	2.42
Anheuser-Busch InBev	2.52	2.69
Centrica	2.52	2.43
Japan Tobacco	2.50	2.85
GlaxoSmithKline	2.46	2.70
British American Tobacco	2.36	2.93
Laboratory Corp America	2.34	2.73
USA Treasury Bills 0.00% 23/08/2012	0.00	3.71

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	160.48	91.23	1.2159
2009	132.17	95.10	2.0666
2010	154.79	124.63	1.4509
2011	157.54	128.34	1.3851
2012	154.42	139.40	1.2922
<b>Sterling Exempt 2 (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	165.98	95.43	2.3159
2009	142.15	99.76	2.9612
2010	169.75	134.15	2.6939
2011	174.34	142.90	2.8276
2012	174.95	155.54	2.7386
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	167.51	96.57	3.2656
2009	144.97	101.16	3.7148
2010	174.42	136.92	3.7976
2011	179.82	147.66	4.1321
2012	182.16	161.02	4.0654
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 4 September)	102.38	98.36	N/A
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 4 September)	102.38	98.36	N/A
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 25 September)	100.60	96.61	N/A
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 25 September)	100.60	96.61	N/A

\* Distributions are shown in the year declared rather than paid.

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
United States of America	42.09	37.57
United Kingdom	11.30	12.09
Switzerland	10.66	10.83
Germany	6.88	4.86
Japan	3.89	5.86
Overseas Government Bonds	3.68	3.71
France	2.70	4.41
Australia	2.57	2.68
Belgium	2.52	2.69
Hong Kong	2.34	2.73
Brazil	1.79	3.18
Canada	1.58	0.00
Thailand	0.82	1.38
China	0.81	1.06
South Africa	0.00	2.00
Sweden	0.00	1.71
Derivatives	(0.01)	0.38
Cash & Others	6.38	2.86
	<b>100.00</b>	<b>100.00</b>

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	5,711	127.96	4,463,096
30/06/11	6,253	152.60	4,097,622
30/06/12	5,951	145.10	4,101,352
31/12/12	5,411	151.92	3,561,942
<b>Sterling Exempt 2 (Net Accum.)</b>		(pence)	
30/06/10	134,455	139.76	96,204,730
30/06/11	107,429	169.56	63,358,691
30/06/12	74,547	164.00	45,454,203
31/12/12	54,943	172.40	31,870,602
<b>Sterling X (Net Accum.)</b>		(pence)	
30/06/10	226,627	143.06	158,416,661
30/06/11	334,101	174.86	191,068,759
30/06/12	303,205	170.40	177,931,894
31/12/12	312,851	179.81	173,990,135
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	5	100.90	5,000
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	6	100.91	5,588
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	161	99.09	162,153
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	99.10	5,000

# Newton Higher Income Fund

## General information

<b>Fund management team:</b>	Richard Wilmot and Paul Stephany
<b>Fund size:</b>	£2,182.58m
<b>Fund launch:</b>	1 June 1987 (managed by Newton since November 1994)
<b>Comparative index:</b>	FTSE All Share Index
<b>Sector:</b>	IMA UK Equity Income

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December, 31 March, 30 September

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February, 31 May, 30 November

## Investment objective

The objective of the Fund is to achieve increasing distributions on a calendar year basis with long-term capital growth. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund invests predominantly in high-yielding UK equities and has a concentrated portfolio of stocks. Companies in the portfolio may generate profits overseas and pay dividends in foreign currencies. The Fund has the ability to invest in derivative investments to reduce risk.

## Risk profile

The Fund invests predominantly in high-yielding UK equities and has a concentrated portfolio of stocks. Companies in the portfolio may generate profits overseas and pay dividends in foreign currencies. The Fund will therefore be exposed to changes in currency rates. The Fund has the ability to invest in derivative investments. These factors may affect the performance of the Fund. Charges are deducted from the capital of the Fund, which will affect its growth. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 4.84% against 8.70% for the FTSE All Share Index.

Over the period, the Fund registered a positive return, but underperformed the UK equity (company share) market. Equities rose strongly over the period as market sentiment improved due to the gradual decrease in European sovereign risk and the passing of the Chinese and US elections.

At the stock level, not holding the natural gas company, BG Group, helped the Fund, as its shares fell after it cut its 2013 production guidance. Elsewhere, the position in Reed Elsevier did well due to good financial results, and the holding in Aberdeen Asset Management benefited from a favourable equity (company share) backdrop. However the rotation towards riskier assets led defensive stocks – companies in sectors which are less sensitive to economic change – to underperform; hence positions in GlaxoSmithKline and British American Tobacco were negative. Elsewhere, the Fund's limited exposure to commodity-related and financial sectors was also costly.

In the banking sector, the manager reduced the position in HSBC Holdings and introduced Standard Chartered into the Fund. Elsewhere, the manager took advantage of share-price weakness to add to the Fund's exposure in the utilities sector. Finally, capital was reallocated away from Imperial Tobacco and towards British American Tobacco, while Rexam was sold over concerns around its balance sheet and the trajectory of its earnings.

The environment for investing in higher yielding stocks in the UK equity market has become more challenging in recent years, with a decreasing number of attractive higher yielding equities available to investors. This can limit the ability of equity income strategies to remain active stock-pickers.

The conclusion has been drawn that the dividend yield of the Newton Higher Income Fund is unsustainably high and makes it increasingly difficult to generate growth in both income and capital for investors. Although a reduction of the Fund's yield was made in 2011, it has been agreed that a further reduction in the yield, along with some changes to the parameters of how the Fund is managed, are required. The proposed changes will integrate the Fund more closely with Newton's thematic investment process and its other successful equity income strategies.

Richard Wilmot (Head of UK Equities) was appointed lead manager on the Newton Higher Income Fund on 10 December 2012. Wilmot has over 13 years of investment experience with Newton and has a strong performance track record.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	8.54%	0.05%	8.21%	14.08%	-20.36%
Sterling Exempt 1 (Net Accum.)	9.71%	1.15%	9.38%	15.36%	-19.55%
Sterling Exempt 2 (Net Accum.)	9.44%	0.90%	9.09%	15.07%	-19.74%
Sterling Institutional (Net Accum.)	9.17%	0.65%	8.83%	14.79%	-19.95%
Sterling Institutional (Net Inc.)	9.15%	0.61%	8.84%	14.73%	-19.90%
Sterling X (Net Accum.)	10.20%	1.66%	9.91%	15.93%	-19.19%
Sterling X (Net Inc.) <sup>1,2</sup>	10.18%	1.64%	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE All Share Index	12.30%	-3.46%	14.51%	30.12%	-29.93%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

<sup>2</sup> The Sterling X (Net Inc.) Share Class was launched on 2 April 2009, closed on 27 April 2010 and was re-opened on 8 October 2010 at £1.00.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

**ONGOING CHARGES**

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.61	1.61
Sterling Exempt 1 (Net Accum.)	0.54	0.54
Sterling Exempt 2 (Net Accum.)	0.79	0.79
Sterling Institutional (Net Accum.)	1.04	1.04
Sterling Institutional (Net Inc.)	1.04	1.04
Sterling X (Net Accum.)	0.04	0.04
Sterling X (Net Inc.)	0.04	0.04
Sterling Institutional W (Net Inc.)	0.79	N/A
Sterling Institutional W (Net Accum.)	0.79	N/A
Sterling P (Net Inc.)	1.04	N/A
Sterling Retail Adv B (Net Inc.)	1.11	N/A
Sterling Retail Adv B (Net Accum.)	1.11	N/A
Sterling P (Net Accum.)	1.04	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

**MAJOR HOLDINGS**

Holding	31/12/12 (%)	30/06/12 (%)
Royal Dutch Shell B	9.30	8.71
GlaxoSmithKline	7.97	8.17
British American Tobacco	7.52	6.90
Centrica	5.23	3.83
Vodafone	4.68	6.91
AstraZeneca	4.57	4.79
BT	4.40	3.01
Reed Elsevier	4.26	2.63
BP	3.97	5.18
Imperial Tobacco	2.76	4.77
SSE	1.89	4.00

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	69.78	44.78	3.4619
2009	55.84	42.61	3.8238
2010	57.59	48.80	3.9736
2011	56.47	47.04	3.6283
2012	54.47	49.91	2.8548
<b>Sterling Exempt 1 (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	223.33	149.33	11.1329
2009	206.92	146.98	13.9470
2010	227.55	192.30	15.5712
2011	236.72	201.76	15.4451
2012	252.69	224.69	13.1124
<b>Sterling Exempt 2 (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	141.59	94.48	7.0577
2009	130.54	92.91	8.8029
2010	143.20	121.16	9.8113
2011	148.77	126.76	9.7080
2012	158.24	140.90	8.2284
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	136.60	90.97	6.8080
2009	125.32	89.38	8.4553
2010	137.14	116.17	9.4071
2011	142.28	121.20	9.2859
2012	150.80	134.46	7.8521
<b>Sterling Institutional (Net Inc.)</b>	(pence)	(pence)	(pence)
2008	71.38	46.00	3.5922
2009	57.70	43.85	3.9751
2010	59.59	50.55	4.1552
2011	58.75	49.01	3.8153
2012	57.06	52.19	3.0243
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	223.83	150.21	11.0489
2009	209.33	148.10	14.0817
2010	231.31	195.03	15.7912
2011	241.29	205.77	15.7381
2012	259.36	230.02	13.3067
<b>Sterling X (Net Inc.)<sup>2</sup></b>	(pence)	(pence)	(pence)
2009 (from 2 April)	199.37	157.33	9.8682
2010 (to 27 April)	206.54	186.81	3.4741
2010 (from 8 October)	105.17	98.84	1.4496
2011	105.84	88.53	6.8797
2012	104.19	95.00	5.4542
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 4 September)	102.40	97.80	1.3406
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 4 September)	102.68	98.07	1.3429
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 21 September)	100.87	96.36	1.1521
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 3 October)	101.10	96.59	1.0256
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 3 October)	101.10	96.58	1.0254
<b>Sterling P (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 4 October)	100.72	96.22	1.0384

\* Distributions are shown in the year declared rather than paid.



**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income (pence)</b>			
30/06/10	1,928,747	49.54	3,893,083,527
30/06/11	1,940,369	53.78	3,607,768,407
30/06/12	1,646,723	51.71	3,184,671,082
31/12/12	1,580,971	52.95	2,985,541,431
<b>Sterling Exempt 1 (Net Accum.) (pence)</b>			
30/06/10	163,891	195.21	83,955,065
30/06/11	146,652	230.39	63,652,682
30/06/12	127,546	237.31	53,747,062
31/12/12	113,680	250.12	45,449,432
<b>Sterling Exempt 2 (Net Accum.) (pence)</b>			
30/06/10	13,411	123.00	10,903,443
30/06/11	15,800	144.80	10,911,806
30/06/12	9,293	148.77	6,246,652
31/12/12	9,098	156.62	5,809,117
<b>Sterling Institutional (Net Accum.) (pence)</b>			
30/06/10	285,039	117.93	241,696,409
30/06/11	283,389	138.49	204,625,860
30/06/12	272,720	141.93	192,145,175
31/12/12	266,073	149.23	178,293,724
<b>Sterling Institutional (Net Inc.) (pence)</b>			
30/06/10	71,998	51.32	140,298,823
30/06/11	109,716	55.99	195,949,005
30/06/12	54,104	54.11	99,996,972
31/12/12	58,981	55.55	106,175,798
<b>Sterling X (Net Accum.) (pence)</b>			
30/06/10	57,150	197.98	28,866,975
30/06/11	79,776	234.81	33,974,464
30/06/12	84,004	243.07	34,559,873
31/12/12	74,109	256.72	28,868,216
<b>Sterling X (Net Inc.)<sup>2</sup> (pence)</b>			
30/06/10	N/A	N/A	N/A
30/06/11	51,661	101.00	51,147,861
30/06/12	55,863	98.59	56,664,306
31/12/12	69,659	101.73	68,474,245
<b>Sterling Institutional W (Net Inc.) (pence)</b>			
31/12/12	9,275	100.28	9,248,723
<b>Sterling Institutional W (Net Accum.) (pence)</b>			
31/12/12	142	101.62	139,329
<b>Sterling P (Net Inc.) (pence)</b>			
31/12/12	472	98.77	478,211
<b>Sterling Retail Adv B (Net Inc.) (pence)</b>			
31/12/12	5	99.02	5,000
<b>Sterling Retail Adv B (Net Accum.) (pence)</b>			
31/12/12	5	100.04	5,000
<b>Sterling P (Net Accum.) (pence)</b>			
31/12/12	109	99.67	109,638

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
Oil & Gas Producers	13.27	13.89
Pharmaceuticals & Biotechnology	12.54	12.96
Gas, Water & Multiutilities	11.60	9.56
Tobacco	10.28	11.67
Media	5.84	5.29
Banks	4.72	2.95
Mobile Telecommunications	4.68	6.91
Financial Services	4.65	4.63
Fixed Line Telecommunications	4.40	3.42
Aerospace & Defence	3.51	3.11
Support Services	2.37	1.57
Food & Drug Retailers	1.90	2.35
Electricity	1.89	4.00
Non-life Insurance	1.86	1.30
Food Producers	1.40	1.81
Equity Investment Instruments	1.38	1.41
Real Estate Investment Trusts	1.08	2.01
Travel & Leisure	0.98	1.50
Life Insurance	0.84	1.22
Industrial Transportation	0.69	0.59
Construction & Materials	0.67	1.11
General Retailers	0.67	0.60
Mining	0.49	1.44
General Industrials	0.15	0.00
Packaging	0.00	0.77
Software & Computer Services	0.00	0.64
Beverages	0.00	0.41
Industrial Engineering	0.00	0.34
Cash & Others	8.14	2.54
	<b>100.00</b>	<b>100.00</b>



# Newton Index Linked Gilt Fund

## General information

<b>Fund management team:</b>	Howard Cunningham and Carl Shepherd
<b>Fund size:</b>	£126.38m
<b>Fund launch:</b>	24 February 1998
<b>Comparative index:</b>	FTSE A (Index Linked) British Government (over 5 years) TR
<b>Sector:</b>	IMA UK Index Linked Gilts

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to maximise returns by investment in a portfolio of predominantly sterling index linked gilts. The Fund may also invest in collective investment schemes.

## Investment policy

The objective of the Fund is to exceed the total return of the FTSE A (Index Linked) British Government (over 5 years) TR over rolling 5 year periods.

## Risk profile

As a Fund consisting of sterling-based investments, the portfolio will be exposed to changes in inflation rates, bond yields and interest rates within the UK. The portfolio will contain investments with maturities predominantly in excess of 5 years spread over a range of UK Index Linked Gilt issues. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Institutional (Net Accum.) Share Class of the Fund returned 1.85% against 1.71% for the FTSE A (Index Linked) British Government (over 5 years) TR.

Over the period, the Fund delivered a positive return, outperforming its comparative index. Index-linked Gilts – UK government bonds that move in line with inflation – struggled over the first half of the period, but they bounced back toward the end of the year, comfortably outperforming conventional Gilts – UK government bonds. This outperformance was aided by further quantitative easing – the printing of more money – (considered by some to be a source of inflation), a more benign growth outlook as the worst fears concerning the eurozone receded, and a small bounce in UK inflation. The manager's decision to reduce exposure to index-linked Gilts did not pay off in the final three months of the year. However, the Fund's holdings in index-linked corporate bonds – debt issued by companies – and in Australasian index-linked bonds were advantageous for performance.

Fund activity included the sale of the positions in 2% Index-Linked 2035 and 1.25% Index-Linked 2055. New purchases included 2.5% Index-Linked 2016, while further up the maturity scale, the manager added positions in 0.5% Index-Linked 2050 and 0.375% Index-Linked 2062. Two Index-Linked corporate bonds were bought in the final three months of the year – Rabobank, a Dutch banking group, and Heathrow Funding. Heathrow was subsequently sold, along with Tesco.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Exempt 2 (Gross Accum.)	0.51%	22.77%	8.99%	6.08%	3.28%
Sterling Institutional (Net Accum.)	-0.30%	21.80%	8.41%	5.18%	2.31%
Sterling X (Gross Accum.)	0.72%	23.01%	9.21%	6.29%	3.55%
Sterling X (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE A (Index Linked) British Government (over 5 years) TR	0.49%	23.32%	9.05%	5.57%	3.31%

Source: Lipper as at 31 December 2012 – Sterling Institutional (Net Accum.) and Sterling X (Net Inc.) – Total return including revenue net of UK tax and annual charges, but excluding initial charge. Sterling Exempt 2 (Gross Accum.) and Sterling X (Gross Accum.) – Total return including gross revenue and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 4%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Exempt 2 (Gross Accum.)	0.26	0.25
Sterling Institutional (Net Accum.)	0.56	0.55
Sterling X (Gross Accum.)	0.06	0.05
Sterling X (Net Inc.)	0.06	0.05

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

**MAJOR HOLDINGS**

Holding	31/12/12 (%)	30/06/12 (%)
Treasury 2.50% Index-Linked 2020	7.51	8.43
Treasury 0.75% Index-Linked 2047	7.28	6.04
Treasury 2.50% Index-Linked 2024	6.89	7.75
Treasury Gilt 0.50% Index-Linked 2050	6.85	4.51
Treasury Gilt 1.875% Index-Linked 2022	6.05	4.77
Treasury 0.75% Index-Linked 2034	6.02	6.39
Treasury 0.625% Index-Linked 2042	5.97	5.62
Treasury 1.25% Index-Linked 2055	5.59	6.96
Treasury 0.625% Index-Linked 2040	5.58	6.19
Treasury 4.125% Index-Linked 2030	5.42	5.27
Treasury 1.125% Index-Linked 2037	5.38	6.49
Treasury 2.00% Index-Linked 2035	5.36	6.81
Treasury 1.25% Index-Linked 2027	5.16	6.39

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Exempt 2 (Gross Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	219.25	187.54	6.9826
2009	226.60	192.34	6.3066
2010	241.12	211.71	3.3205
2011	296.62	230.70	7.0889
2012	299.95	279.72	8.3937
<b>Sterling Institutional (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	214.47	182.96	4.9899
2009	219.14	187.19	4.4101
2010	232.12	204.52	1.9845
2011	282.97	221.77	4.8380
2012	286.03	265.37	5.7214
<b>Sterling X (Gross Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	219.78	188.10	7.4055
2009	227.71	192.99	6.7533
2010	242.72	212.84	3.7932
2011	299.32	232.36	7.6634
2012	302.70	282.38	9.0651
<b>Sterling X (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2011 (from 25 May)	297.44	250.62	4.1464
2012 (from 3 January to 14 March)**	297.11	280.20	N/A
2012 (from 12 April to 31 May)**	289.23	278.41	N/A
2012 (from 6 June)**	282.67	265.20	3.7142

\* Distributions are shown in the year declared rather than paid.

\*\* The Sterling X (Net Inc.) Share Class closed and re-opened at the dates above.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Exempt 2 (Gross Accum.)</b>		<b>(pence)</b>	
30/06/10	77,816	228.00	34,129,522
30/06/11	92,096	252.02	36,543,545
30/06/12	106,349	290.69	36,584,628
31/12/12	90,649	296.13	30,611,603
<b>Sterling Institutional (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	21,590	219.81	9,822,180
30/06/11	19,184	241.44	7,945,470
30/06/12	15,117	276.11	5,474,907
31/12/12	18,313	280.20	6,535,737
<b>Sterling X (Gross Accum.)</b>		<b>(pence)</b>	
30/06/10	9,958	229.39	4,341,252
30/06/11	13,784	254.06	5,425,702
30/06/12	19,349	293.63	6,589,585
31/12/12	16,272	299.42	5,434,432
<b>Sterling X (Net Inc.)</b>		<b>(pence)</b>	
30/06/11	1,122	253.29	442,971
30/06/12	5	275.57	1,760
31/12/12	1,142	277.16	412,036

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
AAA	90.39	92.49
AA	1.13	0.60
A	1.70	3.12
Not rated (by S&P)	5.52	0.00
Derivatives	0.02	(0.04)
Cash & Others	1.24	3.83
	<b>100.00</b>	<b>100.00</b>

# Newton International Bond Fund

## General information

<b>Fund management team:</b>	Paul Brain and Howard Cunningham / Jon Day
<b>Fund size:</b>	£772.81m
<b>Fund launch:</b>	1 February 1991
<b>Comparative index:</b>	JP Morgan Global GBI
<b>Sector:</b>	IMA Global Bonds
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to maximise the total return from income and capital growth in the world bond markets through investment predominantly in Government and other public securities. The Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes.

## Investment policy

Investments are made in securities that ensure diversification and liquidity whilst paying attention to the objective of the Fund. For comparison sake alone, the Fund is viewed against the JP Morgan Global Government Bond Index (GBI).

## Risk profile

As a global fund, the Fund will be exposed to changes in currency rates and bond yields around the world. The portfolio may contain some investments in less-developed markets, but most securities will be domiciled within the developed nations of North America, Europe and the Far East. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned -1.66% against -2.65% for the JP Morgan Global GBI.

Over the period, the Fund generated a negative return but nevertheless outperformed the global government bond – debt issued by governments – market. The Fund's limited Japanese government bond exposure was successful as the Japanese government focused on greater monetary stimulus in an effort to boost its economy, and yields rose (prices fell). Being underweight in the eurozone's peripheral bond markets, such as Spain, reduced performance, but this was more than offset by the Fund's exposure to emerging markets such as Poland and Mexico throughout the period, and also to the developed markets of New Zealand and Australia, which rose strongly towards the end of the year. The Fund's limited exposure to the Japanese yen also contributed to performance.

There were few key changes to the Fund's bond allocation over the period. A timely switch out of UK Gilts and into US Treasuries allowed the Fund to benefit from a weaker US bond market. Overall duration – a measure of a Fund's sensitivity to interest rate changes – has been cut to nearly two years less than that of the index (5.09 years versus 6.99 years). Duration in the "core" – those markets such as the US, UK, Germany and Japan that have been historically perceived as "safe havens" – was reduced to 1.7 years versus the Index duration of 5.5 years. Other additions included some Italian and Australian government bonds, including 4.75% Italy 2017.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	-1.33%	6.17%	10.99%	-7.61%	42.07%
Euro Accumulation	-2.07%	6.14%	10.02%	-8.82%	42.68%
Sterling Institutional (Net Accum.)	-0.88%	6.65%	11.48%	-7.19%	42.73%
Sterling Institutional (Net Inc.)	-0.88%	6.65%	11.49%	-7.19%	42.71%
Sterling Exempt 2 (Gross Accum.)	-0.32%	7.23%	12.38%	-6.39%	44.29%
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
JP Morgan Global GBI	-3.15%	8.02%	9.77%	-9.27%	55.07%

Source: Lipper as at 31 December 2012 – For all share classes except Sterling Exempt 2 (Gross Accum.) – Total return including revenue net of UK tax and annual charges, but excluding initial charge. For Sterling Exempt 2 (Gross Accum.) – Total return including gross revenue and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

<sup>2</sup> The Sterling X (Net Accum.) Share Class launched on 29 June 2009 and closed on 8 October 2009.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.13	1.13
Euro Accumulation	1.63	1.63
Sterling Institutional (Net Accum.)	0.56	0.56
Sterling Institutional (Net Inc.)	0.56	0.56
Sterling Exempt 2 (Gross Accum.)	0.36	0.36
Sterling P (Net Inc.)	1.06	1.06
Sterling Institutional W (Net Inc.)	0.57	N/A
Sterling Institutional W (Net Accum.)	0.57	N/A
Sterling P (Net Accum.)	1.08	N/A
Sterling Retail Adv B (Net Inc.)	0.89	N/A
Sterling Retail Adv B (Net Accum.)	0.89	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
USA Treasury Bonds 4.25% 2039	4.97	2.97
USA Treasury Notes 2.125% 2021	4.48	7.97
Norway 6.50% Bonds 2013	4.09	2.51
Italy 5.50% BTP 2022	3.26	4.35
Belgium 3.00% Bonds 2019	3.22	0.00
USA Treasury Notes 1.00% 2017	3.19	3.10
Canada 2.00% Bonds 2016	3.14	2.93
USA Treasury Notes 1.50% 2018	3.13	0.00
New Zealand 5.50% Bonds 2023	3.06	3.56
FMS Wertmanagement 3.00% Bonds 2018	2.72	2.45
New South Wales Treasury 2.75% Index-Linked Bonds 2025	2.05	2.35
Mexico 8.00% Bonds 2020	1.45	2.89

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	216.12	153.29	5.2993
2009	214.92	179.30	4.0467
2010	216.42	190.25	3.9288
2011	223.78	197.63	2.6010
2012	223.11	208.41	2.1343
<b>Euro Accumulation</b>	(cents)	(cents)	(cents)
2008	133.70	111.66	3.0234
2009	133.41	121.92	2.1829
2010	153.41	126.53	2.1971
2011	157.83	134.94	1.2124
2012	172.21	150.76	0.9468
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	238.83	167.12	6.6317
2009	240.72	201.73	5.5661
2010	252.13	218.69	5.6291
2011	266.01	232.68	4.2034
2012	267.48	249.68	3.7513
<b>Sterling Institutional (Net Inc.)</b>	(pence)	(pence)	(pence)
2008	228.98	162.09	6.4138
2009	227.36	189.66	5.2213
2010	229.18	201.17	5.1490
2011	236.89	209.10	3.7612
2012	236.39	220.65	3.3033
<b>Sterling Exempt 2 (Gross Accum.)</b>	(pence)	(pence)	(pence)
2008	156.61	108.40	5.6447
2009	157.95	132.74	4.8745
2010	167.89	144.67	4.9928
2011	178.05	155.27	3.8422
2012	179.88	167.62	3.5015
<b>Sterling X (Net Accum.)<sup>2</sup></b>	(pence)	(pence)	(pence)
2009 (from 29 June to 8 October)	151.27	133.95	0.0037
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 22 June)	102.15	98.27	0.5702
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 4 September)	100.81	97.72	0.7459
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 4 September)	100.81	97.72	0.7460
<b>Sterling P (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 16 October)	100.84	97.71	0.2195
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 3 October)	101.06	97.93	0.5672
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 3 October)	101.06	97.93	0.5674

\* Distributions are shown in year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	599,034	204.61	292,770,779
30/06/11	610,186	208.09	293,237,158
30/06/12	621,319	217.48	285,692,083
31/12/12	586,355	212.81	275,530,840
<b>Euro Accumulation</b>		(cents)	
30/06/10	47,700	149.03	39,147,620
30/06/11	873	138.68	696,017
30/06/12	13,335	163.53	10,113,064
31/12/12	4,180	158.72**	3,229,098
<b>Sterling Institutional (Net Accum.)</b>		(pence)	
30/06/10	69,422	238.03	29,164,990
30/06/11	17,847	247.09	7,223,154
30/06/12	47,536	262.03	18,141,324
31/12/12	42,638	258.36	16,503,227
<b>Sterling Institutional (Net Inc.)</b>		(pence)	
30/06/10	4,201	216.35	1,941,569
30/06/11	80,875	220.05	36,753,410
30/06/12	138,579	229.99	60,253,561
31/12/12	138,589	225.04	61,583,552
<b>Sterling Exempt 2 (Gross Accum.)</b>		(pence)	
30/06/10	7,756	158.09	4,905,867
30/06/11	8,133	165.30	4,919,891
30/06/12	224	176.14	127,197
31/12/12	240	174.18	137,842
<b>Sterling P (Net Inc.)</b>		(pence)	
30/06/12	15	100.13	15,000
31/12/12	345	97.98	352,415
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	418	97.24	429,913
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	17	97.99	17,188
<b>Sterling P (Net Accum.)</b>		(pence)	
31/12/12	9	97.95	8,788
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	5	97.64	5,000
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	16	98.19	16,075

\*\* Euro/Sterling exchange rate at midday 31 December 2012: 1.226027.

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
AAA	40.57	42.00
AA	12.65	9.06
A	7.25	9.06
BBB	1.79	1.81
Not rated (by S&P)	33.21	33.93
Derivatives	(1.52)	(0.39)
Cash & Others	6.05	4.53
	100.00	100.00

# Newton Long Corporate Bond Fund

## General information

<b>Fund management team:</b>	Howard Cunningham and Scott Freedman
<b>Fund size:</b>	£248.63m
<b>Fund launch:</b>	29 June 2000
<b>Comparative index:</b>	BofA Merrill Lynch Non-Gilt (over 10 years) Investment Grade Index
<b>Sector:</b>	IMA £ Corporate Bond

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to maximise returns through investment in predominantly sterling denominated fixed interest securities excluding gilts. The Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes.

## Investment policy

The Fund aims to outperform the BofA Merrill Lynch Non-Gilt (over 10 years) Investment Grade Index by up to 1% p.a. over rolling 5 year periods.

## Risk profile

The Fund invests in fixed rate predominantly sterling denominated bonds, excluding gilts, and is therefore exposed to changes in the level of sterling interest rates. The Fund is also exposed to credit risk, through investment grade corporate bonds issued by both UK domiciled and non-UK domiciled companies. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Institutional (Net Accum.) Share Class of the Fund returned 8.52% against 8.83% for the BofA Merrill Lynch Non-Gilt (over 10 years) Investment Grade Index.

Over the period, the Fund generated a strong positive return, but marginally underperformed the BofA Merrill Lynch Non-Gilt (over 10 years) Investment Grade Index. The Fund had limited exposure to the European banking sector and peripheral eurozone countries, which were the main beneficiaries of the improved economic picture in the region, and this hindered performance. However, the Fund benefited from strong stock selection. Indeed, over the first half of the period, the positions in the Spanish telecoms company Telefonica, and French bank, BNP Paribas, were positive for performance.

The manager participated in a new issue by DIRECTV, a US cable company, and a long-dated new issue from University of Cambridge; the latter against the trend of generally reducing the Fund's long-dated exposure. Following a strong rally in BAE Systems bonds, stemming from the announcement of a potential merger with fellow defence and aerospace company EADS, the manager sold the position. Finally, the manager used the rally in peripheral European corporate bonds to exit the position in Telefonica.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Exempt 1 (Gross Accum.)	13.70%	12.25%	9.98%	12.87%	-6.34%
Sterling Exempt 2 (Gross Accum.)	13.58%	12.13%	9.88%	12.75%	-6.13%
Sterling Institutional (Net Accum.)	12.41%	10.37%	8.38%	11.30%	-7.67%
Sterling X (Gross Accum.)	13.93%	12.47%	10.20%	13.10%	-6.16%
BofA Merrill Lynch Non-Gilt (over 10 years) Investment Grade Index	14.57%	11.26%	9.92%	13.03%	-6.23%

Source: Lipper as at 31 December 2012 – Sterling Institutional (Net Accum.) – Total return including revenue net of UK tax and annual charges, but excluding initial charge. Sterling Exempt 1 (Gross Accum.); Sterling Exempt 2 (Gross Accum.) and Sterling X (Gross Accum.) – Total return including gross revenue and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 4% (7% in the case of some Exempt Classes), can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Exempt 1 (Gross Accum.)	0.26	0.26
Sterling Exempt 2 (Gross Accum.)	0.36	0.36
Sterling Institutional (Net Accum.)	0.56	0.56
Sterling X (Gross Accum.)	0.06	0.06

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.



**MAJOR HOLDINGS**

Holding	31/12/12 (%)	30/06/12 (%)
Temasek Financial 5.125% Bonds 2040	1.91	2.75
Network Rail Infra Finance 4.75% Bonds 2035	1.89	1.61
Kreditanstalt Fur Wiederaufbau 5.00% Bonds 2036	1.57	0.96
Kreditanstalt Fur Wiederaufbau 5.50% Bonds 2025	1.54	0.99
Electricite de France 6.125% Bonds 2034	1.48	1.44
Tesco Property Finance 5.744% Bonds 2040	1.48	1.34
HSBC Bank 5.375% Bonds 2030	1.44	1.33
GlaxoSmithKline Capital 6.375% Bonds 2039	1.42	1.31
HBOS Treasury Services 4.875% EMTN 2024	1.39	1.34
Southern Gas Network 4.875% EMTN 2029	1.38	1.40
Sunderland (SHG) Finance 6.38% Bonds 2042	1.36	1.41
Juturna 5.0636% Bonds 2033	1.32	1.52
European Investment Bank 4.50% Bonds 2044	0.99	1.69

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Exempt 1 (Gross Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	160.91	138.08	8.8812
2009	173.41	139.03	8.9788
2010	195.31	168.15	9.1059
2011	208.61	181.24	9.3719
2012	238.12	206.58	9.9184
<b>Sterling Exempt 2 (Gross Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	108.53	93.35	5.8878
2009	117.13	93.98	5.9612
2010	131.79	113.53	6.0237
2011	140.60	122.25	6.1882
2012	160.31	139.20	6.5316
<b>Sterling Institutional (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	98.72	83.74	4.1034
2009	103.75	83.92	4.0911
2010	115.60	100.13	4.0581
2011	120.78	106.41	4.0955
2012	136.21	119.23	4.2546
<b>Sterling X (Gross Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	161.05	138.44	9.2015
2009	174.18	139.46	9.3258
2010	196.52	169.02	9.5240
2011	210.42	182.53	9.8374
2012	240.67	208.48	10.4641

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Exempt 1 (Gross Accum.)</b>		<b>(pence)</b>	
30/06/10	71,446	181.07	39,457,003
30/06/11	69,648	189.72	36,711,620
30/06/12	64,966	216.64	29,987,495
31/12/12	69,874	235.11	29,719,223
<b>Sterling Exempt 2 (Gross Accum.)</b>		<b>(pence)</b>	
30/06/10	1,193	122.21	976,387
30/06/11	1,356	127.92	1,060,195
30/06/12	12,757	145.93	8,742,086
31/12/12	10,972	158.29	6,931,587
<b>Sterling Institutional (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	19,765	107.41	18,401,561
30/06/11	5,214	110.86	4,703,263
30/06/12	9,324	124.52	7,488,118
31/12/12	1,188	134.38	883,952
<b>Sterling X (Gross Accum.)</b>		<b>(pence)</b>	
30/06/10	72,055	182.14	39,560,855
30/06/11	120,192	191.22	62,856,752
30/06/12	147,996	218.79	67,642,140
31/12/12	166,597	237.68	70,092,331
<b>PORTFOLIO CATEGORY</b>			
<b>Investments</b>	<b>31/12/12 (%)</b>	<b>30/06/12 (%)</b>	
AAA	19.18	15.55	
AA	15.07	14.19	
A	31.03	27.83	
BBB	24.19	22.66	
BB	0.00	0.38	
Not rated (by S&P)	4.81	14.64	
Cash & Others	5.72	4.75	
	<b>100.00</b>	<b>100.00</b>	

# Newton Long Gilt Fund

## General information

<b>Fund management team:</b>	Howard Cunningham and Carl Shepherd
<b>Fund size:</b>	£102.81m
<b>Fund launch:</b>	1 March 1979
<b>Comparative index:</b>	FTSE A British Government (over 15 years) Index
<b>Sector:</b>	IMA UK Gilt

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December, 31 March, 30 September

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February, 31 May, 30 November

## Investment objective

The objective of the Fund is to maximise returns through investment in securities issued or guaranteed by the UK Government or the Governments of foreign countries or corporate bodies. The Fund may also invest in collective investment schemes.

## Investment policy

The objective of the Fund is to marginally outperform the FTSE A British Government (over 15 years) Index over rolling 5 year periods.

## Risk profile

As a UK gilt Fund, the portfolio will be predominantly exposed to changes in bond yields and interest rates within the UK. The portfolio will contain investments with maturities predominantly in excess of 15 years, spread over a range of individual government and corporate bond issues. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Institutional (Net Accum.) Share Class of the Fund returned 1.33% against 0.88% for the FTSE A British Government (over 15 years) Index.

Over the period, the Fund delivered a positive return and outperformed the FTSE Actuaries British Government (over 15 years) Index. Long-dated UK Gilts – UK government bonds – enjoyed a strong start to the second half of 2012 as the global and domestic growth outlook weakened, UK inflation eased, and their perception as “safe-haven” assets attracted investors in the face of continuing Eurozone risks. However, following the European Central Bank President Mario Draghi’s vow to do “whatever it takes” to save the euro, investor risk appetite rose and long-dated Gilts lost some ground. Meanwhile, towards the end of the period, the Fund benefited from strong performances from some of its corporate bond holdings – debt issued by companies. Index-linked bonds – which move in line with inflation – also made a positive contribution.

The manager reduced the Fund’s index-linked exposure, including the sale of 0.125% Index-Linked 2029. The proceeds from these sales were switched in conventional Gilts, including 4.5% UK 2042 and 4.25% UK 2040. Meanwhile, in corporate bonds, the manager took part in a new issuance by the University of Cambridge.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Exempt 2 (Gross Accum.)	3.30%	25.33%	8.91%	-4.03%	12.81%
Sterling Institutional (Net Accum.)	2.45%	24.14%	7.77%	-5.03%	11.58%
Sterling X (Gross Accum.)	3.52%	25.58%	9.13%	-3.83%	13.04%
FTSE A British Government (over 15 years) Index	2.91%	26.26%	8.78%	-4.84%	13.65%

Source: Lipper as at 31 December 2012 – Sterling Institutional (Net Accum.) – Total return including revenue net of UK tax and annual charges, but excluding initial charge. Sterling Exempt 2 (Gross Accum.) and Sterling X (Gross Accum.) – Total return including gross revenue and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 4%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Exempt 2 (Gross Accum.)	0.26	0.26
Sterling Institutional (Net Accum.)	0.56	0.56
Sterling X (Gross Accum.)	0.06	0.06

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Treasury 4.75% Stock 2038	7.82	6.81
Treasury 4.75% Stock 2030	7.22	7.67
Treasury 6.00% Stock 2028	7.11	6.77
Treasury 4.25% Stock 2032	7.05	5.40
Treasury 4.25% Stock 2055	7.03	6.98
Treasury 4.25% Stock 2036	6.06	6.31
Treasury 4.25% Stock 2040	5.87	6.34
Treasury 4.25% Stock 2027	5.73	4.06
Treasury 4.25% Stock 2039	5.46	6.26
Treasury 4.50% Stock 2034	5.23	6.27
Treasury 4.50% Stock 2042	5.08	6.03
Treasury 4.25% Stock 2049	4.52	5.93

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Exempt 2 (Gross Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	294.15	248.24	11.1836
2009	299.20	258.91	11.3964
2010	322.70	273.26	11.6324
2011	386.04	292.49	11.6240
2012	406.31	361.90	11.3858
<b>Sterling Institutional (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	284.42	241.48	8.0894
2009	286.98	250.16	8.1223
2010	306.56	261.05	8.1821
2011	362.05	276.63	8.0234
2012	379.24	338.79	7.6343
<b>Sterling X (Gross Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	295.17	248.82	11.7336
2009	300.71	259.85	12.0116
2010	324.92	274.84	12.3038
2011	389.72	294.77	12.3852
2012	410.68	365.54	12.2925

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Exempt 2 (Gross Accum.)</b>		<b>(pence)</b>	
30/06/10	81,283	300.52	27,047,617
30/06/11	80,800	311.96	25,900,632
30/06/12	84,522	392.85	21,515,092
31/12/12	78,609	397.55	19,773,334
<b>Sterling Institutional (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	15,320	286.03	5,355,981
30/06/11	8,039	293.90	2,735,202
30/06/12	11,033	366.87	3,007,364
31/12/12	5,940	369.78	1,606,303
<b>Sterling X (Gross Accum.)</b>		<b>(pence)</b>	
30/06/10	6,460	302.48	2,135,741
30/06/11	16,514	314.63	5,248,792
30/06/12	14,629	397.03	3,684,513
31/12/12	18,261	402.19	4,540,493

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
AAA	93.61	95.94
AA	1.50	1.29
A	2.38	1.65
BBB	0.33	0.00
Cash & Others	2.18	1.12
	100.00	100.00

# Newton Managed Fund

## General information

<b>Fund management team:</b>	Chris Metcalfe and Nick Clay
<b>Fund size:</b>	£1,251.46m
<b>Fund launch:</b>	2 April 1990
<b>Comparative index:</b>	IMA Flexible Investment Sector
<b>Sector:</b>	IMA Flexible Investment
<b>Fund ratings:</b>	A Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	30 September
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to achieve capital growth and income from a portfolio of UK, EC and international securities. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund is actively managed, investing predominantly in equities on a global basis with the aim of providing a balance between capital growth and income.

## Risk profile

As a global Fund, the Fund will be exposed to changes in currency rates. The portfolio may contain some investments in less-developed markets. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 6.77% against 7.33% for the IMA Flexible Investment Sector.

The Fund generated a positive return, but marginally underperformed the IMA Active Managed Sector. A key reason for this was the Fund's limited exposure to financials, especially the banking sector; the Fund did not hold Barclays, HSBC Holdings or Lloyds Banking Group, which all performed well over the period. However, the large position in Standard Life performed very well and partially offset this negative impact. While the Fund's exposure to financials remains limited, the manager added, selectively, to a few companies where value can be found, especially in the US, where the housing market has already corrected. Elsewhere, a few stocks like Pannon, Microsoft and De La Rue had negative trading statements which hurt performance. On the other hand, Sprint Nextel received a partial bid from Softbank, and performed strongly, as did Reed Elsevier and Daily Mail & Trust following positive trading updates.

In the fixed income portion of the Fund, the manager added index-linked US and New Zealand government issues – debt issued by governments which move in line with inflation – as well as corporate issues – debt issued by companies – from British Telecom and Network Rail. Fears on the outlook for inflation rose during the period and these issues provide an attractive real return. In the equity portion of the Fund, the manager sold Nexen following a bid approach, Ariba after a bid from SAP, and Apple, which had performed strongly. The manager also trimmed the Fund's holdings in GlaxoSmithKline, Vodafone Group and British American Tobacco. Meanwhile, a position was added in Virgin Media, which offers good value, and in the banknote producer De La Rue. The manager also added Daily Mail & Trust and Google, the US technology company, which has a strong position in a structurally growing sector.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	11.38%	-8.77%	13.39%	17.09%	-26.47%
Sterling Institutional (Net Accum.)	12.02%	-8.24%	14.04%	17.70%	-26.07%
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
IMA Flexible Investment Sector	10.19%	-8.45%	14.59%	23.81%	-26.05%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.62	1.62
Sterling Institutional (Net Accum.)	1.05	1.05
Sterling P (Net Inc.)	1.05	1.05
Sterling Institutional W (Net Inc.)	0.80	N/A
Sterling Institutional W (Net Accum.)	0.80	N/A
Sterling Retail Adv B (Net Inc.)	1.11	N/A
Sterling Retail Adv B (Net Accum.)	1.11	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
ETFS Physical Gold 0.00% Secured Note (GBP)	2.41	1.44
Standard Life	2.39	1.64
BP	2.38	2.37
British American Tobacco	2.14	3.69
Reed Elsevier	2.05	1.42
Pearson	1.90	1.53
Bayer	1.86	1.45
Roche	1.84	1.65
Associated British Foods	1.82	1.03
Unilever	1.81	1.73
GlaxoSmithKline	1.80	3.47
Novartis	1.75	1.55
Royal Dutch Shell B	1.74	2.27
Bunzl	1.69	1.90
USA Treasury Notes 0.375% 2012	0.00	2.59

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	544.98	334.39	6.9691
2009	455.45	341.32	8.0467
2010	504.99	416.22	6.9122
2011	508.58	426.43	6.0588
2012	501.38	449.80	7.6218
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	559.62	347.78	9.8092
2009	487.28	358.32	10.6716
2010	553.32	454.77	10.3184
2011	561.48	474.70	9.6985
2012	570.58	504.55	11.6608
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 22 June)	109.36	99.32	0.8273
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 31 August)	102.64	99.10	0.4691
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 31 August)	102.64	99.10	0.4682
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 5 October)	100.28	96.85	0.5875
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 5 October)	100.28	96.85	0.5876

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	1,221,609	423.63	288,368,045
30/06/11	1,345,190	492.67	273,041,863
30/06/12	1,165,659	465.35	250,492,334
31/12/12	1,172,825	493.96	237,433,762
<b>Sterling Institutional (Net Accum.)</b>		(pence)	
30/06/10	70,748	462.84	15,285,727
30/06/11	80,317	547.64	14,666,070
30/06/12	73,169	528.25	13,851,112
31/12/12	74,780	564.96	13,236,502
<b>Sterling P (Net Inc.)</b>		(pence)	
30/06/12	15	101.25	15,000
31/12/12	21	107.47	19,932
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	68	101.17	66,968
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	5	101.64	5,000
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	3,757	98.70	3,806,853
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	99.30	5,000

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
United Kingdom	42.96	42.67
United States of America	13.97	11.78
Sterling Denominated Corporate Bonds	9.01	7.04
Switzerland	5.99	4.98
Overseas Government Bonds	5.91	3.77
France	3.79	3.42
Germany	2.58	2.29
Commodities	2.41	1.44
Thailand	1.81	2.19
Canada	1.67	2.33
Non-Sterling Denominated Corporate Bonds	1.64	3.59
Norway	1.14	1.26
Belgium	1.02	1.01
Hong Kong	0.86	0.64
Japan	0.81	1.30
India	0.63	0.66
South Africa	0.62	0.52
Australia	0.60	1.11
Brazil	0.55	0.44
Denmark	0.35	0.35
China	0.32	0.87
Investment Trusts	0.31	0.61
Taiwan	0.00	0.71
Singapore	0.00	0.56
Poland	0.00	0.30
Sweden	0.00	0.28
Cash & Others	1.05	3.88
	100.00	100.00

# Newton Oriental Fund

## General information

<b>Fund management team:</b>	Jason Pidcock and Caroline Keen
<b>Fund size:</b>	£612.85m
<b>Fund launch:</b>	30 November 1990 (managed by Newton since November 1994)
<b>Comparative index:</b>	FTSE AW Asia Pacific ex Japan Index
<b>Sector:</b>	IMA Asia Pacific excluding Japan
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

**Annual:** 30 June

Distribution payment dates for all share classes:

**Annual:** 31 October

## Investment objective

The objective of the Fund is to achieve capital growth by investing in securities predominantly in Asian and Pacific markets including Australia and New Zealand but excluding Japan. The Fund may also invest in collective investment schemes.

## Investment policy

The manager will invest in companies from around the Asia Pacific ex Japan region that will help meet the Fund's objective – to increase the capital return over the long-term.

## Risk profile

As a regional portfolio, the Fund will be exposed to changes in currencies and investments in less-developed markets. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 9.48% against 12.51% for the FTSE AW Pacific ex Japan Index.

The Fund underperformed the broad Asia-Pacific equity (company share) market over the period, but nevertheless registered a strong positive return. At the sector level, the Fund's exposure to basic materials, consumer goods, healthcare and consumer services was beneficial, while its oil and gas, industrials and financials exposure detracted from performance. At the country level, the Fund's holdings in India were notably positive for performance. The single best performing holding over the period was the Indian hospital operator Apollo Hospitals, which benefited from strong operational performance. However, two other healthcare stocks disappointed; Shangdong Weigao underperformed following disappointing third quarter results, while Mesoblast suffered due to ongoing uncertainty surrounding the intentions of its parent company Teva. Chinese consumer stocks Belle International and Sands China both performed well; fundamentals for each company look good, but both also benefited from slightly more positive economic sentiment in China. Taiwan Semiconductor Manufacturing Company did well following strong sales and growing confidence in its technology leadership. On the negative front, HTC underwhelmed and has now been sold from the portfolio. Meanwhile, the avoidance of Samsung was negative; the company continued to benefit from its strong smartphone sales. Australian-based Silex System underperformed following lack of action after reaching a major milestone when it received approval from the Nuclear Regulatory Commission for its nuclear laser enrichment technology. The underweight position in banks reduced performance as the market rallied in the second half of 2012.

The manager participated in the initial public offering – the first sale of shares to the public by a private company – of IHH Healthcare, a leading pan-Asian healthcare company with a focus on high-end hospitals in Singapore, Turkey and Malaysia. Other activity included the addition of IGB REIT, an owner of two of Kuala Lumpur's largest shopping malls. Elsewhere, the manager bought Robinson Department Stores in Thailand; the company has a market-leading position, especially in fast-growing rural areas. Notable sales included Housing Development Finance in India, and HTC.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	10.06%	-18.34%	30.93%	48.04%	-29.27%
Euro Accumulation	9.13%	-18.44%	29.64%	46.06%	-29.08%
Sterling Exempt 1 (Net Accum.)	11.25%	-17.46%	32.33%	49.47%	-28.69%
Sterling Institutional (Net Accum.)	10.69%	-17.87%	31.65%	48.81%	-28.96%
Sterling X (Net Accum.)	11.81%	-17.05%	32.99%	50.15%	-28.39%
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE AW Asia Pacific ex Japan Index	17.47%	-14.84%	23.88%	55.54%	-33.05%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.66	1.66
Euro Accumulation	2.16	2.16
Sterling Exempt 1 (Net Accum.)	0.59	0.59
Sterling Institutional (Net Accum.)	1.09	1.09
Sterling X (Net Accum.)	0.09	0.09
Sterling P (Net Inc.)	1.08	1.09
Sterling Institutional W (Net Inc.)	0.83	N/A
Sterling Institutional W (Net Accum.)	0.83	N/A
Sterling Retail Adv B (Net Inc.)	1.15	N/A
Sterling Retail Adv B (Net Accum.)	1.15	N/A
Sterling P (Net Accum.)	1.07	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
BHP Billiton	6.66	6.08
Taiwan Semiconductor Manufacturing	6.40	6.44
Apollo Hospitals	6.16	4.87
Noble	5.72	5.88
Standard Chartered	5.64	6.07
Santos	4.61	5.25
Belle International	4.13	3.84
Sands China	3.97	2.92
AIA	3.94	3.87
Oil Search	3.64	3.43
Newcrest Mining	3.48	3.79
Taiwan Mobile	2.58	4.07

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	446.23	218.83	2.9765
2009	446.56	270.54	5.1053
2010	577.02	408.27	3.1483
2011	579.42	434.11	3.6320
2012	531.36	453.48	2.0344
<b>Euro Accumulation</b>	<b>(cents)</b>	<b>(cents)</b>	<b>(cents)</b>
2008	212.27	98.37	0.4337
2009	183.14	110.03	1.6478
2010	247.46	171.79	0.4619
2011	253.58	186.94	0.3556
2012	238.32	208.56	0.0000
<b>Sterling Exempt 1 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	294.37	145.68	4.2006
2009	305.74	181.07	5.1979
2010	402.07	279.83	5.2950
2011	404.76	306.97	6.5205
2012	377.52	323.18	5.2261
<b>Sterling Institutional (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	140.83	69.58	1.5119
2009	145.28	86.36	2.0827
2010	190.07	132.90	1.8225
2011	191.05	144.57	2.1768
2012	177.40	151.64	1.6389
<b>Sterling X (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	295.35	146.43	5.2797
2009	308.94	182.26	6.0665
2010	408.30	282.90	6.8667
2011	411.66	312.92	8.5000
2012	385.68	330.63	7.1188
<b>Sterling P (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 22 June)	113.07	98.44	0.0000
<b>Sterling Institutional W (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 4 September)	107.12	98.74	N/A
<b>Sterling Institutional W (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 4 September)	107.13	98.74	N/A
<b>Sterling Retail Adv B (Net Inc.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 26 September)	102.96	98.89	N/A
<b>Sterling Retail Adv B (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 26 September)	102.96	98.89	N/A
<b>Sterling P (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2012 (from 5 October)	100.35	96.39	N/A

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		<b>(pence)</b>	
30/06/10	430,924	455.03	94,703,225
30/06/11	543,818	553.97	98,167,762
30/06/12	403,800	467.22	86,426,494
31/12/12	350,057	511.38	68,452,804
<b>Euro Accumulation</b>		<b>(cents)</b>	
30/06/10	22,484	205.43	13,386,723
30/06/11	23,155	226.45	11,306,831
30/06/12	13,363	214.05	7,742,217
31/12/12	12,301	230.98**	6,529,035
<b>Sterling Exempt 1 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	8,586	315.37	2,722,665
30/06/11	9,694	390.62	2,481,601
30/06/12	5,607	334.45	1,676,357
31/12/12	4,695	367.91	1,276,177
<b>Sterling Institutional (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	351,678	149.48	235,268,466
30/06/11	430,069	184.20	233,484,941
30/06/12	193,623	156.93	123,379,597
31/12/12	158,076	172.30	91,798,480
<b>Sterling X (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	5,693	319.46	1,782,214
30/06/11	7,073	397.66	1,778,664
30/06/12	6,075	342.18	1,775,213
31/12/12	6,693	377.41	1,773,464
<b>Sterling P (Net Inc.)</b>		<b>(pence)</b>	
30/06/12	15	101.86	15,000
31/12/12	475	111.76	425,264
<b>Sterling Institutional W (Net Inc.)</b>		<b>(pence)</b>	
31/12/12	36,665	105.92	34,615,109
<b>Sterling Institutional W (Net Accum.)</b>		<b>(pence)</b>	
31/12/12	19,315	105.92	18,236,284
<b>Sterling Retail Adv B (Net Inc.)</b>		<b>(pence)</b>	
31/12/12	24,467	101.29	24,154,362
<b>Sterling Retail Adv B (Net Accum.)</b>		<b>(pence)</b>	
31/12/12	5	101.76	5,000
<b>Sterling P (Net Accum.)</b>		<b>(pence)</b>	
31/12/12	104	99.19	105,088

\*\* Euro/Sterling exchange rate at midday 31 December 2012: 1.226027.

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
Australia	18.89	20.84
Hong Kong	14.80	14.68
United Kingdom	12.30	12.15
India	11.55	11.72
Singapore	10.04	9.87
Taiwan	8.98	13.19
China	6.91	6.50
Thailand	5.93	4.18
Philippines	4.12	3.46
Malaysia	3.09	0.00
Indonesia	2.04	1.56
Cash & Others	1.35	1.85
	100.00	100.00



# Newton Overseas Equity Fund

## General information

<b>Fund management team:</b>	Terry Coles and Jeff Munroe
<b>Fund size:</b>	£286.30m
<b>Fund launch:</b>	31 March 1996
<b>Comparative index:</b>	1/3 FTSE AW North America Index / 1/3 FTSE AW Europe ex UK Index / 1/3 FTSE AW Asia Pacific Index
<b>Sector:</b>	IMA Global

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	30 September
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to achieve long-term growth by investing in stocks and shares quoted on major stock markets of the world, excluding the UK. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund aims to outperform its comparative index (1/3 FTSE All World North America Index / 1/3 FTSE All World Europe ex UK Index / 1/3 FTSE All World Asia Pacific Index) by over 2% p.a. over rolling 5 year periods.

## Risk profile

The Fund is a portfolio of equities with exposure to many currencies around the globe. Investors in the Fund are therefore exposed to foreign currency fluctuations and the stock specific risk of the underlying equity holdings. From time to time, if the fund manager deems it appropriate, the portfolio may invest in forward currency contracts (to hedge\* currency exposure), options, futures, convertibles, warrants and bonds. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Exempt 1 (Net Accum.) Share Class of the Fund returned 7.42% against 8.72% for the comparative index (33.33% FTSE AW North America Index / 33.33% FTSE AW Europe ex UK Index / 33.33% FTSE AW Asia Pacific Index).

Over the period, the Fund delivered a positive return but underperformed its comparative index. At the stock level, domestically-orientated Japanese businesses, such as Sawai Pharmaceutical and Japan Tobacco, lost ground in foreign currency terms given the fall in value of the yen and its effect on translated profits. However, the weakening Japanese yen was positive for Japan's exporters, such as the strongly performing Toyota Motor, which continues to improve its competitiveness versus overseas peers. In the technology sector, the investment in Microsoft suffered as corporate technology spending was held back by uncertainty with regards to the US economy. The Fund's gold mining holdings, including Newcrest Mining, were weak over the second half of the period due to a combination of operational issues and a decline in gold prices. Despite this, gold exposure continues to serve as a useful insurance policy against the potential inflationary effects of quantitative easing – the printing of more money – around the world. Meanwhile, the German chemicals company, Bayer, made gains after its management raised earnings guidance after reporting strong results. Within the industrials sector, the US company, Shaw Group, performed well after it was the recipient of a takeover approach.

Over the period, a position was added in the branch-based US regional bank KeyCorp. The manager also bought the US railroad operator CSX, which boasts strong pricing power and sustainable growth characteristics, and Xylem, a producer of pumps and equipment used in the distribution, testing and treatment of water. These purchases were funded by the sale of Sakari

Resources, which was the subject of a takeover bid. Meanwhile, the manager sold the position in the Norwegian bank, DNB, after its shares rose following improving eurozone news, and the positions were trimmed in AB InBev, eBay and Amazon, with profits taken.

\* *Currency hedging is a technique whereby the fund manager seeks to protect the Fund from adverse currency movements that may impact the share price.*

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Exempt 1 (Net Accum.)	12.32%	-16.73%	19.08%	24.84%	-22.63%
Sterling Exempt 2 (Net Accum.)	12.21%	-16.81%	18.96%	24.73%	-22.69%
Sterling Exempt 3 (Net Accum.) <sup>1,2</sup>	12.04%	-16.94%	18.79%	N/A	N/A
Sterling X (Net Accum.)	12.88%	-16.31%	19.68%	25.40%	-22.32%
Index <sup>3</sup>	13.59%	-9.46%	15.65%	20.53%	-19.90%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

<sup>2</sup> The Sterling Exempt 3 (Net Accum.) Share Class was launched on 4 April 2005, closed on 3 October 2007 and re-opened on 22 September 2009.

<sup>3</sup> 1/3 FTSE AW North America Index / 1/3 FTSE AW Europe ex UK Index / 1/3 FTSE AW Asia Pacific Index.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Exempt 1 (Net Accum.)	0.57	0.58
Sterling Exempt 2 (Net Accum.)	0.67	0.68
Sterling Exempt 3 (Net Accum.)	0.82	0.83
Sterling X (Net Accum.)	0.07	0.08

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Roche	3.25	2.89
Toyota Motor	2.73	1.86
Japan Tobacco	2.48	2.64
Bayer	2.35	1.81
Microsoft	2.32	0.80
Novartis	2.31	2.07
Nestle	2.24	2.38
Bangkok Bank	2.03	1.42
Jardine Matheson	2.01	1.59
Air Liquide	1.87	1.55
Syngenta	1.60	2.14
Anheuser-Busch InBev	1.58	2.53
ITC	1.49	2.05
Philip Morris International	1.45	2.46
Pfizer	1.38	2.19
Apple	0.00	2.59

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Exempt 1 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	335.03	197.39	4.7874
2009	312.87	216.05	4.5197
2010	366.89	291.08	4.0605
2011	374.12	287.03	4.3215
2012	350.24	306.29	4.9823
<b>Sterling Exempt 2 (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	158.83	93.54	2.1636
2009	148.12	102.36	2.0275
2010	173.52	137.79	1.7695
2011	176.85	135.65	1.8816
2012	165.35	144.72	2.1984
<b>Sterling Exempt 3 (Net Accum.)<sup>2</sup></b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	N/A	N/A	N/A
2009 (from 22 September)	148.06	132.29	0.2613
2010	173.19	137.71	1.5416
2011	176.38	135.24	1.6496
2012	164.61	144.23	1.9538
<b>Sterling X (Net Accum.)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
2008	336.47	198.59	5.9374
2009	316.39	217.67	5.7540
2010	372.89	294.50	5.7747
2011	381.22	292.83	6.1394
2012	359.14	312.87	6.8051

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Exempt 1 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	211,062	304.99	69,203,202
30/06/11	215,802	364.12	59,267,107
30/06/12	179,227	320.26	55,962,234
31/12/12	178,551	342.98	52,059,418
<b>Sterling Exempt 2 (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	13,347	144.32	9,248,535
30/06/11	18,118	172.12	10,525,882
30/06/12	15,254	151.24	10,085,811
31/12/12	11,733	161.89	7,247,861
<b>Sterling Exempt 3 (Net Accum.)<sup>2</sup></b>		<b>(pence)</b>	
30/06/10	2	144.17	1,381
30/06/11	4,446	171.67	2,589,820
30/06/12	15,857	150.62	10,527,833
31/12/12	16,818	161.10	10,439,204
<b>Sterling X (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	90,691	309.19	29,331,441
30/06/11	96,611	370.99	26,041,552
30/06/12	73,844	327.95	22,516,892
31/12/12	79,201	352.09	22,494,616
<b>PORTFOLIO CATEGORY</b>			
<b>Investments</b>	<b>31/12/12 (%)</b>	<b>30/06/12 (%)</b>	
United States of America	36.89	38.52	
Switzerland	10.74	10.70	
Japan	10.43	10.39	
Germany	6.53	5.54	
France	4.87	3.39	
Hong Kong	3.76	4.25	
India	3.76	4.08	
Singapore	3.03	4.65	
Canada	2.31	1.55	
Thailand	2.03	1.85	
Australia	1.87	1.93	
Brazil	1.73	2.01	
China	1.60	1.81	
Belgium	1.58	2.53	
Denmark	1.30	1.95	
Taiwan	1.19	1.01	
Netherlands	1.02	0.00	
Mexico	0.64	0.00	
South Korea	0.56	0.50	
Collective Investment Schemes	0.54	1.24	
South Africa	0.00	1.09	
Indonesia	0.00	0.97	
Norway	0.00	0.55	
Derivatives	0.00	(0.16)	
Cash & Others	3.62	(0.35)	
	<b>100.00</b>	<b>100.00</b>	

# Newton Pan-European Fund

## General information

<b>Fund management team:</b>	Thomas Beevers and Raj Shant
<b>Fund size:</b>	£12.08m
<b>Fund launch:</b>	4 February 1999
<b>Comparative index:</b>	FTSEurofirst 300 Index
<b>Sector:</b>	IMA Europe including UK
<b>Fund ratings:</b>	A Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

**Annual:** 30 June

Distribution payment dates for all share classes:

**Annual:** 31 October

## Investment objective

The objective of the Fund is to provide capital growth from a portfolio of predominantly European securities, including the UK and Eastern Europe, with a bias towards larger, blue chip companies. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund invests primarily in blue chip equities across Europe including the UK. Whilst being well diversified by sector and by country, it tends to be focused around 40 to 60 high conviction holdings.

## Risk profile

The Fund invests across Europe including the UK and as such, is exposed to currency fluctuations. Whilst being well diversified by sector and by country, it tends to be focused around 40 to 60 high conviction holdings. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 10.93% against 12.52% for the FTSE Eurofirst 300 Index.

Over the period, the Fund delivered a strong positive return but underperformed the broader European equity (company share) market. Areas of underperformance included the industrials, consumer goods and financials sectors; indeed, the Fund's limited exposure to financials was negative as the sector performed well on the back of improving eurozone news. The greatest negative impact derived from Swedish Match, which issued a profit warning and declined amid pricing pressure in its key Scandinavian market. The holding was later sold. Elsewhere, the French toll-roads and construction company Vinci, a leading European infrastructure stock, was a drag on performance after the company revised down its outlook. The main positives came from Norwegian bank DNB and the German pharmaceuticals and chemicals company, Bayer, which continued to benefit from a strong portfolio of drugs. The holding in the Swiss bank, UBS, was also positive, along with the Fund's avoidance of Vodafone Group, which struggled over the period.

The Fund established a position in AXA, a French listed insurer, which should benefit from the improving picture in the eurozone. The manager also bought a holding in Continental, the German tyres and auto components business, which benefits from resilient demand for premium tyres and has a strong position in energy-efficiency improving components. The Fund sold its position in the Italian bank Intesa Sanpaolo ahead of the country's general elections in 2013, and market concerns which are expected to accompany them.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	14.97%	-15.20%	2.72%	18.09%	-19.08%
Euro Accumulation	14.02%	-15.29%	1.71%	16.58%	-18.84%
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTS Eurofirst 300 Index	14.46%	-9.68%	7.07%	20.34%	-24.36%

Source: Lipper as at 31 December 2012 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.77	1.77
Euro Accumulation	2.27	2.27
Sterling Institutional W (Net Inc.)	0.96	N/A
Sterling Institutional W (Net Accum.)	0.96	N/A
Sterling Retail Adv B (Net Inc.)	1.27	N/A
Sterling Retail Adv B (Net Accum.)	1.27	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Nestle	3.92	3.60
Royal Dutch Shell B	3.61	4.14
Roche	3.52	4.07
Novartis	3.47	3.59
Bayer	3.35	3.26
Total	3.00	3.86
UBS	2.82	2.32
Deutsche Telekom	2.66	3.05
BAE Systems	2.65	2.45
Zurich Insurance	2.52	2.48
BP	2.14	2.27
ENI	2.04	2.64
TeliaSonera	2.03	2.80
Air Liquide	1.95	2.59

**PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)**

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	196.09	116.93	2.2482
2009	174.97	121.22	2.8713
2010	178.80	144.05	2.8566
2011	181.16	133.66	1.8080
2012	165.91	144.46	3.2378
<b>Euro Accumulation</b>	(cents)	(cents)	(cents)
2008	100.76	58.07	0.9496
2009	79.00	53.44	0.6677
2010	84.72	71.05	0.5483
2011	88.14	63.79	0.3422
2012	85.74	73.88	1.2008
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 31 August)	106.78	98.99	N/A
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 31 August)	106.78	98.99	N/A
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 28 September)	104.70	97.10	N/A
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 28 September)	104.70	97.10	N/A

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	17,360	146.77	11,828,858
30/06/11	17,728	173.27	10,231,629
30/06/12	12,843	147.48	8,708,451
31/12/12	12,032	163.90	7,341,355
<b>Euro Accumulation</b>		(cents)	
30/06/10	87	74.41	143,170
30/06/11	73	79.85	101,100
30/06/12	32	77.51	50,935
31/12/12	24	84.93**	34,141
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	5	105.50	5,000
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	5	105.50	5,000
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	5	103.44	5,000
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	103.44	5,000

\*\* Euro/Sterling exchange rate at midday 31 December 2012: 1.226027.

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
United Kingdom	29.16	28.28
Germany	21.75	18.75
Switzerland	19.29	19.50
France	14.23	13.76
Sweden	4.03	6.19
Italy	3.41	5.36
Netherlands	2.09	2.58
Norway	1.86	2.55
Denmark	1.47	1.82
Spain	1.05	0.00
Belgium	1.01	1.38
Cash & Others	0.65	(0.17)
	100.00	100.00

# Newton Phoenix Multi-Asset Fund

## General information

<b>Fund management team:</b>	Paul Flood and Ben Ward
<b>Fund size:</b>	£120.38m
<b>Fund launch:</b>	27 November 2006
<b>Performance reference:</b>	LIBOR GBP 1-Month + 2%
<b>Sector:</b>	IMA Mixed Investment 20-60% Shares

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	31 August
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to achieve long-term capital growth in excess of cash\* returns from a balanced portfolio diversified across a range of assets. The Fund may invest in equities, fixed interest securities, collective investment schemes, warrants, derivative instruments, deposits and money market instruments. The ACD does not intend to have an interest in any immovable property or tangible movable property.

## Investment policy

The Fund invests in a wide range of assets in order to generate a return above cash with significantly less volatility than an equity portfolio.

## Risk profile

The Fund attempts to limit risk through diversification, but may invest overseas, thus exposing performance to currency risk, although part of this risk is hedged. In addition, the investments in quoted Funds of hedge Funds, property investment trusts and structured products may offer less transparency and liquidity than equities or bonds. Sub investment grade bonds also carry more default risk than investment grade bonds. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 4.43% against 1.26% for LIBOR GBP 1-Month + 2%.

Over the six-month period, the Fund delivered a positive return, outperforming its LIBOR GBP 1-Month + 2% performance aim. After watching investor sentiment deteriorate rapidly in the early part of the summer, policymakers reacted quickly to stem any contagion. The policy support provided over the final six months of the year helped equity (company shares) and corporate bond (debt issued by companies) markets as investor concerns subsided on the back of unprecedented policy support. At a company level, and within the equity portion of the Fund, strong performers included some of the technology and healthcare names such as TSMC, a semiconductor manufacturing company in Taiwan, Accenture a management and technology consulting business and Sanofi, a global pharmaceutical company.

Within the equity portion of the Fund, the manager added a number of new holdings as it became clear that key concerns with regards to Europe had eased. A new position was added in the tyre and car part manufacturer Continental AG, as well as in the building material supplier Wolseley. Meanwhile, the manager initiated a position in the international engineering and construction group Balfour Beatty after company results in November caused the company's share price to fall. The manager also bought GCP Infrastructure, an infrastructure fund that invests in UK infrastructure debt. Within fixed income, the manager continues to favour corporate bonds over government bonds – debt issued by governments – and has diversified the Fund's government bond holdings away from UK government bonds, which offer exceptionally low returns. A corporate bond position was added in 9.95% Altria 2039 corporate bonds, while the 6.125% RWE Finance 2039 corporate bond was sold.

\* "cash" being LIBOR.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	7.60%	-1.82%	11.58%	18.44%	-21.22%
Sterling Accumulation	7.61%	-1.82%	11.58%	18.44%	-21.23%
Sterling Exempt 2 (Net Accum.) <sup>1</sup>	8.28%	-1.18%	12.32%	19.23%	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
LIBOR GBP 1-Month + 2%	2.63%	2.64%	2.56%	2.91%	7.54%

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.66	1.65
Sterling Accumulation	1.66	1.65
Sterling Exempt 2 (Net Accum.)	0.84	0.83
Sterling Institutional W (Net Inc.)	0.72	N/A
Sterling Institutional W (Net Accum.)	0.72	N/A
Sterling Retail Adv B (Net Inc.)	1.02	N/A
Sterling Retail Adv B (Net Accum.)	1.02	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Source Physical Markets Secured Gold Linked Note (USD)	6.79	3.82
BH Global	2.63	2.17
Bluecrest Allblue Fund	2.06	1.79
BH Macro	1.96	1.69
New Zealand Government 5.50% Bonds 2023	1.73	1.51
Starwood European Real Estate	1.58	0.00
New South Wales Treasury 2.75% Index-Linked 2025	1.55	1.46
John Laing Infrastructure Fund	1.48	1.11
Treasury 4.25% Stock 2040	1.45	1.58
Treasury 4.75% Stock 2030	1.44	1.97
HICL Infrastructure	1.42	1.39
ETFS Physical Gold 0.00% Secured Note (USD)	0.00	2.32

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	127.77	95.70	1.8714
2009	115.42	95.42	1.7651
2010	126.31	113.46	1.5934
2011	129.23	118.29	1.7219
2012	130.79	122.09	1.8454
<b>Sterling Accumulation</b>	(pence)	(pence)	(pence)
2008	139.05	105.07	2.0446
2009	129.17	105.63	1.9619
2010	143.47	127.70	1.7986
2011	148.23	136.02	1.9704
2012	152.52	141.19	2.1420
<b>Sterling Exempt 2 (Net Accum.)</b>	(pence)	(pence)	(pence)
2008 (from 1 February)	141.22	107.07	2.8261
2009	132.59	107.84	2.7878
2010	148.24	131.17	2.7652
2011	153.69	141.25	3.0157
2012	159.42	146.86	3.2452
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 5 September)	102.44	100.19	0.6158
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 5 September)	102.44	100.19	0.6156
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 27 September)	101.15	99.16	0.7489
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 27 September)	101.15	99.16	0.7488

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	26,957	115.17	23,405,874
30/06/11	22,764	126.62	17,978,926
30/06/12	19,359	124.16	15,591,071
31/12/12	17,819	128.74	13,841,029
<b>Sterling Accumulation</b>		(pence)	
30/06/10	107,413	130.82	82,104,751
30/06/11	106,716	145.60	73,292,559
30/06/12	91,866	144.80	63,442,649
31/12/12	89,188	151.06	59,041,255
<b>Sterling Exempt 2 (Net Accum.)</b>		(pence)	
30/06/10	23,882	134.73	17,726,424
30/06/11	32,108	150.94	21,272,128
30/06/12	46,918	151.10	31,051,811
31/12/12	13,236	158.09	8,372,551
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	5	100.98	5,000
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	115	101.59	112,743
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	5	99.54	5,000
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	17	100.29	16,632

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
Sterling Denominated Corporate Bonds	13.88	14.75
Non-Sterling Denominated Corporate Bonds	11.33	7.70
United Kingdom	10.05	8.51
Investment Trusts	8.84	7.51
Hedge Funds	7.61	6.63
Commodities	7.33	6.57
United States of America	7.31	7.90
UK Government Stocks	4.66	6.20
Overseas Government Stocks	3.28	2.97
Switzerland	3.03	2.96
Structured Products	2.77	3.49
Germany	2.49	1.59
Canada	1.94	1.66
France	1.81	1.63
Thailand	1.51	1.03
Japan	1.44	1.61
India	1.30	1.17
Australia	1.20	1.17
Hong Kong	1.20	0.94
China	1.05	1.02
Taiwan	0.92	0.96
Norway	0.80	0.65
Philippines	0.79	0.65
Singapore	0.72	0.46
Israel	0.58	0.61
Denmark	0.56	0.00
Poland	0.00	0.75
Brazil	0.00	0.39
Derivatives	(0.04)	0.37
Cash & Others	1.64	8.15
	100.00	100.00



# Newton Real Return Fund

## General information

<b>Fund management team:</b>	Iain Stewart and James Harries
<b>Fund size:</b>	£7,067.21m
<b>Fund launch:</b>	1 September 1993
<b>Performance reference:</b>	LIBOR GBP 1-Month + 4%
<b>Sector:</b>	IMA Absolute Return
<b>Fund ratings:</b>	AAA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December

Distribution payment dates for all share classes:

<b>Annual:</b>	30 September
<b>Interim:</b>	28 February

## Investment objective

The objective of the Fund is to achieve significant real rates of return in sterling terms predominantly from a portfolio of UK and international securities. The Fund may also invest in deposits, approved money market instruments, derivative instruments, forward transactions and collective investment schemes.

## Investment policy

The Fund aims to achieve an absolute return from a diverse portfolio of securities across a range of asset classes. This flexibility is utilised in order to outperform the Funds target over a 5 year time frame.

## Risk profile

The risks associated with the Fund will be risks that are consistent with a broad exposure to global capital markets, these include Equity Market risk, Currency Exchange Rate risk, Liquidity risk, Stock specific risk, Fixed Interest security risk and Credit risk. Because of the nature of the Fund's performance reference, the Fund has a greater emphasis on capital protection. The volatility of the Fund aims to be intermediate to that of equities and government bonds.

## Portfolio summary

Over the six-month period under review, the Sterling Income 'A' Share Class of the Fund returned 1.83% against 2.22% for LIBOR GBP 1-Month + 4% (per annum over rolling three- to five-year periods, before fees are deducted).

Over the period, the Fund delivered a positive return, but fell short of its LIBOR GBP 1-Month + 4% aim. While gold mining equities (company shares) and exposure to physical gold was a positive contributor over the first half of the period, during the fourth quarter the gold price was volatile, and this had a significant impact on the Fund's gold-related equity holdings; Newcrest Mining and Barrick Gold were particularly hard hit. However, the manager maintains the conviction that gold has and will be a natural beneficiary of the current economic environment and an important insurance policy. Meanwhile, some of the Fund's telecom holdings in the eurozone suffered as a result of company-specific concerns; these included Telekom Polska and the Dutch provider, KPN. More broadly, the Fund's defensive positioning meant that it was not favourably placed to deliver returns against the very strong financial equity markets of the final quarter that were driven largely by financials and cyclical sectors – those that tend to be sensitive to economic change. On the positive front, the Fund's eurozone corporate bonds – debt issued by companies – in particular, those of companies lowly rated by credit rating agencies, benefited from the optimism in markets. These included the Italian telecoms operator, Wind. In the equity portion of the Fund, the German chemical industry leader Bayer and US telecoms and technology provider Sprint Nextel also posted strong contributions.

The manager introduced a new position in the US payroll outsourcing provider Paychex. New positions were also established in United Utilities and the emerging market telecoms provider, Millicom, while the opportunity was taken to add to some existing holdings which had been weak, such as GlaxoSmithKline and Reynolds American. Following a meaningful deterioration in the competitive environment within the Polish telecoms market, the manager chose to exit the position in Telekom Polska. Finally, in the fixed income portion of the Fund, the manager added a position in the New Zealand 2021 government bond.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	3.40%	-0.35%	9.73%	10.58%	4.40%
Sterling Income 'A'	2.98%	-0.75%	9.29%	10.14%	3.98%
Sterling Exempt 2 (Net Accum.)	3.68%	-0.09%	10.00%	10.88%	4.65%
Sterling X (Net Accum.)	4.29%	0.52%	10.67%	11.55%	5.28%
Sterling Institutional (Net Accum.) <sup>1</sup>	3.47%	-0.29%	9.76%	N/A	N/A
Sterling X (Net Inc.) <sup>1</sup>	4.28%	0.51%	10.68%	N/A	N/A
Sterling Exempt 2 (Net Inc.) <sup>1</sup>	3.66%	-0.10%	9.99%	N/A	N/A
Sterling Exempt 1 (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A

Source: Lipper as at 31 December 2012 – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.11	1.11
Sterling Income 'A'	1.61	1.61
Sterling Exempt 2 (Net Accum.)	0.79	0.79
Sterling X (Net Accum.)	0.04	0.04
Sterling Institutional (Net Accum.)	1.04	1.04
Sterling X (Net Inc.)	0.04	0.04
Sterling Exempt 2 (Net Inc.)	0.79	0.79
Sterling Exempt 1 (Net Accum.)	0.69	0.69
Sterling P (Net Inc.)	1.04	1.04
Sterling Institutional W (Net Inc.)	0.79	N/A
Sterling Institutional W (Net Accum.)	0.79	N/A
Sterling Retail Adv B (Net Inc.)	1.12	N/A
Sterling Retail Adv B (Net Accum.)	1.12	N/A
Sterling P (Net Accum.)	1.04	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.



## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
UK Treasury Bill 0.00% 2013	4.08	0.00
GlaxoSmithKline	4.04	3.00
Bayer	3.00	2.49
Australia 5.50% Bonds 2023	2.64	3.25
USA Treasury Bonds 2.50% TII 2029	2.54	2.37
Reynolds American	2.49	2.08
Total	2.38	2.05
Norway 4.50% Bonds 2019	2.25	2.57
Novartis	2.08	1.95
Roche	2.08	1.87
ETFS Physical Gold 0.00% Secured Note (USD)	1.83	2.12
USA Treasury Bills 0.00% 2012	0.00	6.23
USA Treasury Notes 0.50% 2012	0.00	3.43
Treasury 0.00% Stock 2012	0.00	3.41

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	257.41	209.11	7.9390
2009	276.14	236.01	8.9659
2010	291.07	262.21	9.7938
2011	296.55	266.80	8.7503
2012	288.82	272.85	8.5460
<b>Sterling Income 'A'</b>	(pence)	(pence)	(pence)
2008	108.23	87.61	3.4330
2009	115.02	98.49	3.8507
2010	120.63	108.88	4.1778
2011	122.63	110.19	3.7302
2012	118.61	112.28	3.6313
<b>Sterling Exempt 2 (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	161.64	131.37	4.9428
2009	180.34	151.17	5.7806
2010	197.68	173.86	6.5421
2011	204.12	187.30	6.0773
2012	209.40	194.13	6.1422
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	126.92	103.02	3.6918
2009	142.45	118.82	4.3608
2010	157.09	137.41	4.9675
2011	162.62	149.39	4.6077
2012	168.17	155.55	4.6820
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2009 (from 30 June)	115.25	98.48	1.6267
2010	126.06	111.09	4.2354
2011	130.05	119.30	3.9301
2012	133.06	123.46	3.9696
<b>Sterling X (Net Inc.)</b>	(pence)	(pence)	(pence)
2009 (from 15 July)	116.71	100.00	1.3568
2010	124.37	111.26	3.9960
2011	127.26	114.77	3.5816
2012	125.66	118.24	3.5327
<b>Sterling Exempt 2 (Net Inc.)</b>	(pence)	(pence)	(pence)
2009 (from 14 August)	180.35	160.82	1.7768
2010	191.24	172.06	6.4042
2011	195.04	175.56	5.7607
2012	190.60	179.89	5.6505
<b>Sterling Exempt 1 (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 29 February)	103.83	96.22	2.6852
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 25 June)	105.32	100.00	1.3674
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 5 September)	101.52	98.05	1.2850
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 5 September)	101.52	98.05	1.2861
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 8 October)	100.00	96.56	1.2540
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 8 October)	100.00	96.56	1.2518
<b>Sterling P (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 5 October)	100.00	96.56	0.5416

\* Distributions are shown in the year declared rather than paid.

**NET ASSET VALUE HISTORY**

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b> (pence)			
30/06/10	228,917	264.94	86,402,035
30/06/11	399,980	285.58	140,059,981
30/06/12	494,026	275.62	179,241,665
31/12/12	474,448	277.62	170,896,905
<b>Sterling Income 'A'</b> (pence)			
30/06/10	138,699	110.02	126,066,070
30/06/11	637,679	118.00	540,428,763
30/06/12	1,023,764	113.31	903,535,303
31/12/12	1,145,364	113.84	1,006,114,912
<b>Sterling Exempt 2 (Net Accum.)</b> (pence)			
30/06/10	789,577	179.72	439,348,838
30/06/11	1,598,461	200.46	797,401,039
30/06/12	2,258,276	199.71	1,130,778,143
31/12/12	2,586,571	203.99	1,267,972,690
<b>Sterling X (Net Accum.)</b> (pence)			
30/06/10	524,159	142.39	368,125,850
30/06/11	930,397	159.78	582,309,089
30/06/12	1,449,919	160.14	905,415,010
31/12/12	1,915,363	164.07	1,167,421,669
<b>Sterling Institutional (Net Accum.)</b> (pence)			
30/06/10	17,066	114.73	14,875,959
30/06/11	89,477	127.70	70,067,980
30/06/12	175,710	126.98	138,381,087
31/12/12	229,449	129.57	177,087,272
<b>Sterling X (Net Inc.)</b> (pence)			
30/06/10	49,138	112.73	43,590,770
30/06/11	119,570	122.73	97,422,670
30/06/12	182,059	119.65	152,155,015
31/12/12	187,677	121.13	154,932,555
<b>Sterling Exempt 2 (Net Inc.)</b> (pence)			
30/06/10	137,819	173.85	79,274,323
30/06/11	210,529	187.86	112,065,675
30/06/12	330,901	181.77	182,044,936
31/12/12	481,762	183.32	262,797,125
<b>Sterling Exempt 1 (Net Accum.)</b> (pence)			
30/06/12	28,429	99.00	28,715,528
31/12/12	29,403	101.17	29,064,464
<b>Sterling P (Net Inc.)</b> (pence)			
30/06/12	15	100.50	15,000
31/12/12	2,841	101.22	2,806,266
<b>Sterling Institutional W (Net Inc.)</b> (pence)			
31/12/12	5,741	97.63	5,879,843
<b>Sterling Institutional W (Net Accum.)</b> (pence)			
31/12/12	5,323	98.93	5,380,788
<b>Sterling Retail Adv B (Net Inc.)</b> (pence)			
31/12/12	498	96.14	517,611
<b>Sterling Retail Adv B (Net Accum.)</b> (pence)			
31/12/12	104	97.39	107,104
<b>Sterling P (Net Accum.)</b> (pence)			
31/12/12	2,665	97.39	2,736,360

**PORTFOLIO CATEGORY**

Investments	31/12/12 (%)	30/06/12 (%)
United Kingdom	14.82	12.74
Overseas Government Stocks	13.93	18.34
United States of America	11.11	8.59
Non-Sterling Denominated Corporate Bonds	8.22	11.30
Switzerland	6.09	5.50
Germany	4.11	3.67
UK Government Stocks	4.08	3.41
Canada	4.02	3.17
France	3.92	3.41
Commodities	3.80	3.55
Australia	3.09	2.89
Sterling Denominated Corporate Bonds	2.83	2.53
Japan	2.69	2.57
Sweden	2.24	0.00
Netherlands	1.64	1.88
Collective Investment Schemes	1.24	1.42
Denmark	1.19	1.31
South Africa	1.19	0.96
Norway	0.81	0.85
Unit Trusts	0.81	0.00
Brazil	0.79	0.80
Investment Trusts	0.50	0.53
Poland	0.07	0.77
Peru	0.00	0.50
Derivatives	0.78	0.71
Cash & Others	6.03	8.60
	<b>100.00</b>	<b>100.00</b>



# Newton UK Equity Fund

## General information

<b>Fund management team:</b>	Richard Wilmot and Ben Russon
<b>Fund size:</b>	£1,110.89m
<b>Fund launch:</b>	1 May 1985
<b>Comparative index:</b>	FTSE All Share Index
<b>Sector:</b>	IMA UK All Companies
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

<b>Annual:</b>	30 June
<b>Interim:</b>	31 December, 31 March, 30 September

Distribution payment dates for all share classes:

<b>Annual:</b>	30 September
<b>Interim:</b>	28 February, 31 May, 30 November

## Investment objective

The objective of the Fund is to achieve capital growth and income from a portfolio of predominantly UK securities. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund will invest on a broad range of UK equities across companies of all size.

## Risk profile

The Fund invests predominantly in the UK, and therefore has a geographically concentrated portfolio. The Fund may also hold some investments in overseas companies, and will be exposed to changes in currency rates. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 9.04% against 8.7% for the FTSE All Share Index.

The Fund's performance was positive and better than its comparative index over the period. Market sentiment improved over the period due to the gradual decrease in European sovereign risk and the passing of the Chinese and US elections.

The avoidance of Vodafone Group was positive for performance over the period, as the stock fell from continued concerns over its European earnings growth. The positions in ASOS and ARM did well after they reported good financial results, while the limited exposure to the mining and banking sectors held performance back the most. Elsewhere, the position in SDL was also negative, as the departure of its CEO and a profit warning weighed on its share price. The manager used the share price weakness as an opportunity to increase the Fund's position.

The manager used market strength as an opportunity to reduce the portfolio's cyclical – areas which are more sensitive to economic change – exposure and focus the Fund on long-term holdings offering structural growth. Profits were taken in the strongly performing banking and mining sectors, where the manager believes sentiment and share prices have been unrealistically high. However, the manager sees some opportunities in the banking sector and introduced Standard Chartered into the Fund. In the pharmaceuticals sector, AstraZeneca was sold while GlaxoSmithKline was added; the latter's positive efforts to cut costs, coupled with stronger sales growth from emerging markets now outweigh concerns about the pressure on developed markets. Elsewhere, the manager used share price weakness as an opportunity to introduce InterContinental Hotels – it boasts a cash-generative, high-margin, capital-light business model that should benefit from a US economic recovery. Finally, the positions in Unilever and Diageo were increased.

Equity (company share) markets continue to be buffeted between two large and opposing forces; the downward pressure exerted by government debt reduction counteracted by sustained ultra-loose economic stimulus policies.

This creates an investment environment characterised by muted growth and heightened market fluctuations. The manager remains of the opinion that an equity portfolio that emphasises high quality, well-capitalised businesses with structural growth potential is the most effective strategy to build long-term investment returns.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	17.86%	-12.05%	14.66%	11.38%	-17.98%
Sterling Institutional (Net Accum.)	18.56%	-11.54%	15.32%	12.02%	-17.53%
Sterling Institutional (Net Inc.)	18.54%	-11.55%	15.31%	12.01%	-17.51%
Sterling X (Net Accum.) <sup>1</sup>	19.75%	-10.66%	16.47%	13.13%	N/A
Sterling Exempt 1 (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Exempt 3 (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE All Share Index	12.30%	-3.46%	14.51%	30.12%	-29.93%

Source: Lipper as at 31 December – Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

<sup>2</sup> The Sterling Exempt 2 (Net Accum.) Share Class closed on 4 September 2012.

<sup>3</sup> The Sterling X (Net Inc.) Share Class closed on 26 September 2011.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

The annual management charge is charged to capital.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.61	1.61
Sterling Institutional (Net Accum.)	1.04	1.04
Sterling Institutional (Net Inc.)	1.04	1.04
Sterling X (Net Accum.)	0.04	0.04
Sterling Exempt 1 (Net Accum.)	0.54	0.53
Sterling Exempt 3 (Net Accum.)	0.64	0.64
Sterling Institutional W (Net Inc.)	0.80	N/A
Sterling Institutional W (Net Accum.)	0.80	N/A
Sterling P (Net Inc.)	1.04	N/A
Sterling Retail Adv B (Net Inc.)	1.11	N/A
Sterling Retail Adv B (Net Accum.)	1.11	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
GlaxoSmithKline	5.06	0.00
British American Tobacco	4.78	4.92
Diageo	3.95	3.20
BHP Billiton	3.34	3.64
Unilever	2.92	0.00
SDL	2.83	0.93
Standard Chartered	2.83	0.00
Prudential	2.60	2.61
Rolls-Royce	1.95	1.48
Compass	1.94	1.33
Reed Elsevier	1.62	2.04
BG	0.00	4.09
AstraZeneca	0.00	3.89
Rio Tinto	0.00	3.06
Anglo American	0.00	2.94
Barclays	0.00	1.93

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	682.16	466.75	12.5221
2009	592.50	479.21	17.1706
2010	654.88	543.76	19.7240
2011	663.75	499.89	16.6618
2012	643.11	565.72	15.5927
<b>Sterling Exempt 2 (Net Accum.)<sup>2</sup></b>	(pence)	(pence)	(pence)
2008	171.36	120.07	4.4086
2009	158.41	124.17	5.1901
2010	182.94	150.06	5.5126
2011	186.72	144.68	4.8594
2012 (to 4 September)	186.05	164.68	2.4280
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	151.80	106.15	3.6027
2009	139.63	109.67	4.4061
2010	160.85	132.23	4.8539
2011	163.97	126.96	4.2663
2012	168.72	144.43	4.1403
<b>Sterling Institutional (Net Inc.)</b>	(pence)	(pence)	(pence)
2008	685.60	469.19	15.9692
2009	596.59	482.07	19.2217
2010	662.73	548.83	20.3251
2011	672.12	507.74	17.3287
2012	657.29	575.31	16.3317
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2008 (from 19 March)	169.40	120.53	4.3544
2009	160.37	124.96	5.7969
2010	186.61	152.03	5.5987
2011	191.20	148.42	4.9722
2012	199.63	169.26	4.8733
<b>Sterling X (Net Inc.)<sup>3</sup></b>	(pence)	(pence)	(pence)
2011 (from 25 May)	190.91	151.23	0.3062
<b>Sterling Exempt 1 (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 2 April)	315.26	271.86	5.5535
<b>Sterling Exempt 3 (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 2 April)	136.72	117.97	2.4093
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 5 September)	105.31	100.48	0.5162
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 5 September)	105.44	100.60	0.5167
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 21 September)	102.44	97.76	0.4067
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 9 October)	102.25	97.58	0.3550
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 9 October)	102.25	97.59	0.3549

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		<b>(pence)</b>	
30/06/10	1,009,060	555.98	181,490,772
30/06/11	1,120,143	631.70	177,321,326
30/06/12	998,703	590.59	169,102,078
31/12/12	1,010,120	635.98	158,830,037
<b>Sterling Exempt 2 (Net Accum.)<sup>2</sup></b>		<b>(pence)</b>	
30/06/10	380	151.85	250,000
30/06/11	453	181.11	250,000
30/06/12	437	174.94	250,000
<b>Sterling Institutional (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	72,244	133.68	54,042,052
30/06/11	87,325	159.04	54,908,270
30/06/12	12,870	153.23	8,399,092
31/12/12	10,547	167.47	6,297,598
<b>Sterling Institutional (Net Inc.)</b>		<b>(pence)</b>	
30/06/10	3,481	561.25	620,233
30/06/11	6,494	640.78	1,013,380
30/06/12	1,647	602.09	273,490
31/12/12	5,437	650.00	836,413
<b>Sterling X (Net Accum.)</b>		<b>(pence)</b>	
30/06/10	141,694	154.32	91,821,256
30/06/11	204,553	185.43	110,314,036
30/06/12	180,474	180.46	100,008,404
31/12/12	32,437	198.22	16,364,304
<b>Sterling X (Net Inc.)<sup>3</sup></b>		<b>(pence)</b>	
30/06/11	2,485	185.13	1,342,266
<b>Sterling Exempt 1 (Net Accum.)</b>		<b>(pence)</b>	
30/06/12	49,122	285.65	17,196,767
31/12/12	45,930	312.97	14,675,420
<b>Sterling Exempt 3 (Net Accum.)</b>		<b>(pence)</b>	
30/06/12	5,889	123.94	4,751,251
31/12/12	6,302	135.73	4,642,974
<b>Sterling Institutional W (Net Inc.)</b>		<b>(pence)</b>	
31/12/12	25	104.15	24,482
<b>Sterling Institutional W (Net Accum.)</b>		<b>(pence)</b>	
31/12/12	28	104.67	26,679
<b>Sterling P (Net Inc.)</b>		<b>(pence)</b>	
31/12/12	20	101.30	19,677
<b>Sterling Retail Adv B (Net Inc.)</b>		<b>(pence)</b>	
31/12/12	5	101.12	5,000
<b>Sterling Retail Adv B (Net Accum.)</b>		<b>(pence)</b>	
31/12/12	39	101.49	38,889

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
Pharmaceuticals & Biotechnology	10.18	6.33
Support Services	9.32	10.06
Software & Computer Services	6.17	4.33
Food Producers	5.24	1.77
Travel & Leisure	5.19	3.57
Industrial Engineering	5.09	4.07
Beverages	4.90	3.88
Tobacco	4.78	4.92
Aerospace & Defence	4.17	3.66
Media	4.14	3.81
Real Estate Investment Trusts	3.89	2.22
Mining	3.34	9.64
Financial Services	3.16	4.83
Technology, Hardware & Equipment	3.07	2.70
Banks	2.83	3.54
Oil & Gas Producers	2.77	6.32
Life Insurance	2.60	2.61
Gas, Water & Multiutilities	2.60	2.47
Chemicals	2.56	2.51
Oil & Gas Equipment, Services & Distribution	1.96	1.56
Electronic & Electrical Equipment	1.83	1.81
General Retailers	1.61	1.54
Electricity	1.60	1.34
Personal Goods	1.42	0.96
Health Care Equipment & Services	1.20	2.96
Household Goods & Home Construction	1.18	1.16
Real Estate Investment & Services	1.15	1.51
Food & Drug Retailers	0.88	1.18
Fixed Line Telecommunications	0.00	1.30
Cash & Others	1.17	1.44
	<b>100.00</b>	<b>100.00</b>





# Newton UK Opportunities Fund

## General information

<b>Fund management team:</b>	Ben Russon and Richard Wilmot
<b>Fund size:</b>	£337.57m
<b>Fund launch:</b>	8 February 2002
<b>Comparative index:</b>	FTSE All Share Index
<b>Sector:</b>	IMA UK All Companies
<b>Fund ratings:</b>	AA Rating by S&P Fund Manager Ratings

## Distribution

Period end dates for distributions for all share classes:

**Annual:** 30 June

Distribution payment dates for all share classes:

**Annual:** 31 October

## Investment objective

The objective of the Fund is to maximise long-term capital growth from a concentrated portfolio primarily invested in the securities of UK companies. The Fund does not have a bias towards any economic sector or company size. The Fund may also invest in collective investment schemes.

## Investment policy

The Fund invests primarily in UK equities and is not constrained by benchmark considerations. The Fund does not have a bias towards any economic sector or company size.

## Risk profile

The Fund has a highly concentrated portfolio and also has the ability to invest overseas and hence may be exposed to currency movements. These factors may affect the performance of the Fund. Please refer to pages 76-78 for the Synthetic Risk Reward Indicator for this Fund.

## Portfolio summary

Over the six-month period under review, the Sterling Income Share Class of the Fund returned 8.21% against 8.70% for the FTSE All Share Index.

The Fund's performance was positive but lower than the broad UK equity (company share) market over the period. Market sentiment improved over the period due to the gradual decrease in worries with regards to European sovereign risk, along with the passing of the Chinese and US elections. Not holding HSBC Holdings and Barclays was costly as both did well over the period. Meanwhile, the position in BG Group hurt performance after its shares fell as a result of a cut in its 2013 forecasts. Not holding Vodafone Group was positive, as the stock fell from continued concerns over its European earnings growth. Elsewhere, the holding in Standard Life helped performance after it reported a good set of third quarter financial results, with assets under management and inflows stronger than expected.

The manager altered the Fund's oil exposure by selling the position in BP and introducing Premier Oil; the latter offers greater share-price upside. The manager also sold the position in SABMiller after a period of good relative performance, and in order to fund more attractive investment opportunities elsewhere. During the period, the publisher Pearson was added to the Fund for its attractive end-market exposure and scope for expansion in the North American educational market. Elsewhere, the manager used share-price weakness to introduce the global engineering group, Meggitt, into the portfolio, favouring the stock for its strong returns, steady profit and cash flow generation, and attractive exposure.

Equity markets continue to be buffeted between two large and opposing forces; the downward pressure exerted by government debt reduction counteracted by sustained ultra-loose economic stimulus policies. This creates an investment environment characterised by muted growth and heightened market fluctuations. The manager remains of the opinion that an equity portfolio that emphasises high quality, well-capitalised businesses with structural growth potential is the most effective strategy to build long-term investment returns.

## STATUTORY PERFORMANCE DATA

From To	31/12/11 31/12/12	31/12/10 31/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08
Sterling Income	12.26%	-4.64%	14.75%	17.75%	-19.57%
Sterling Exempt 2 (Net Accum.)	13.20%	-3.86%	15.68%	18.67%	-19.04%
Sterling Institutional (Net Accum.)	12.92%	-4.10%	15.39%	18.42%	-19.28%
Sterling X (Net Accum.)	14.05%	-3.14%	16.55%	19.48%	-18.50%
Sterling P (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Institutional W (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Inc.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Sterling Retail Adv B (Net Accum.) <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
FTSE All Share Index	12.30%	-3.46%	14.51%	30.12%	-29.93%

Source: Lipper as at 31 December 2012 - Total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. The impact of the initial charge, which may be up to 7%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

<sup>1</sup> Full 5 year performance data is not available. For share class launch dates, please refer to the Investor Information section at the back of this report.

Past performance is not a guide to future performance. The value of investments and the revenue from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

## ONGOING CHARGES

Share class	31/12/12 (%)	30/06/12 (%)
Sterling Income	1.62	1.62
Sterling Exempt 2 (Net Accum.)	0.80	0.80
Sterling Institutional (Net Accum.)	1.05	1.05
Sterling X (Net Accum.)	0.05	0.05
Sterling P (Net Inc.)	1.05	1.06
Sterling Institutional W (Net Inc.)	0.80	N/A
Sterling Institutional W (Net Accum.)	0.80	N/A
Sterling Retail Adv B (Net Inc.)	1.12	N/A
Sterling Retail Adv B (Net Accum.)	1.12	N/A

The Ongoing Charges figure is made up of the Annual Management Charge (AMC) and other operating costs. The AMC is levied by the ACD and is used to pay the Investment Manager, Financial Adviser, Fund Accountant, Fund Administrator and Distributor. Other operating costs include the costs for other services paid for by the Fund, such as the fees paid to the Depositary, Custodian, Auditor and Regulator.

The Ongoing Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two. Shareclasses with less than 12 months history may be estimated based on other shareclass data.

## MAJOR HOLDINGS

Holding	31/12/12 (%)	30/06/12 (%)
Royal Dutch Shell B	4.62	4.84
British American Tobacco	4.51	4.86
BHP Billiton	4.33	3.55
Standard Life	4.29	3.19
GlaxoSmithKline	4.27	4.61
Associated British Foods	4.16	4.42
SSE	4.13	4.27
Centrica	3.98	4.01
Sage	3.94	3.98
Reed Elsevier	3.83	3.26
BG	3.18	3.84
BP	0.00	3.86

## PRICE AND REVENUE RECORD BY SHARE CLASS (CALENDAR YEAR)

Share class	Highest price	Lowest price	Net revenue per share*
<b>Sterling Income</b>	(pence)	(pence)	(pence)
2008	194.87	130.18	3.4356
2009	176.08	140.68	4.0519
2010	191.31	168.43	3.0925
2011	204.07	167.85	2.4222
2012	206.33	182.38	3.8087
<b>Sterling Exempt 2 (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	159.77	109.47	4.0078
2009	153.61	114.91	4.2957
2010	167.29	147.05	3.9198
2011	185.52	152.95	3.5749
2012	193.88	167.26	4.8940
<b>Sterling Institutional (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	153.92	105.19	3.5260
2009	147.24	110.33	3.8697
2010	160.24	140.92	3.3986
2011	177.15	146.01	3.0065
2012	184.47	159.36	4.2573
<b>Sterling X (Net Accum.)</b>	(pence)	(pence)	(pence)
2008	160.22	110.39	4.9743
2009	156.10	116.12	5.1172
2010	170.38	149.56	5.1202
2011	190.69	157.36	4.9770
2012	201.51	173.10	6.3822
<b>Sterling P (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 25 June)	111.47	99.50	0.0220
<b>Sterling Institutional W (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 5 September)	104.61	99.78	N/A
<b>Sterling Institutional W (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 5 September)	104.61	99.78	N/A
<b>Sterling Retail Adv B (Net Inc.)</b>	(pence)	(pence)	(pence)
2012 (from 27 September)	102.71	98.00	N/A
<b>Sterling Retail Adv B (Net Accum.)</b>	(pence)	(pence)	(pence)
2012 (from 27 September)	102.71	98.00	N/A

\* Distributions are shown in the year declared rather than paid.

## NET ASSET VALUE HISTORY

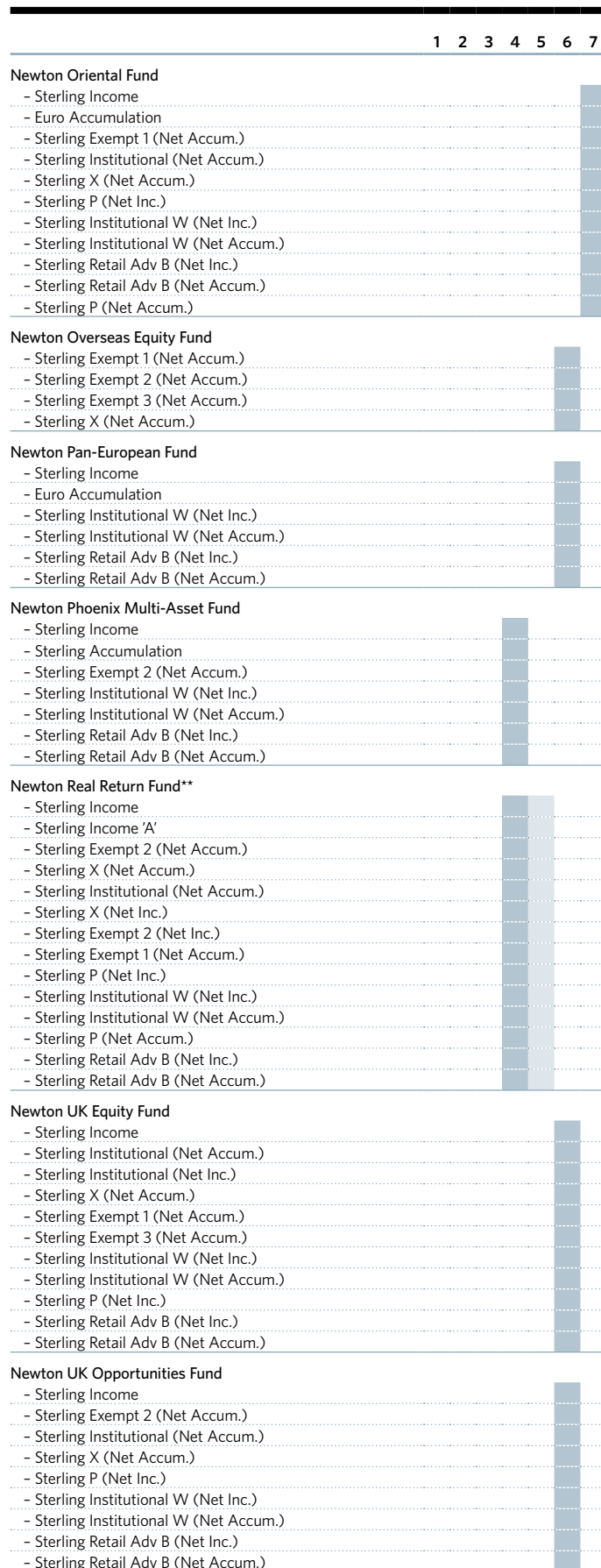
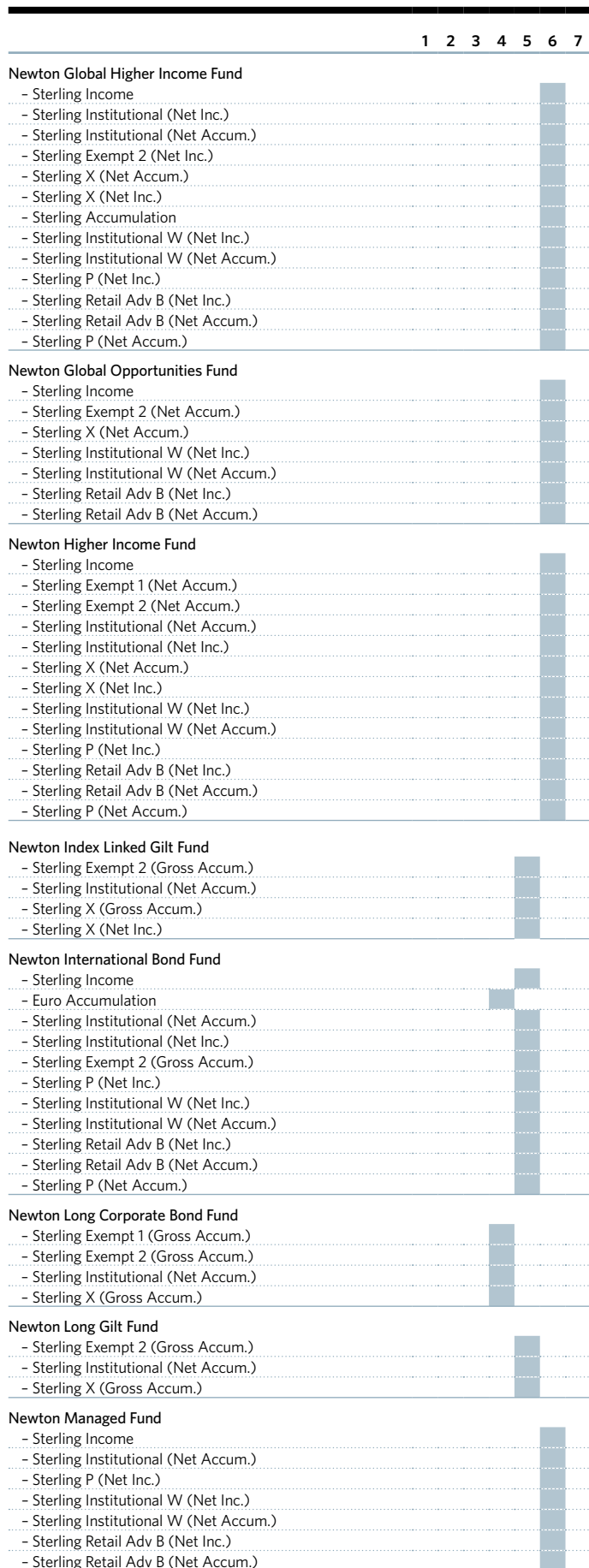
Share class as at	Net asset value (£'000)	Per share	Shares in issue
<b>Sterling Income</b>		(pence)	
30/06/10	252,327	169.17	149,151,913
30/06/11	291,314	198.23	146,954,870
30/06/12	243,909	189.12	128,968,179
31/12/12	256,185	204.67	125,171,254
<b>Sterling Exempt 2 (Net Accum.)</b>		(pence)	
30/06/10	26,865	150.90	17,803,427
30/06/11	28,806	180.45	15,963,514
30/06/12	24,555	177.06	13,868,492
31/12/12	23,619	192.13	12,293,366
<b>Sterling Institutional (Net Accum.)</b>		(pence)	
30/06/10	83,360	144.46	57,703,454
30/06/11	99,012	172.33	57,456,173
30/06/12	84,713	168.66	50,226,477
31/12/12	7,622	183.02	4,164,379
<b>Sterling X (Net Accum.)</b>		(pence)	
30/06/10	42,044	153.92	27,314,968
30/06/11	45,746	185.46	24,666,359
30/06/12	43,615	183.34	23,789,291
31/12/12	48,031	199.95	24,021,085
<b>Sterling P (Net Inc.)</b>		(pence)	
30/06/12	15	101.92	15,000
31/12/12	17	110.60	15,000
<b>Sterling Institutional W (Net Inc.)</b>		(pence)	
31/12/12	159	103.80	153,615
<b>Sterling Institutional W (Net Accum.)</b>		(pence)	
31/12/12	7	103.80	6,965
<b>Sterling Retail Adv B (Net Inc.)</b>		(pence)	
31/12/12	1,929	101.03	1,909,485
<b>Sterling Retail Adv B (Net Accum.)</b>		(pence)	
31/12/12	5	101.90	5,000

## PORTFOLIO CATEGORY

Investments	31/12/12 (%)	30/06/12 (%)
Oil & Gas Producers	9.51	12.54
Support Services	9.41	8.22
Tobacco	7.63	8.31
Life Insurance	7.60	6.20
Pharmaceuticals & Biotechnology	7.12	7.14
Gas, Water & Multiutilities	6.67	6.34
Media	5.33	5.36
Mining	4.33	6.20
Food Producers	4.16	4.42
Electricity	4.13	4.27
Software & Computer Services	3.94	3.98
Switzerland	3.38	3.19
Travel & Leisure	3.29	3.24
United States of America	3.23	2.33
Beverages	2.92	4.46
General Retailers	2.82	1.80
General Industrials	2.62	2.36
Aerospace & Defence	2.54	1.34
Oil & Gas Equipment, Services & Distribution	1.98	1.51
Financial Services	1.94	1.76
Construction & Materials	1.71	1.96
Cash & Others	3.74	3.07
	100.00	100.00

# Synthetic Risk Reward Indicator





\* The Synthetic Risk Reward Indicator was changed from category 7 to 6, effective 30 November 2012

\*\* The Synthetic Risk Reward Indicator was changed from category 5 to 4, effective 30 November 2012

Please note that these amendments are not due to a change in the investment objectives of the Sub-Fund, but are due to market movements during the reporting period.

We have calculated the risk and reward category, as shown above, using a method of calculation derived from EU rules. It is based on the rate at which the value of the Sub-Fund has moved up and down in the past (i.e. volatility) and is not a guide to the future risk and reward category of the Fund. The category shown is not a target or guarantee and may shift over time. Even the lowest category 1 does not mean a risk-free investment.

Sub-Funds in category 3 have in the past shown moderately low volatility. With a Sub-Fund of category 3, you have a moderately low risk of losing money but your chance for gains is also moderately low.

Sub-Funds in category 4 have in the past shown moderate volatility. With a Sub-Fund of category 4, you have a moderate risk of losing money but your chance for gains is also moderate.

Sub-Funds in category 5 have in the past shown moderately high volatility. With a Sub-Fund of category 5, you have a moderately high risk of losing money but your chance for gains is also moderately high.

Sub-Funds in category 6 have in the past shown relatively high volatility. With a Sub-Fund of category 6, you have a relatively high risk of losing money but your chance for gains is also relatively high.

Sub-Funds in category 7 have in the past shown very high volatility. With a Sub-Fund of category 7, you have a very high risk of losing money but your chance for gains is also very high.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

# Investor information

## General

BNY Mellon Investment Funds (the “Company”) is an open-ended investment company with variable capital, incorporated in England and Wales under registered number IC 27 and authorised by the Financial Services Authority with effect from 13 April 1999.

The Company has been established as an “umbrella company”. The assets of each Sub-Fund are treated as separate from those of every other Sub-Fund and will be invested in accordance with that Sub-Fund’s own investment objective and policy.

Each Sub-Fund has a specific portfolio of assets and investments to which the Sub-Fund’s assets and/or liabilities are attributable and each investor should view each Sub-Fund as a separate investment entity.

Investors should be aware that the Company’s creditors may look to all the Company’s assets for payment regardless of the Sub-Fund in respect of which the debt has arisen. Assets may be re-allocated to and from other Sub-Funds if it is necessary to do so to satisfy any creditor proceeding against the Company. In the event that any assets are so re-allocated, BNY Mellon Fund Managers Limited, the authorised corporate director, (“ACD”) will advise shareholders in the next report to shareholders. The FSA registered number for the ACD is 122007.

Each Sub-Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Sub-Fund and within the Sub-Funds charges will be allocated between Share Classes in accordance with the terms of issue of those Share Classes.

Any assets, liabilities, expenses, costs or charges not attributable to a particular Sub-Fund may be allocated by the ACD in a manner which is fair to shareholders as a whole but they will normally be allocated to all Sub-Funds pro rata to the value of the net assets of the relevant funds.

Although each Sub-Fund, so far as possible, will be treated as bearing the liabilities, expenses, costs and charges attributable to it, if its assets are not sufficient, the ACD may re-allocate assets, liabilities, expenses, costs and charges between the Sub-Funds in a manner which is fair to the shareholders of the Company generally. The ACD would normally expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Values of the relevant Sub-Funds. If there is any such re-allocation the ACD will advise shareholders of it in the next succeeding annual or half-yearly report to shareholders.

Shareholders are not, however, liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after he has paid the purchase price of the Shares.

## Significant events

The following additions and amendments have been made:-

### Additions:-

**2000** – Launched Newton Global Innovation Fund (24 March); Newton European High Yield Bond Fund (2 October) and A Share Class of Newton Intrepid Fund (27 October).

**2002** – Launched Newton UK Opportunities Fund (8 February).

**2004** – Launched Newton American Fund – Sterling Exempt 1 (Net Accum.) (2 August), Newton Income Fund – Sterling Exempt 2 (Net Accum.) (14 September), Newton Absolute Intrepid Fund – Sterling Exempt 2 (Net Accum.) (28 October), Newton UK Equity Fund – Sterling Exempt 2 (Net Accum.) (14 November).

**2005** – Launched Newton Higher Income Fund – Sterling Exempt 2 (Net Accum.) (26 January) and Sterling Institutional (Net Accum.) (11 April), Newton Overseas Equity Fund – Sterling Exempt 2 (Net Accum.) (26 January), Newton UK Opportunities Fund – Sterling Exempt 2 (Net Accum.) (31 January) and Sterling Institutional (Net Accum.) (25 May), Newton Income Fund – Sterling Institutional (Net Accum.) (11 April), Newton Global Balanced Fund – Sterling Exempt 2 (Net Accum.) (14 April), Newton Long Corporate Bond Fund – Sterling Exempt 2 (Gross Accum.) (6 May), Newton Global Opportunities Fund (1 July), Newton 60/40 Global Equity Fund – Sterling Exempt 2 (Net Accum.) (3 November), Newton Global Higher Income Fund (30 November), Newton Asian Income Fund (30 November), Newton International Bond Fund – Sterling Institutional (Net Accum.) (7 December).

**2006** – Launched the following Sub-Funds/Share Classes: Newton International Growth Fund – Sterling Exempt 1 (Net Accum.) (2 February), Newton Absolute Intrepid Fund – Sterling X (Net Accum.) (27 February), Newton Global Dynamic Bond Fund – Sterling Income and Sterling Exempt 2 (Gross Accum.) (28 April), Newton Higher Income Fund – Sterling Institutional (Net Inc.) (2 May), Newton Balanced Fund – Sterling Institutional (Net Accum.) (5 June), Newton Managed Fund – Sterling Institutional (Net Accum.) (12 June), Newton Income Fund – Sterling Institutional (Net Inc.) (23 June), Newton Global Dynamic Bond Fund – Sterling Institutional (Net Inc.) (29 June), Newton Global Higher Income Fund – Sterling Exempt 2 (Net Inc.) (4 August), Newton Long Corporate Bond Fund – Sterling Institutional (Net Accum.) (24 October), Newton Phoenix Multi-Asset Fund – Sterling Income and Sterling Accumulation (27 November), Newton Global Opportunities Fund – Sterling X (Net Accum.) (12 December).

**2007** – Launched the following Sub-Funds/Share Classes: Newton Oriental Fund – Sterling Institutional (Net Accum.) (29 January), Newton European Higher Income Fund – Sterling Income and Sterling Institutional (Net Inc.) (30 January), Newton Long Corporate Bond Fund – Sterling X (Gross Accum.) (2 April), Newton Long Gilt Fund – Sterling X (Gross Accum.) (2 April), Newton Overseas Equity Fund – Sterling X (Gross Accum.) (16 April), Newton UK Equity Fund – Sterling X (Net Accum.)



(16 April), Newton International Bond Fund – Sterling Institutional (Net Inc.) (27 April) and Sterling Exempt 2 (Gross Accum.) (18 May), Newton Higher Income Fund – Sterling X (Net Accum.) (2 July), Newton UK Opportunities Fund – Sterling X (Gross Accum.) (2 July), Newton Oriental Fund – Sterling X (Net Accum.) (3 July), Mellon Long-Term Global Equity Fund (Walter Scott & Partners Limited act as Investment Advisers to this Sub-Fund) – Sterling Institutional (Net Accum.) and Sterling Exempt 2 (Net Accum.) (24 August), Newton European Higher Income Fund – Sterling Institutional (Net Accum.) (10 September), Newton International Growth Fund – Sterling X (Net Accum.) (10 September), Mellon Long-Term Global Equity Fund – Sterling Income (28 September), Newton Global Higher Income Fund – Sterling X (Net Accum.) (1 October), Newton Index Linked Gilt Fund – Sterling X (Gross Accum.) (1 October), Newton Diversified Growth Fund – Sterling Institutional (Net Accum.) and Sterling Exempt 2 (Net Accum.) (14 December).

**2008** – Launched the following Share Classes: Newton Phoenix Multi-Asset Fund – Sterling Exempt 2 (Net Accum.) (1 February), Newton European High Yield Bond Fund – Sterling X (Net Accum.) (19 March), Newton Global Dynamic Bond Fund – Sterling X (Net Accum.) (19 March), Newton Income Fund – Sterling X (Net Accum.) (19 March), Newton Strategic Corporate Bond Fund – Sterling X (Net Accum.) (19 March).

**2009** – Launched the following Sub-Funds/Share Classes: Newton International Growth Fund – Sterling Exempt 3 (Net Accum.) (2 February), Newton Growth Fund – Sterling Institutional (Net Accum.) (3 March), Newton Asian Income Fund – Sterling X (Net Inc.) (2 April), Newton European Higher Income Fund – Sterling X (Net Inc.) (2 April), Newton Higher Income Fund – Sterling X (Net Inc.) (2 April), BNY Mellon Global Strategic Bond Fund – Sterling Income, Sterling Institutional (Net Inc.) and Sterling Institutional (Net Accum.) (9 April), Newton International Bond Fund – Sterling X (Net Accum.) (29 June), Newton Real Return Fund – Sterling Institutional (Net Accum.) (30 June), Sterling X (Net Inc.) (15 July) and Sterling Exempt 2 (Net Inc.) (14 August), Newton Overseas Equity Fund – Sterling Exempt 3 (Net Accum.) re-opened (22 September), Newton UK Equity Fund – Sterling Exempt 2 (Net Accum.) re-opened (15 October) and Sterling X (Net Accum.) re-opened (14 December).

**2010** – Launched the following Share Classes: Newton Real Return Fund – Sterling P (Net Accum.) (26 February), Newton Global Higher Income Fund – Sterling X (Net Inc.) (8 October), Newton Higher Income Fund – Sterling X (Net Inc.) re-opened (8 October), Newton Global Dynamic Bond Fund – Sterling X (Net Inc.) (11 October), Newton European Higher Income Fund – Sterling X (Net Inc.) re-opened (12 November), BNY Mellon Long-Term Global Equity Fund – Sterling X (Net Accum.) (17 December).

**2011** – Launched the following Share Classes: Newton Global Dynamic Bond Fund – Sterling X (Gross Accum.) (18 February), Newton Global High Yield Bond Fund – Sterling X (Net Inc.) (25 May), Newton Income Fund – Sterling X (Net Inc.) (25 May), Newton Index Linked Gilt Fund – Sterling X (Net Inc.) (25 May).

**2012** – Launched the following Share Classes: Newton Asian Income Fund – Euro Institutional (Net Accum.) (30 January), Newton Real Return Fund – Sterling Exempt 1 (Net Accum.) (29 February), Newton Asian Income Fund – Euro Institutional (Net Inc.), Euro

Accumulation and Euro Income (5 March), Newton Global Higher Income Fund – Sterling Accumulation (13 March), Newton Asian Income Fund – US Dollar Institutional (Net Inc.), US Dollar Institutional (Net Accum.), US Dollar Income and US Dollar Accumulation (2 April), Newton UK Equity Fund – Sterling Exempt 1 (Net Accum.) and Sterling Exempt 3 (Net Accum.) (2 April), BNY Mellon American Fund – Sterling Institutional (Net Accum.) (24 April), Newton Continental European Fund – Sterling P (Net Inc.) (20 June), Newton Corporate Bond Fund – Sterling P (Net Inc.) (20 June), Newton Global Balanced Fund – Sterling P (Net Inc.) (21 June), Newton Global Dynamic Bond Fund – Sterling P (Net Inc.) (21 June), Newton Global Equity Fund – Sterling P (Net Inc.) (21 June), Newton International Bond Fund – Sterling P (Net Inc.) (22 June), Newton Managed Fund – Sterling P (Net Inc.) (22 June), Newton Oriental Fund – Sterling P (Net Inc.) (22 June), Newton Real Return Fund – Sterling P (Net Inc.) (25 June), Newton UK Opportunities Fund – Sterling P (Net Inc.) (25 June), BNY Mellon American Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (30 August), BNY Mellon Global Strategic Bond Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (30 August), BNY Mellon Long-Term Global Equity Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (30 August), Newton Asian Income Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (30 August), Newton Continental European Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (30 August), Newton Balanced Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (31 August), Newton Cautious Managed Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (31 August), Newton Managed Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (31 August), Newton Pan-European Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (31 August), Newton Corporate Bond Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (3 September), Newton European Higher Income Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (3 September), Newton Global Dynamic Bond Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (3 September), Newton Global Equity Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (3 September), Newton Global High Yield Bond Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (3 September), Newton Global Higher Income Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (4 September), Newton Global Opportunities Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (4 September), Newton Higher Income Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (4 September), Newton International Bond Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (4 September), Newton Oriental Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (4 September), Newton Phoenix Multi-Asset Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (5 September), Newton Real Return Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (5 September), Newton UK Equity Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (5 September), Newton UK Opportunities Fund – Sterling Institutional W (Net Inc.) and Sterling Institutional W (Net Accum.) (5 September), Newton Asian Income Fund – Sterling P (Net Inc.) (20 September),



Newton Cautious Managed Fund – Sterling P (Net Inc.) (20 September), Newton European Higher Income Fund – Sterling P (Net Inc.) (20 September), Newton Global High Yield Bond Fund – Sterling P (Net Inc.) (21 September), Newton Global Higher Income Fund – Sterling P (Net Inc.) (21 September), Newton Higher Income Fund – Sterling P (Net Inc.) (21 September), Newton UK Equity Fund – Sterling P (Net Inc.) (21 September), BNY Mellon American Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (24 September), BNY Mellon Global Strategic Bond Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (24 September), BNY Mellon Long-Term Global Equity Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (25 September), Newton Global Opportunities Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (25 September), Newton Oriental Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (26 September), Newton Continental European Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (27 September), Newton Phoenix Multi-Asset Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (27 September), Newton UK Opportunities Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (27 September), Newton Balanced Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (28 September), Newton Pan-European Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (28 September), Newton Asian Income Fund – Sterling Retail Adv B (Net Inc.), Sterling Retail Adv B (Net Accum.) and Sterling P (Net Accum.) (1 October), Newton Global Higher Income Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (1 October), Newton European Higher Income Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (2 October), Newton Global Dynamic Bond Fund – Sterling Retail Adv B (Net Inc.), Sterling Retail Adv B (Net Accum.) (2 October) and Sterling P (Net Accum.) (3 October), Newton Global Higher Income Fund – Sterling P (Net Accum.) (3 October), Newton Higher Income Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (3 October), Newton International Bond Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (3 October), Newton Corporate Bond Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (4 October), Newton Emerging Income Fund – Sterling Income, Sterling Accumulation, Sterling X (Net Inc.), Sterling X (Net Accum.) and Sterling Institutional W (Net Inc.) (4 October), Newton Global High Yield Bond Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (4 October), Newton Higher Income Fund – Sterling P (Net Accum.) (4 October), Newton Cautious Managed Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (5 October), Newton Managed Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (5 October), Newton Oriental Fund – Sterling P (Net Accum.) (5 October), Newton Real Return Fund – Sterling P (Net Accum.) (5 October), Newton Global Equity Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (8 October), Newton Real Return Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (8 October), Newton UK Equity Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (9 October), Newton Corporate Bond Fund – Sterling P (Net Accum.) (12 October), Newton Emerging Income Fund – Sterling Institutional W (Net Accum.), Sterling Institutional (Net Inc.) and Sterling Institutional (Net Accum.) (15 October), Newton Global High Yield Bond Fund

– Sterling P (Net Accum.) (15 October), Newton International Bond Fund – Sterling P (Net Accum.) (16 October), Newton Emerging Income Fund – Sterling Retail Adv B (Net Inc.) and Sterling Retail Adv B (Net Accum.) (23 October).

#### **Amendments:-**

##### **2004 –**

- **30 July** – Newton Intrepid Fund name changed to Newton Absolute Intrepid Fund.
- **31 July** – Following the restructuring of Newton's range of exempt unit trusts, a number of Sub-Funds and/or Share Classes were added to the Company. The Sub-Funds offer one or more of the following Share Class types – Sterling Income, Mellon Newton Euro Accumulation, Sterling Exempt 1 (Net Accum.), Sterling Exempt 2 (Net Accum.), Sterling Exempt 1 (Gross Accum.), Sterling Exempt 2 (Gross Accum.), Sterling Institutional (Net Accum.).
- **2 August** – The name of the Company was changed from Newton Investment Funds to Mellon Investment Funds ICVC ("MIF") and the name of the ACD was changed from Newton Fund Managers Limited to Mellon Fund Managers Limited.

##### **2005 –**

- **31 March** – Mellon Newton Euro Accumulation shares name changed to Euro Accumulation shares. The following Sub-Funds offer a Euro Accumulation Share Class: Newton American Fund, Newton Continental European Fund, Newton Global Innovation Fund, Newton International Bond Fund, Newton International Growth Fund, Newton Japan Fund, Newton Oriental Fund and Newton Pan-European Fund. The MIF Prospectus was amended to include an Exempt 3 class for all Sub-Funds as and when required.
- **1 July** – The MIF Prospectus was amended to include a Sterling X Share Class for all Sub-Funds as and when required. MIF is meeting the requirements of the European Union Savings Directive (EUSD).
- **30 September** – At a series of Extraordinary General Meetings of Shareholders in the Company the following changes were approved and effected from:
- **1 October** –
  - The objective of the Company was changed, as stated in the Instrument of Incorporation, to enable Sub-Funds of the Company to take up the wider powers prescribed by the recently amended UCITS Directive. The wider powers were adopted by the following Sub-Funds: Newton European High Yield Bond Fund, Newton Strategic Corporate Bond Fund (formerly Newton High Yield Bond Fund), Newton International Bond Fund, Newton Long Corporate Bond Fund, Newton Absolute Intrepid Fund, Newton Balanced Fund, Newton Global Balanced Fund and Newton Managed Intrepid Fund. Consequently the investment objective and policy of these Sub-Funds was amended to permit greater investment flexibility, including the greater use of derivatives.
  - The Newton High Yield Bond Fund name changed to Newton Strategic Corporate Bond Fund.
  - The following Sub-Funds had the investment objective and policy amended to take up/permit greater investment flexibility but did not take up the wider investment powers permitted under the amended UCITS Directive: Newton American Fund, Newton Continental European Fund, Newton Income Fund, Newton Index Linked Gilt Fund, Newton Japan Fund, Newton Oriental Fund, Newton Pan-European Fund and Newton UK Equity Fund.

- The limit on investing in other collective investment schemes was increased from 5% to 10% on all Sub-Funds.
- The investment objective of all Sub-Funds explicitly permits the use of collective investment schemes as an asset class.
- The investment objective and policy of the Newton International Bond Fund was amended to remove the list of Government and other public securities allowable for investment.
- **14 October** – The basis for charging Registrar Fees and other allowable expenses to the Sub-Funds changed. An Administration Fee of 0.10% per annum is charged on Sterling Income Share Class; 0.03% per annum is charged on Sterling Institutional (Net Inc.), Sterling Institutional (Net Accum.) Share Class and all Exempt and Sterling X Share Classes. The Administration Fee is calculated and accrued daily and payable monthly.
- **8 November** – The Prospectus was amended to include an Sterling Institutional (Net Inc.) Share Class for all Sub-Funds as and when required.
- **13 November** – The annual management charge of the Newton Absolute Intrepid Fund is charged to capital rather than income.

#### 2006 –

- **30 June** – Newton Managed Intrepid Fund was merged into Newton Absolute Intrepid Fund.
- **18 December** – Newton Global Innovation Fund was closed.

#### 2007 –

- **1 September** – Newton Growth Fund annual management charge increased to 1.5%.
- **1 October** –
  - Following the successful merger of Mellon Financial Corporation with Bank of New York, Mellon Fund Managers Limited became part of BNY Asset Management International Holdings Limited.
  - Newton Strategic Corporate Bond Fund changed from the IMA UK Other Bond to the IMA UK Corporate Bond Sector.
- **3 October** – the Sterling Exempt 3 (Net Accum.) Share Class of both the Newton Overseas Equity Fund and the Newton UK Equity Fund was closed.
- **31 December** – Newton Equity & Bond Fund changed sector from IMA UK Equity & Bond Income to IMA Balanced Managed. The performance record was retained.

#### 2008 –

- **31 March** –
  - Following the successful merger of Mellon Financial Corporation with The Bank of New York, the name of the Company changed from Mellon Investment Funds ICVC (“MIF”) to BNY Mellon Investment Funds (“BNY MIF”) and the name of the ACD from Mellon Fund Managers Limited to BNY Mellon Fund Managers Limited.
  - Mellon Long-Term Global Equity Fund name changed to BNY Mellon Long-Term Global Equity Fund.
- **11 June** – Newton Absolute Intrepid Fund changed sector from IMA Active Managed to IMA Absolute Return. The performance record from 31 March 2004 is retained.
- **1 July** – No initial charge will be applied to the reinvestment of distribution income.
- **18 September** – Newton UK Equity Fund Sterling X (Net Accum.) Share Class was closed.
- **31 December** – the name of the Newton Strategic Corporate Bond Fund changed to Newton Corporate Bond Fund.

- The Newton Corporate Bond Fund moved from the IMA UK Corporate Bond Sector to the IMA £ Corporate Bond Sector. The performance record was retained.
- Newton Higher Income Fund – at the interim accounting date (31 December 2008), in accordance with the Regulations and the objective of the Sub-Fund, a proportion of the income available for distribution was retained within the Sub-Fund. For the period 1 January to 30 June 2009, the value of the deferred income was included in the daily Net Asset Value (NAV) calculations and, therefore, included in the published price. At the annual accounting date (30 June 2009) all accrued income was distributed.
- Suspension of dealing – the ACD and Depositary have agreed that the previous suspension limit of 28 days be extended to indefinite. The ACD and Depositary must review the temporary suspension at least every 28 days and inform the FSA of the result of that review with the aim of ending the temporary suspension as soon as practicable after the exceptional circumstances have ceased. Following the end of the temporary suspension, for dealing purposes, the ACD will recommence the calculation of the net asset value and share price of the fund(s) at the next relevant valuation point.

#### 2009 –

- **28 January** – Newton Diversified Growth Fund Sterling Exempt 2 (Net Accum.) Share Class was closed.
- **5 February** – Newton Diversified Growth Fund Sterling Institutional (Net Accum.) Share Class was closed.
- **25 February** – Newton UK Equity Fund Sterling Exempt 2 (Net Accum.) Share Class was closed.
- **1 July** –
  - Newton Absolute Intrepid Fund name changed to Newton Real Return Fund.
  - Newton Higher Income Fund distribution frequency changed from half-yearly to quarterly.
  - BNY Mellon Long-Term Global Equity Fund minimum investment level reduced to £1,000 and ISA functionality introduced.
  - Administration for the Sterling Exempt and Sterling X Share Classes moved from the London office to BNY Mellon House, Ingrave Road, Brentwood, CM15 8TG.
  - Shares in Exempt and Sterling X Share Classes represented to 4 decimal places.
- **1 August** – The annual management charge of the Newton Income Fund is charged to capital rather than income.
- **9 October** – Newton International Bond Fund Sterling X (Net Accum.) Share Class was closed.
- **30 October (close of business)** –
  - **Newton European High Yield Bond Fund**
    - At an Extraordinary General Meeting held on 28 October 2009, Shareholders voted in favour of the following changes which will be implemented with effect from midnight on 30 October 2009:-
      - The name of the Newton European High Yield Bond Fund changed to Newton Global High Yield Bond Fund;
      - The investment objective changed to:-
 

“The objective of the Sub-Fund is to achieve a high yield from a globally diversified portfolio which may include but is not limited to fixed interest bonds and other debt instruments (such as floating rate notes and index-linked notes). The Sub-Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes. At least 80% of the Sub-Fund’s assets should be in Sterling denominated assets or hedged back to Sterling” with effect from 31 October 2009;

- The IMA sector changed from Global Bonds to £ High Yield – please note that the performance history has been retained.

#### **Newton Equity & Bond Fund**

- The lead fund manager changed from Jamie Korner to Simon Nicholls.
- **30 November (close of business)** – Newton Global Dynamic Bond – change of benchmark from a customised benchmark of 25% Merrill Lynch Global Bond Index; 25% Merrill Lynch Global High Yield Index; 25% JP Morgan Emerging Markets Bond Index; 25% JP Morgan Global Bonds Index hedged to a cash benchmark of LIBOR 1-Month GBP + 2% p.a. (gross).
- **31 December 2009 (midnight)** – the following changes were implemented on the Newton Equity & Bond Fund:-
  - The Annual Management Charge was reduced on the Sterling Income Share Class from 1.5% to 1.25% and on the Sterling Institutional (Net Accum.) Share Class from 1% to 0.75%.
  - The IMA sector changed from Balanced Managed to Cautious Managed.

#### **2010 –**

- **29 January (midnight)** – The name of the Newton Equity & Bond Fund changed to Newton Cautious Managed Fund.
- **19 March** – Newton Real Return Fund Sterling P (Net Accum.) Share Class was reduced to zero.
- **31 March (midnight)** – The following changes were made to the Newton 60/40 Global Equity Fund:-
  - Name changed to Newton 50/50 Global Equity Fund.
  - Investment objective changed as follows:  
“The objective of the Sub-Fund is to invest in a broad spread of UK and international securities to achieve income and capital growth over the longer term.”
  - The Sub-Fund will be managed to a benchmark of approximately 50% UK and 50% international equities.
  - The Sub-Fund may also invest in collective investment schemes.
  - The benchmark changed to:
    - 50% UK equities represented by FTSE All Share; and
    - 50% overseas equities represented by 1/3 FTSE AW North America, 1/3 FTSE AW Europe ex UK and 1/3 FTSE AW Asia Pacific.
- **27 April** –
  - The Newton European Higher Income Fund Sterling X (Net Inc.) Share Class was reduced to zero.
  - The Newton Higher Income Fund Sterling X (Net Inc.) Share Class was reduced to zero.

#### **2011 –**

- **4 February** – Newton Corporate Bond Sterling X (Net Accum.) Share Class closed.
- **17 June** – Newton Japan Fund Sterling Exempt 1 (Net Accum.) Share Class was closed.
- **24 June** – Newton Japan Fund was closed.
- **26 September** – Newton Income Fund Sterling X (Net Inc.) Share Class was reduced to zero.
- **17 October** –
  - As part of an internal re-structuring in 2011 The Royal Bank of Scotland Group plc transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc was appointed as depositary of the Funds on 17 October 2011.

As depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland and the change of depositary will have no impact on the way the Funds are operated.

- The settlement cycle of Newton Long Gilt Fund Sterling Exempt 2 (Gross Accum.) and Sterling X (Gross Accum.) Share Class and of Newton Index Linked Gilt Fund Sterling Exempt 2 (Gross Accum.), Sterling X (Net Inc.) and Sterling X (Gross Accum.) Share Class changed from T+1 to T+4.

#### **2012 –**

- **30 January** –
  - The name of the Newton International Growth Fund changed to Newton Global Equity Fund.
  - The Investment Adviser of the Newton American Fund changed from Newton Investment Management Limited to The Boston Company Asset Management, LLC. The Sub-Fund name also changed to the BNY Mellon American Fund.
- **31 March** – The Newton Growth Fund and Newton UK Equity Fund merged into the Newton Income Fund.
- **2 April** – Following the successful merger, the Newton Income Fund was renamed the Newton UK Equity Fund.
- **4 September** – Newton UK Equity Sterling Exempt 2 (Net Accum.) Share Class was closed.
- **4 October** – Newton Emerging Income Fund launched.
- **7 December** – The ACD notified investors of its intention, subject to shareholder and regulatory approval, to merge the Newton Cautious Managed Fund into the Newton Managed Income Fund a Sub-Fund of BNY Mellon Managed Funds I. The ACD continues to progress with this process and investors will be updated as appropriate.

#### **2013 –**

- **28 January** – Newton Pan-European Fund was closed.
- **Client classification notice:** Under the FSA's Conduct of Business rules we are required to classify our investors. We have classified you as a Retail Client unless otherwise notified. This means that you will have the maximum amount of protection available for complaints and compensation, and will receive information in a straightforward way. However, some clients, such as professional investors, may not necessarily have the same rights under the Financial Ombudsman Service and the Financial Services Compensation Scheme. Further details may be found on our website – [www.bnymellonam.co.uk](http://www.bnymellonam.co.uk) under Client Classification.

The ACD makes available the daily prices of shares on its website: [www.bnymellonam.com](http://www.bnymellonam.com). Selected share prices are also available, free, via our Priceline on 0500 330 000. At the ACD's discretion, certain share prices are currently published in the Financial Times. The ACD has dispensed with the requirement to convene Annual General Meetings of the Company. However, Extraordinary General Meetings will continue to take place as and when required.

### **Dilution Adjustment**

As set out in the Prospectus, the ACD may make a dilution adjustment when calculating the price of a share. In deciding whether to make a dilution adjustment at any valuation point, the ACD will take into account the number of shares to be created or cancelled. Where the number of shares to be created exceeds the number of shares to be cancelled, the dilution adjustment to the share price will be upwards. Where the number of shares

to be cancelled exceeds the number of shares to be created, the dilution adjustment to the share price will be downwards.

### **Annual and Interim Reports**

The ACD acts on instructions received from shareholders when making a copy of the Interim and Annual Short Report for BNY Mellon Investment Funds available each year.

### **Help the Environment – Access the Reports Online**

You can log on to our website and access a copy of the Long Form Financial Statements and the Short Report in English, German, Spanish or Portuguese using the following links:-

English Long Form – [www.bnymellonam.com/mifenlong](http://www.bnymellonam.com/mifenlong)

English Short Report – [www.bnymellonam.com/mifenshort](http://www.bnymellonam.com/mifenshort)

German Long Form – [www.bnymellonam.com/mifdelong](http://www.bnymellonam.com/mifdelong)

German Short Report – [www.bnymellonam.com/mifdeshort](http://www.bnymellonam.com/mifdeshort)

Spanish Long Form – [www.bnymellonam.com/mifeslong](http://www.bnymellonam.com/mifeslong)

Spanish Short Report – [www.bnymellonam.com/mifesshort](http://www.bnymellonam.com/mifesshort)

Portuguese Long Form – [www.bnymellonam.com/mifptlong](http://www.bnymellonam.com/mifptlong)

Portuguese Short Report – [www.bnymellonam.com/mifptshort](http://www.bnymellonam.com/mifptshort)

A copy of the full Long Form financial statements is also available on written request from BNY Mellon Fund Managers Limited, Client Service Centre, PO Box 12041, Brentwood, CM14 9LS, England, United Kingdom. The annual accounting period is to 30 June and the interim accounting period is to 31 December.

### **Help the Environment – Opt Out and Access the Reports Online (UK Investors only)**

If you are a UK investor and have received a copy of the latest Short Report but would prefer not to receive a hard copy of the Annual and Interim Short Report for future reporting periods, please write to BNY Mellon Fund Managers Limited at Client Service Centre, PO Box 12041, Brentwood, CM14 9LS, England, United Kingdom. We will note your instructions on your account.

If you reside outside the UK but wish to receive a copy of the Annual and Interim Short Reports in English, please write to BNY Mellon Fund Managers Limited, Client Service Centre, PO Box 12041, Brentwood, CM14 9LS, England, UK and we will record your preference on your account.

The cost of producing the BNY MIF Interim and Annual Reports is charged to the Company in accordance with the provisions of the Regulations and the Prospectus. This Short Report is printed on recycled material from sustainable sources.

## INVESTMENT FUNDS INFORMATION

### Company

BNY Mellon Investment Funds  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

Tel.: +44 (0) 207 163 4300

### Authorised Corporate Director (ACD)

BNY Mellon Fund Managers Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

Tel.: +44 (0) 207 163 4300

### Directors of BNY Mellon Fund Managers Limited

G A Brisk (Chairman)  
L E Lenel  
A Mearns (resigned 31 October 2012)  
D M Turnbull

### Dealing

(i) For all Share Classes (other than Sterling Exempt and Sterling X):

Call, **free**, on 0500 440 000  
Call +44 (0) 203 528 4012

(ii) For Sterling Exempt and Sterling X Share Classes:

Call 0844 892 2715  
Fax 0844 892 2716

### Priceline

(i) Call, **free**, 0500 330 000

### Client Enquiries

(i) Call, **free**, on 0800 614 330  
(ii) Call +44 (0) 203 528 4002

### Authorisation

BNY Mellon Fund Managers Limited  
Authorised and regulated  
by the Financial Services Authority

BNY Mellon Fund Managers Limited  
Registered in England No. 1998251  
A subsidiary of BNY Mellon Asset Management International Limited with effect from 29 October 2012, prior to that a subsidiary of BNY Mellon Asset Management International Holdings Limited

### Investment Advisers

Newton Investment Management Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA  
Authorised and regulated  
by the Financial Services Authority

Walter Scott & Partners Limited  
One Charlotte Square  
Edinburgh EH2 4DR  
Authorised and regulated  
by the Financial Services Authority

Standish Mellon Asset Management Company LLC  
BNY Mellon Center  
201 Washington Street, Suite 2900  
Boston MA 02108-4408  
Registered with and regulated by the Securities and Exchange Commission

The Boston Company Asset Management LLC  
BNY Mellon Center  
One Boston Place  
Boston MA 02108-4408  
Registered with and regulated by the Securities and Exchange Commission

### Registrar and Administration

BNY Mellon Fund Managers Limited  
Client Service Centre  
PO Box 12041  
Brentwood  
CM14 9LS

### Depository

National Westminster Bank plc  
Trustee & Depositary Services  
Younger Building  
1st Floor  
3 Redheughs Avenue  
Edinburgh EH12 9RH

### Auditors

Ernst & Young LLP  
Ten George Street  
Edinburgh EH2 2DZ

Registered office:  
1 More London Place  
London SE1 2AF

## MANAGEMENT AND PROFESSIONAL SERVICES

### Austrian Paying and Information Agent

UniCredit Bank Austria AG  
Schottengasse 6-8  
A-1011 Vienna  
Austria

### Austrian Tax Agent

KPMG  
Kolingasse 19  
A-1090 Vienna  
Austria

### German Paying and Information Agent

JP Morgan AG  
Junghofstrasse 14  
D-60311 Frankfurt am Main  
Germany

### German Tax Agent

KPMG  
Marie-Curie-Strasse 30  
D-60439 Frankfurt am Main  
Germany

### Luxembourg Paying Agent

The Bank of New York Mellon Luxembourg S.A.  
2-4 rue Eugène Ruppert  
Vertigo Building – Polaris  
L-2453 Luxembourg

### Belgian Agent

J.P. Morgan Europe Limited,  
Brussels Branch  
1 Boulevard du Roi Albert II  
B-1210 Brussels  
Belgium

### Swiss Paying Agent & Representative Agent

BNP Paribas Securities Services, Paris, Succursale de Zurich  
Selnaustrasse 16  
CH-8002 Zurich  
Switzerland



The paper used to produce this  
report is 75% Recycled and  
obtained from a responsible source

**BNY Mellon Fund Managers Limited**  
**BNY Mellon Centre**  
**160 Queen Victoria Street**  
**London EC4V 4LA**

Registered office:  
BNY Mellon Centre,  
160 Queen Victoria Street, London EC4V 4LA  
Registered in England No.1998251.  
Authorised and regulated by the Financial Services Authority. A member of the IMA.