Newton SRI Fund for Charities

Interim Short Report
for the six months ended
30 September 2016 (unaudited)

NEWTON
Investment Management

Contents

General Information

Investment Objective and Policy

The objective of the Fund is to optimise the total return (being a combination of capital growth and income) for charity investors, through a global and balanced portfolio, screened against negative socially responsible investment criteria. The Fund is actively managed, investing in equities and fixed interest securities on a global basis with the aim of providing a balance between capital growth and income.

The investment universe will be determined through the Investment Manager's investment process and socially responsible investment screening by reference to the Negative criteria (the screening is provided by an external research provider). The three components of the Investment Manager's investment process are (i) building a strategic framework, (ii) undertaking global analysis and research and (iii) constructing a portfolio to meet specific client objectives. Further details on the Investment Manager's investment process are available by request to the Manager.

The Fund will typically invest in a range of asset classes to include UK equities, overseas equities and UK fixed interest securities (including government and corporate bonds). The Fund may gain exposure to property and commodities indirectly through exchange listed securities and/or collective investment schemes. In addition, the Fund may invest in cash (including, but not limited to commercial paper and certificates of deposit) and in collective investment schemes (including other investment funds managed by the Manager or its associates).

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, Credit risk and Counterparty risk. Because of the nature of the Fund's benchmark, the Fund will be constrained to investments that are deemed acceptable under the socially responsible investment (SRI) screen employed by the Fund. These factors may impact the performance of the Fund against the benchmark.

Fund Size £97.62m as at 30 September 2016

Unit Class Launch	
Sterling Accumulation	4 April 2014
Sterling Income	17 May 2010
X Units (Net Accumulation)	27 May 2014

Distribution

XD Dates	**Annual**	**Interim**	**Interim**	**Interim**
For all unit classes	31 March	30 June	30 September	31 December

Distribution Payment Dates	**Annual**	**Interim**	**Interim**	**Interim**
	31 May	31 August	30 November	28 February

Net Yield	**30/09/16**	**31/03/16**
Sterling Accumulation	2.43%	2.74%
Sterling Income	2.46%	2.77%
X Units (Net Accumulation)	2.43%	2.74%

Total Expense Ratio	**30/09/16**	**31/03/16**
Unit Class		
Sterling Accumulation	0.70%	0.70%
Sterling Income	0.70%	0.70%
X Units (Net Accumulation)	0.05%	0.05%

Statutory Performance Data

From	31/03/2016	31/03/2015	31/03/2014	31/03/2013
To	30/09/2016	31/03/2016	31/03/2015	31/03/2014
		%	**%**	**%**
Sterling Accumulation*	13.13	-3.25	N/A	N/A
Sterling Income*	13.13	-3.24	10.83	7.10
X Units (Net Accumulation)*	13.41	-2.73	N/A	N/A
37.50% FTSE All-Share/ 37.50% FTSE W World ex UK/ 20% FTSE Govt. All-Stocks/ 5% LIBID 7 Day**	13.28	-0.52	12.63	6.02

*Source: Lipper, midday prices, bid to bid, gross income reinvested, net of fees.
**Source: Index data provided by Datastream (in Sterling terms); index composite calculated by Newton.

The impact of the initial charge, which may be up to 1%, 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. Please remember that 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.

Fund Report

With asset prices continuing to be determined largely by monetary policy decisions, it is perhaps no surprise that the key drivers of financial markets in the period stemmed for the pronouncements of the world's central bankers. They were given plenty of ammunition from the political arena with the government in the UK falling into disarray immediately following the country's decision to leave the EU. Uncertainty ruled the day and it was left to the Bank of England to provide some shock absorbers to cushion against the economic fallout from the decision. A package that included a reduction in interest rates to 0.25%, £60bn of further gilt purchases and £10bn of corporate bonds, along with additional low-cost funding for banks, was duly delivered, giving momentum to financial asset markets.

The negative effect on sterling was considerable and is likely to result in a spike in inflation over the short term. What should perhaps be a greater concern was the effect this had on bond markets, with bond yields compressing along the curve, potentially triggering significant concerns for the future profitability of a still-fragile financial sector. Furthermore, this is likely to lead defined-benefit pension schemes to increase their reliance on equity returns and dividends to meet their liabilities, further heightening the pressure on corporate profits and cash flows.

In the US, the Federal Reserve (Fed) once again kept policy on hold, with markets participants once again left to the 'will they, won't they' guessing game that has characterised the recent US interest-rate decision-making process, with corresponding volatility in US bonds markets and dollar rates. The Fed agreed that, while the case for an increase in rates had strengthened, slack in the labour market and below-target inflation left further room for caution in its decision. US politics is now likely to be an increasingly dominant factor in market sentiment.

In Japan, market participants were largely unimpressed by the next stage of monetary policy to be tested by the Bank of Japan. Further rate cuts were not forthcoming (providing relief to the embattled financial sector); instead, the bank decided to 'fix' the nominal rate of the 10-year bond at zero, potentially encouraging free capital to be borrowed and invested in the economy, in an attempt to eliminate participants' deflationary mindset.

Attribution

In this buoyant market environment, the Fund generated a double-digit return (13.13%*) which was in line with its comparative index (13.28%**). This performance is as a result of good stock selection and bond positioning which was partly offset by a defensive cash weight and underweight positions in commodities and banks, which rallied strongly. The main detractor to relative performance was the Fund's underweight position in oil & gas and mining sectors, which performed well over the period as commodity prices recovered from low levels and company management undertook significant cost-cutting measures. Elsewhere, in the basic materials sector the holding in Bayer was punished for its takeover approach to Monsanto, undertaken in an attempt to consolidate the agricultural seeds and fertiliser markets.

The Brexit vote and the negative impact on the currency had a significant undesirable effect on UK domestic cyclical stocks. While we had limited exposure to the banking and real-estate sectors, which was a positive for the Fund, the holdings in the retail sector – Associated British Foods (via its Primark subsidiary) and Dixons Carphone – were negatively affected. We continue to believe these businesses offer longer term opportunities and took the opportunity to increase the Fund's weighting.

Not holding HSBC made the most negative relative contribution to the Fund over the period but this was offset to some extent by Citigroup, Principal Financial and AIA, which the Fund does hold and also performed well.

In technology, the holdings in the semiconductor area performed well. Of note, Infineon Technologies did very well as investors looked to the increasing penetration of semiconductors as the 'Internet of Things' gathered pace. Likewise, Applied Materials saw strong performance as its growth and profitability became more clear to the market. We continue to think both stocks remain well positioned for future growth.

The holdings in Sprint and SoftBank were also significant positive contributors. SoftBank owns a majority of Sprint and the improved performance here was one reason for SoftBank's strong performance. Sprint is the third-largest mobile telecommunications operator in the US and its shares had been hit by concerns over network quality and its debt levels. Both of these concerns have dissipated as the network has improved and the company has been able to refinance at lower rates of interest.

Activity review

We added a position in Alphabet (Google) following a period of relative weakness, as the company has the potential to benefit from growth both in its existing business and from any success of its many investments. Elsewhere we added to the position in Apple. The company's stable of products are necessities for many and interwoven with the lifestyle of modern society. Although product penetration is high, we believe the valuation of the company fails to reflect the value of the replacement market and sales of other services into its installed base, along with the option of success in future technology, where investments continue to be made.

We removed Emerson Electric as the stock had recovered following a period of weakness and we believed that there was a heightened level of risk as the company attempts to realign its portfolio via sales and purchases of businesses.

As global yield curves compress in tandem with ever looser monetary policy and despite growth fundamentals continuing to support fixed-interest securities, the risk and return paradigm from holding bonds has shifted towards the former in our view. We therefore reduced the Fund's fixed-interest weightings, reducing the holdings in longer dated UK government bonds, thereby reducing the duration of the Fund's fixed-interest holdings.

As asset prices become more inflated and interest rates remain at very low levels, insurer and asset manager Principal Financial, which has benefited from rising asset prices over the last few years, may suffer as its profitability drivers come under pressure or even reverse. We therefore decided to remove the position from the portfolio. We also reduced the holding in Dollar General, which has performed well and undergone a re-rating.

Fund Report (continued)

Outlook

Financial markets are becoming accustomed to dealing with volatility and recovering from economic or political shocks with the helping hand of a friendly central bank, ready to provide a crutch to markets suffering from bouts of uncertainty. Over the short to medium term, with factors such as the US election and the process of negotiating the UK’s exit from the EU continues, markets are likely to be tested with vacuums of uncertainty. Asset prices remain elevated by historical standards and are likely to remain so while low inflation and investor confidence in monetary policy remains intact, but eventually a return to growth will be needed to ensure asset prices can continue their ascent.

At a stock-specific level, the fragile and challenging growth backdrop and pricing environment emphasise the importance of cash flow generation, strength of balance sheets, and the ability to sustain pricing, or adapt to lower prices. We believe companies that are able to sustain and grow their franchises without the need for support from a generalised cyclical upswing in demand can be expected to continue to command premium valuations.

*Source: Lipper, midday prices, bid to bid, gross income reinvested, net of fees, Sterling Income.
**Source: Index data provided by Datastream (in Sterling terms); index composite calculated by Newton.

Statistics

Price and Revenue Record by Unit Class

Accounting period

Sterling Accumulation	Highest Price (p)	Lowest Price (p)	Net Revenue per unit (p)
31/03/2015	111.13	97.57	2.8183
31/03/2016	111.90	96.99	2.9174
30/09/2016	122.06	104.72	1.6494

Sterling Income	Highest Price (p)	Lowest Price (p)	Net Revenue per unit (p)
31/03/2014	123.26	112.46	3.3387
31/03/2015	133.14	117.44	3.3843
31/03/2016	133.19	113.01	3.4375
30/09/2016	140.05	121.20	1.9021

X Units (Net Accumulation)	Highest Price (p)	Lowest Price (p)	Net Revenue per unit (p)
31/03/2015	110.06	96.41	2.1745
31/03/2016	110.86	96.51	2.8824
30/09/2016	121.77	104.34	1.6372

Net Asset Value History by Unit Class

Sterling Accumulation as at	Net Asset Value (£)	Pence per unit	Units in issue
31/03/2015	34,704,193	109.39	31,723,932
31/03/2016	31,381,960	106.43	29,486,305
30/09/2016	35,238,144	120.63	29,212,822

Sterling Income as at	Net Asset Value (£)	Pence per unit	Units in issue
31/03/2014	71,960,649	121.24	59,355,758
31/03/2015	49,330,010	130.20	37,886,536
31/03/2016	45,664,018	123.18	37,070,782
30/09/2016	49,480,423	137.64	35,949,728

X Units (Net Accumulation) as at	Net Asset Value (£)	Pence per unit	Units in issue
31/03/2015	11,767,506	108.35	10,860,144
31/03/2016	11,761,292	105.97	11,098,308
30/09/2016	12,903,268	120.42	10,715,462

Major Holdings

Holding	30/09/16 %	Holding	31/03/16 %
Treasury 3.25% Stock 22/1/2044	4.43	Treasury 3.25% Stock 22/1/2044	4.63
Royal Dutch Shell class 'B' shares	2.52	Vodafone	2.75
Vodafone	2.51	Royal Dutch Shell class 'B' shares	2.73
GlaxoSmithKline	2.39	RELX	2.33
RELX	2.30	GlaxoSmithKline	2.26
Microsoft	2.09	Microsoft	1.99
Infineon Technologies	2.02	Prudential	1.68
Citigroup	1.86	Treasury 4.25% Stock 7/6/2032	1.64
Greencoat UK Wind	1.80	Citigroup	1.63
Prudential	1.74	Greencoat UK Wind	1.63

Portfolio Categories	30/09/16 %	31/03/16 %
United Kingdom	22.07	20.31
United States of America	19.59	19.38
UK Government Stocks	8.85	10.19
Collective Investment Schemes	7.90	8.41
Sterling Denominated Corporate Bonds	5.29	6.37
Japan	4.93	4.54
Switzerland	4.86	4.64
Netherlands	4.13	4.23
Germany	3.01	3.09
Denmark	1.83	0.66
Overseas Government Bonds	1.43	3.49
Ireland	1.40	1.21
Norway	1.25	1.14
Philippines	1.23	1.28
Hong Kong	1.15	0.97
Australia	1.12	2.01
Sweden	0.63	0.86
Italy	0.40	0.58
Thailand	0.00	0.63
Luxembourg	0.00	0.59
Cash & Others	8.93	5.42
	100.00	**100.00**

Directors' Statement

In accordance with the requirements of the rules in the Financial Conduct Authority's Collective Investment Schemes Sourcebook, we hereby sign the Report on behalf of the Directors of BNY Mellon Fund Managers Limited.

	}
	}
D M Turnbull	}
	} Directors
	}
	}
G A Brisk	}

BNY Mellon Fund Managers Limited
17 November2016

Additional Information

1 Pricing
The Manager may set the price of units within the limits, which are allowed by the Financial Conduct Authority's Collective Investment Schemes Sourcebook. The value of the Fund's underlying assets forms the basis for calculating the price of the units. The Fund is valued at 12 noon on each business day. This time is known as the valuation point.

2 Dilution adjustment
The Fund's investments are valued on a mid-market basis in accordance with the Financial Conduct Authority's regulations. However, the actual cost of purchasing or selling investments may deviate from the mid-market value used in calculating the unit price, due to dealing costs such as broker charges, taxes and any spread between the buying and selling prices of the underlying investments.These dealing costs can have an adverse effect on the value of the Fund, and this is known as "dilution".

The Financial Conduct Authority regulations allow the cost of dilution to be met directly from the Fund's assets or to be recovered from investors on the purchase or redemption of units, inter alia, by means of a dilution adjustment to the dealing price, which is the policy that has been adopted by the Manager. To mitigate the effects of dilution the Manager therefore has the discretion to make a dilution adjustment in the calculation of the dealing price and thereby adjust the dealing price of units on any given day. The need to make a dilution adjustment will depend on the volume of purchases or redemptions on any given day.

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

3 The net yield
The published yield of the Fund is the Historic Yield and reflects distributions declared over the past twelve months as a percentage of the quoted unit price as at the date shown. It does not include any initial charge and investors may be subject to tax on their distributions.

4 Equalisation
Equalisation applies only to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital.

5 Tax on distributions
Previously Income, whether it was distributed to Unitholders or reinvested in units, was net of tax at 10%. This was known as a 'tax credit' and was shown on the tax voucher together with the 'Dividend Distribution'. Both of these sums would have been shown separately on the Unitholders income tax return.

From April 2016, the 10% tax credit has been abolished and a £5,000 tax free dividend allowance introduced. Dividends above this level will be taxed at 7.5% (basic rate), 32.5% (higher rate) and 38.1% (additional rate). Dividend income will be treated as the top band of income.

A charity will not be liable to tax on distributions from the Fund, provided that the income is applied for charitable purposes.

6 Charges
An initial charge of 1.00% of the issue price is receivable by the Manager for Sterling Accumulation and Sterling Income units. Commission may be paid out of these sums to intermediaries by the Manager. An annual management charge of 0.65% for Sterling Accumulation and Sterling Income units and 'As agreed' for the X Accumulation Class, is deducted in monthly instalments from the Fund's revenue.

Any change to the management charge is subject to 60 days' written notice by the Manager. The Trust Deed also permits payment out of the Fund of the Trustee's fee (plus VAT) together with other fees and expenses associated with the operation of the Fund.

The Newton SRI Fund for Charities charges its Manager's periodic charge to the capital account of the Fund, and investors should be aware that there is a potential for future capital erosion.

7 Buying and selling
Instructions to buy and sell units can be provided to the Manager between 9.00 am and 5.00 pm on any business day, excluding UK public holidays. These will be effected at the price ruling at the next valuation point. Units may also be sold by sending us a completed and signed renunciation form. We will send you a contract note within one business day of processing your buy or sell instruction. No other acknowledgement of your instruction will be made. Payment of redemption proceeds will be made within four business days of receipt of a completed renunciation form.

Prices are calculated by reference to the net asset value of the Fund in accordance with the regulations.

8 The Price and yield of units
The most recent prices will be available on the Manager's website:-
http://charities.newton.co.uk/sites/charities/daily_prices/daily_prices.html
Prices may also be published in other media on each day the Fund is valued.

9 Trust status
The Fund is an authorised unit trust scheme under s243 of the Financial Services and Markets Act 2000. It is a Non-UCITS fund as defined by the Financial Services Authority's Collective Investment Schemes Sourcebook. The Fund was constituted by a Trust Deed dated 11 March 2010.

Additional Information (continued)

10 Minimum investment

The minimum investment for new Unitholders in the Income and Accumulation units is £5,000. Additional units may be purchased with a minimum of £2,500. Investments in X units is 'As agreed' with the Manager. These limits may be waived at the Manager's discretion.

11 Application forms, Prospectus and Long form Report and Accounts

All stated documents can be requested by calling 0344 892 2715 or writing to BNY Mellon Fund Managers Limited at the address stated on page 9.

12 Dealing arrangements

The Investment Manager uses dealing commission that it pays to brokers to cover costs relating to the purchase of research services from brokers or third parties. The Investment Manager considers such use of commission to be beneficial to the Funds, as it enables the Investment Manager to obtain valuable research in a cost effective manner.

Payment for research services is included within the full service commission paid to brokers for execution. A portion of this commission is recognised as being for advisory services, principally research. This advisory commission is redistributed across brokers and other research providers according to the value placed by the Investment Manager on the quality of research received.

The Investment Manager currently receives the following goods and services under its Dealing Arrangements in accordance with FCA guidance:
(1) goods and services relating to the provision of research;
- broker led research; and
- research from third party information providers;
- non-broker led research

13 A word of warning

Investors should remember that the value of units and the revenue from them can fluctuate and is not guaranteed. Past performance is not a guide to the future and you may not get back the full amount invested. Unit trusts should be regarded as long term investments and may not be suitable for money you may need at short notice. The value of overseas securities will be influenced by the rate of exchange which is used to convert these into sterling.

14 Significant events

There were no significant events during the period.

15 Client classification notice

Under the FCA'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.bnymellonim.co.uk under Client Classification.

Management and Professional Services

Manager and Registered Office
BNY Mellon Fund Managers Limited
BNY Mellon Centre
160 Queen Victoria Street, London EC4V 4LA
United Kingdom
Tel: 0344 892 2715

Client Enquiries:	Call free on 0344 892 2715
Dealing:	Call free on 0500 440 000

Directors
G A Brisk
H Lopez
J F Lubran
D M Turnbull (Chairman)

Trustee
National Westminster Bank plc
Trustee & Depositary Services
Younger Building
1st Floor
3 Redheughs Avenue
Edinburgh EH12 9RH
United Kingdom
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Investment Manager
Newton Investment Management Limited
BNY Mellon Centre
160 Queen Victoria Street, London EC4V 4LA
United Kingdom
(Authorised and regulated by the Financial Conduct Authority)

Registrar and Administration
BNY Mellon Fund Managers Limited
Client Service Centre
PO Box 366
Darlington, DL1 9RF
United Kingdom
(Authorised and regulated by the Financial Conduct Authority)

Auditors
Ernst & Young LLP
Ten George Street, Edinburgh EH2 2DZ
United Kingdom

Authorisation
BNY Mellon Fund Managers Limited is authorised and regulated by the Financial Conduct Authority.
A member of The Investment Association.

BNY Mellon Fund Managers Limited is registered in England No. 1998251.

A subsidiary of BNY Mellon Investment Management EMEA Limited.