

NEWTON

Investment
Management

SUSTAINABLE INCOME INVESTING

Raj Shant

5 March 2019

Types of responsible investment approaches

Newton's 3 broad approaches

EXCLUSIONS & SCREENING 'Traditional SRI'²



- + Proactive application of investor's values
- Reduction of investment opportunity set

INTEGRATED ESG¹ 'Active Ownership'



- + Maximal opportunity set; no specific values applied
- May invest in companies with ESG risks

SUSTAINABLE



- + More emphasis on positive societal outcomes
- + Some exclusions, but more emphasis on measurable engagement
- Omits companies with positive financial prospects but negative ESG profiles

Note: ¹ Environmental, Social and Governance; ² Socially Responsible Investment.
Source: Newton, 30 June 2018.

Sustainability? A Tower of Babel?

Not really...

Oxford English Dictionary

1. Able to be maintained at a certain rate or level.
2. Conserving an ecological balance by avoiding depletion of natural resources.
3. Able to be upheld or defended.

Bruntland Report for the World Commission on Environment and Development 1987:

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

NEWTON

At Newton, sustainability means durable business models and accounting for externalities¹

Note: ¹ An externality is a consequence of commercial activity which affects other parties without being reflected in market prices, for example pollution by an industrial plant that may affect residents in the surrounding areas, but has no financial cost for the plant itself.

Source: Newton, October 2018.

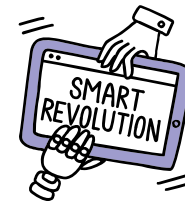
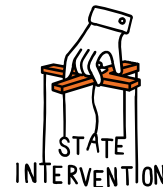
Sustainability doesn't need to be a complex concept

Newton's 3 point view of sustainability

1 Economic durability

2 Take account of material externalities

3 Evaluation of sustainability risks & opportunities



Durable business models AND accounting for externalities

Academic research supports an ESG¹ approach

CORPORATE SUSTAINABILITY: FIRST EVIDENCE ON MATERIALITY

Harvard Business School Working Paper, 2015 (Khan, Serafeim & Yoon)

- Firms improving their performance on ESG issues exhibit better stock market performance and profitability in the future.

THE ECONOMIC VALUE OF CORPORATE ECO-EFFICIENCY

Kellogg School of Business 2010 (Guenster, Derwall, Bauer & Koedjik)

- Implications for company managers, who evidently do not have to overcome a trade-off between eco-efficiency and financial performance, and for investors, who can exploit environmental information for investment decisions.

A TALE OF VALUES-DRIVEN AND PROFIT-SEEKING SOCIAL INVESTORS

Journal of Banking and Finance vol 35, 2011 (Derwall, Koedijk & Ter Horst)

- Performance depends on the type of SI strategy: they distinguish ethical or values oriented strategies, which tend to underperform, and profit-oriented SI strategies. The latter use ESG information for better decision making, and outperform mainstream strategies.

JOURNAL OF SUSTAINABLE FINANCE AND DEVELOPMENT META-STUDY

2015

- A large majority of the studies showed positive financial effects of ESG criteria. We highlight that the positive ESG impact on CFP² appears stable over time.

Notes:

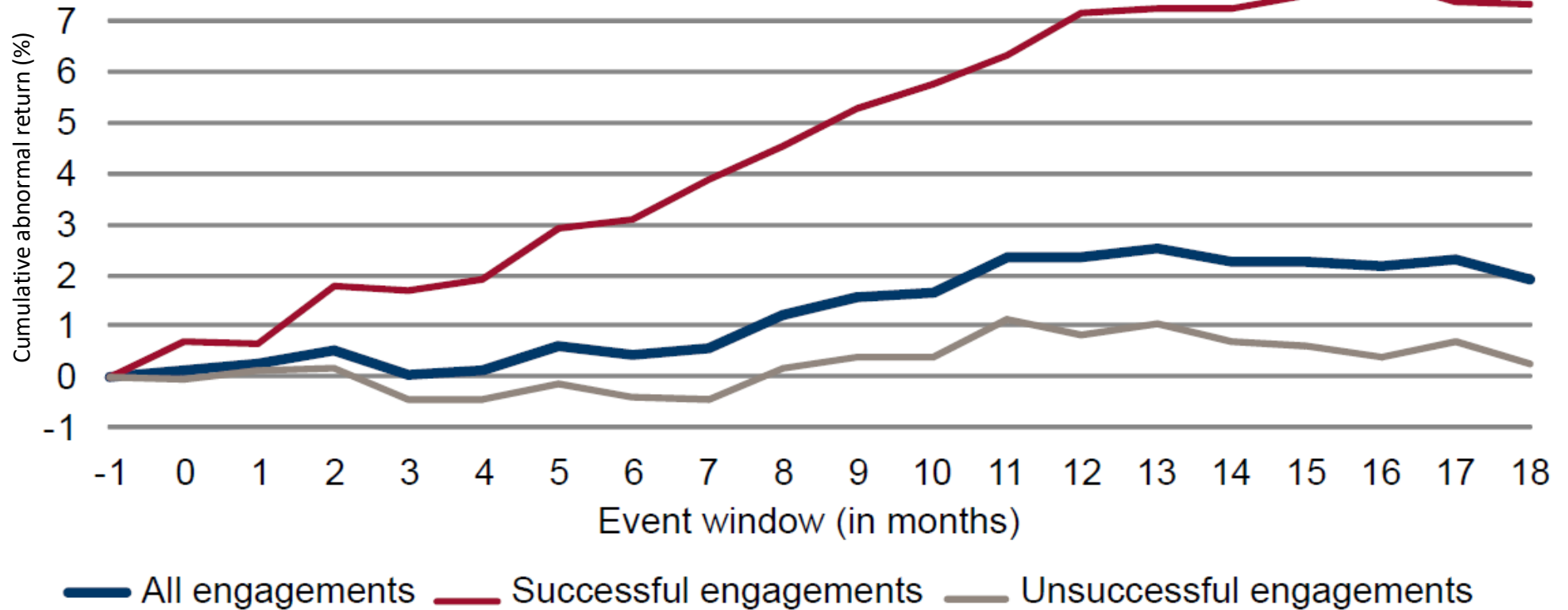
¹ Environmental, Social and Governance.

² Corporate Financial Performance.

Growing body of evidence to support Newton's sustainable approach

Cumulative abnormal returns after engagement

613 US companies 1999-2009



For illustrative purposes only.
Source: Dimson, Li and Karakas (2015), Centre for Endowment Asset Management, (study of 613 US companies, 1999-2009).

Successful engagement can add significant value

Dividends

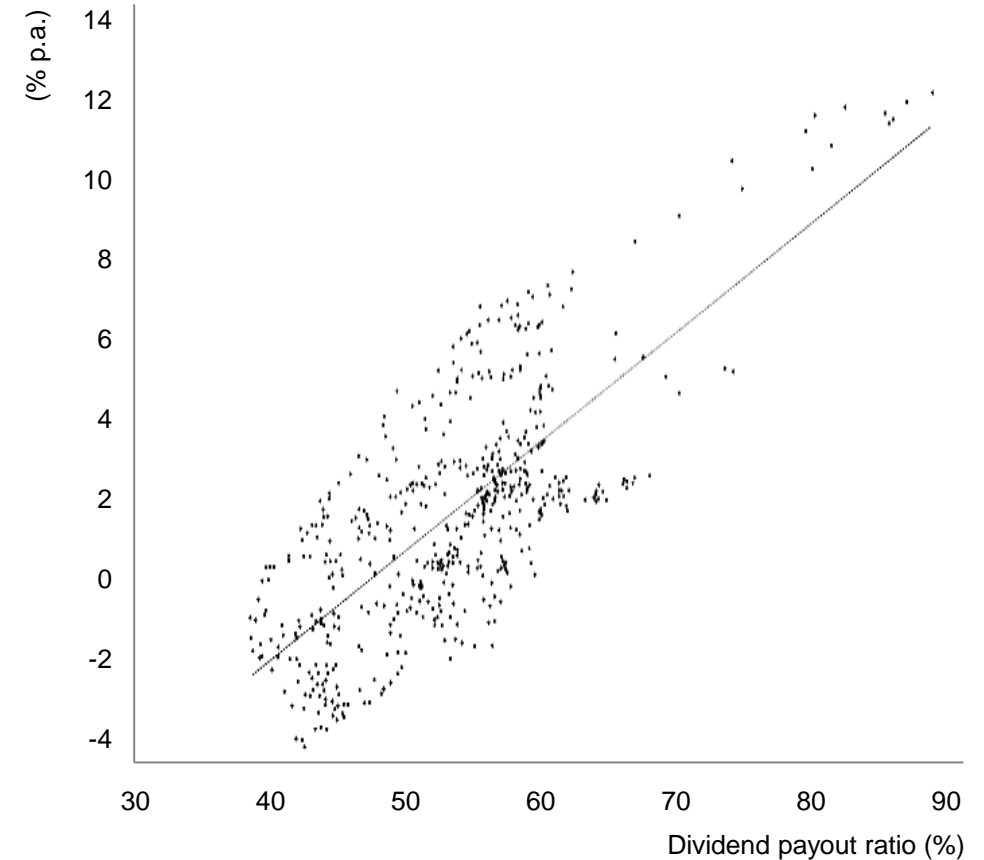
Favorable characteristics

Dividends are important because

- They encourage disciplined capital allocation by management and the generation of cash flow
- Aligns management and investor interests
- Capital discipline leads to higher earnings
- They can be used to highlight value
- Generates a consistent source of return
- Thus making them an important part of the returns investors receive from an equity investment (especially in a low return world)

Subsequent 10-year earnings growth (%)

Payout ratios and earnings growth from 1946-2001



**Dividends encourage
disciplined capital allocation**

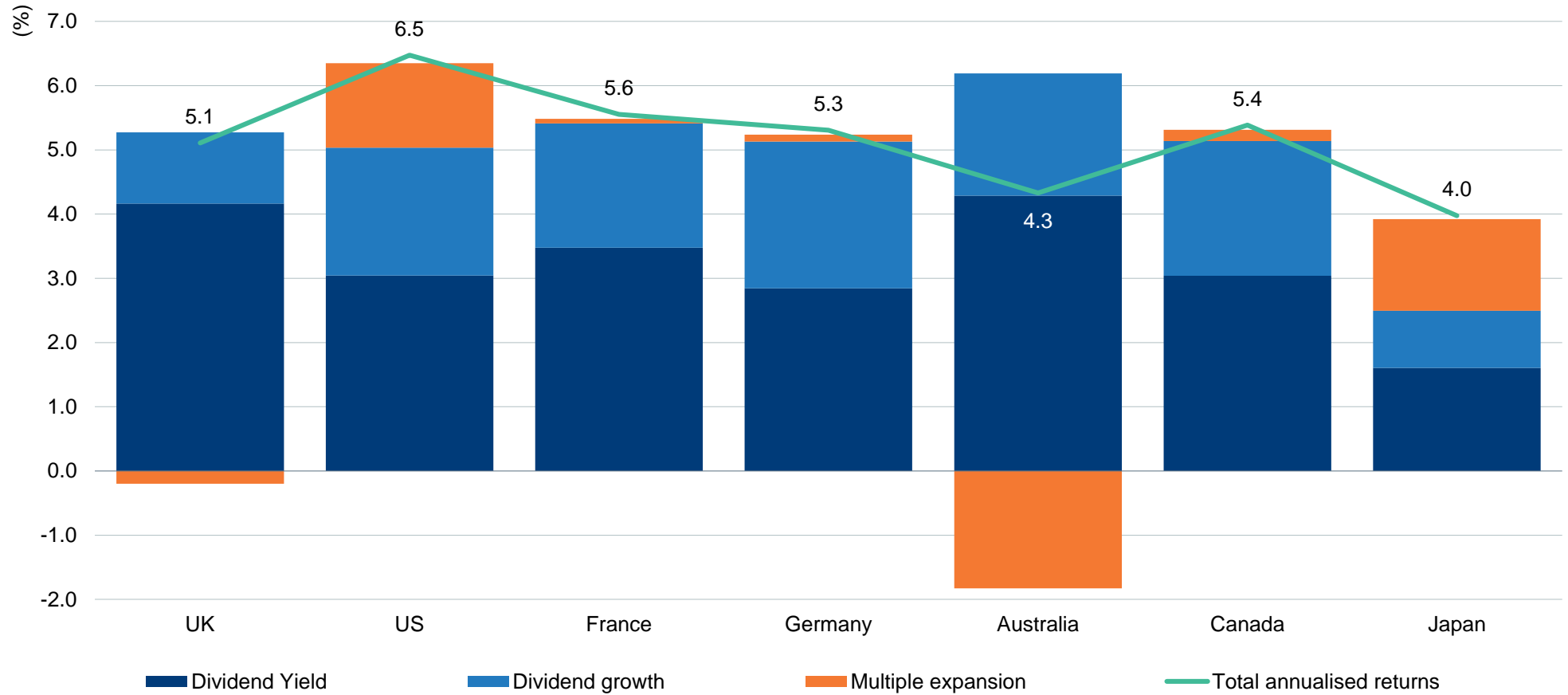
For illustrative purposes only.

Source: Arnott and Asness (2003) 'Surprise! Equity Dividends = Equity Earnings Growth' FAJ vol. 59, no. 1.

Appropriate and achievable

Dividends – historically the biggest driver of equity returns

Compounding effects of dividend yield dominates real returns in the long term (1970 – Q3 2018)



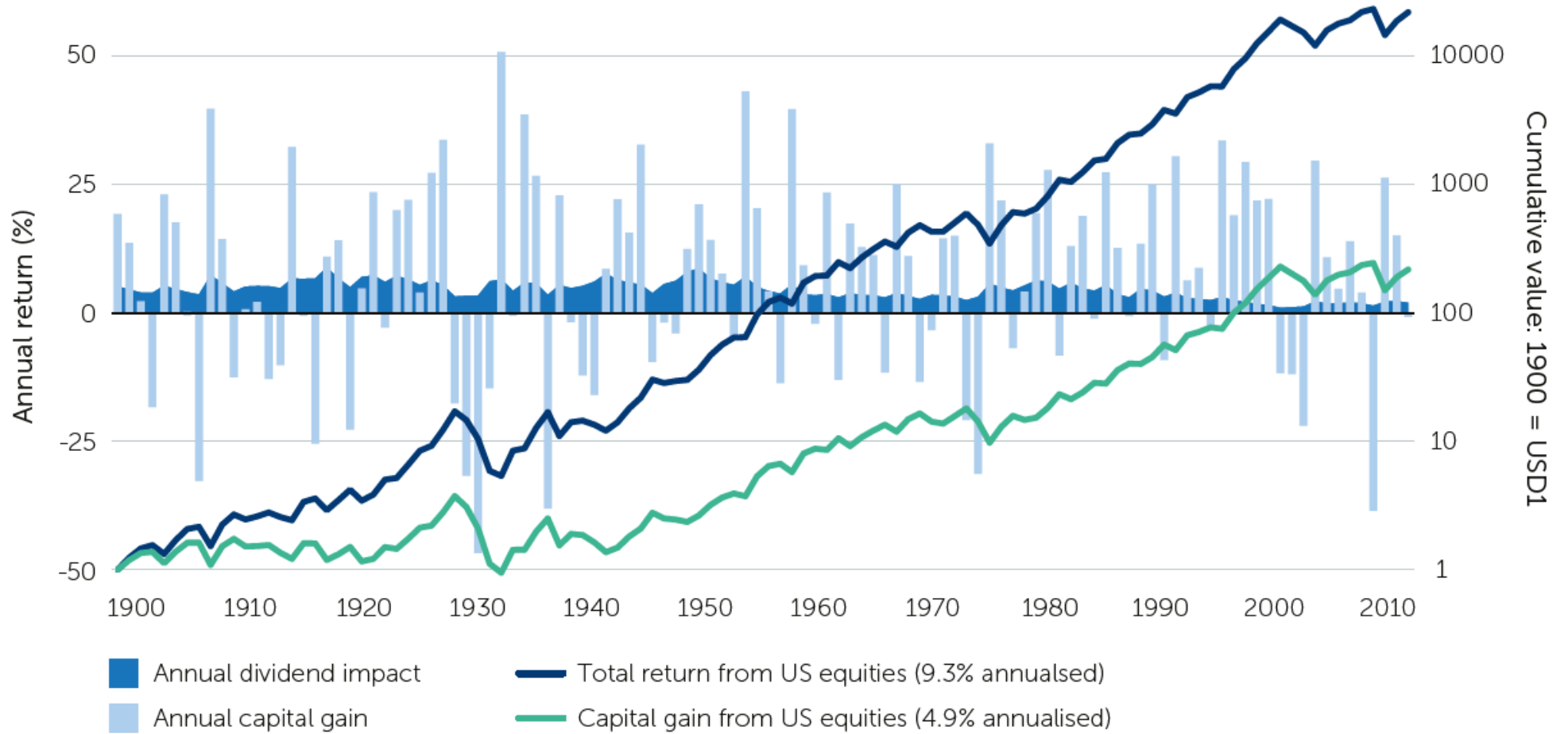
For illustrative purposes only.
Source: Thomson Datastream, total annualized real return in local currency, 30 September 2018.

Trying to harness time and consistency...

The power of compounding

The compounding of returns via income reinvestment

Impact of dividends, US, 1900–2010



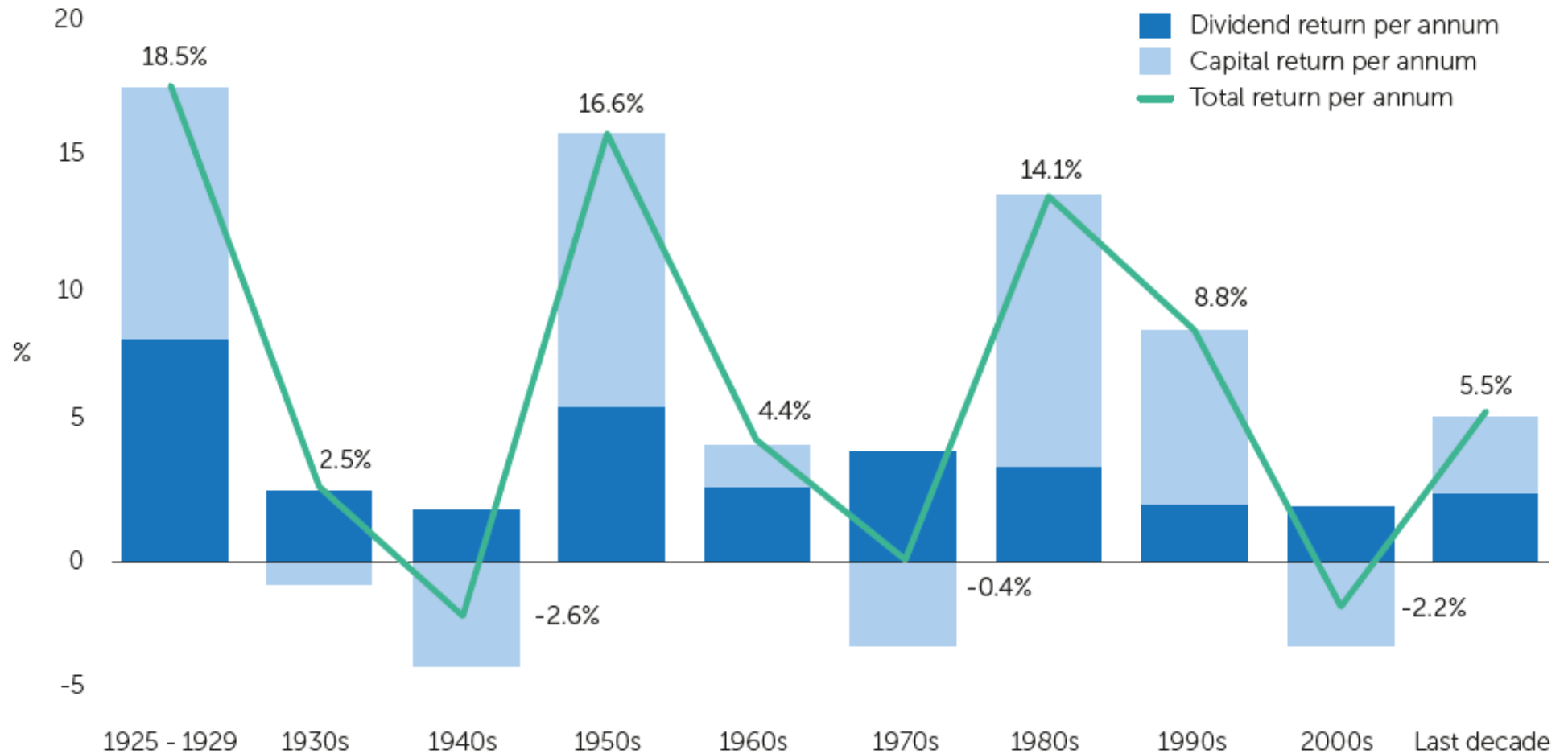
For illustrative purposes only.

Source: Credit Suisse, Global Investment Returns Yearbook (2011), Elroy Dimson, Paul Marsh and Mike Staunton, "Triumph of the optimists: 101 years of Global Investment Returns" (Princeton University Press, 2002), with updates from the authors in February 2012.

The most powerful driver of equity returns

Dividends are less volatile than capital returns

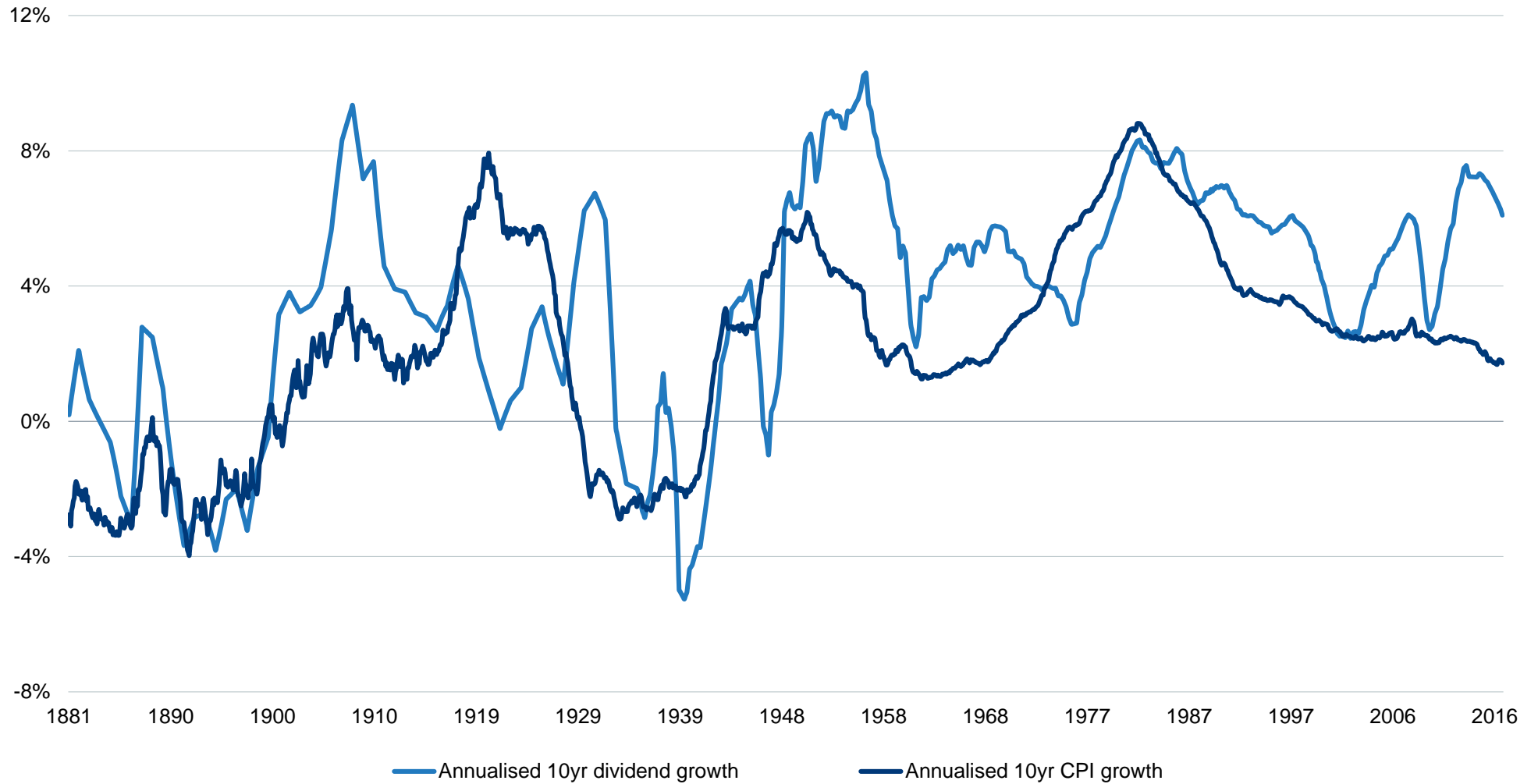
World equity returns (inflation-adjusted), split between income and capital



For illustrative purposes only.
Source: Newton Global Financial Data, 31 December 2012.

Inflation risk

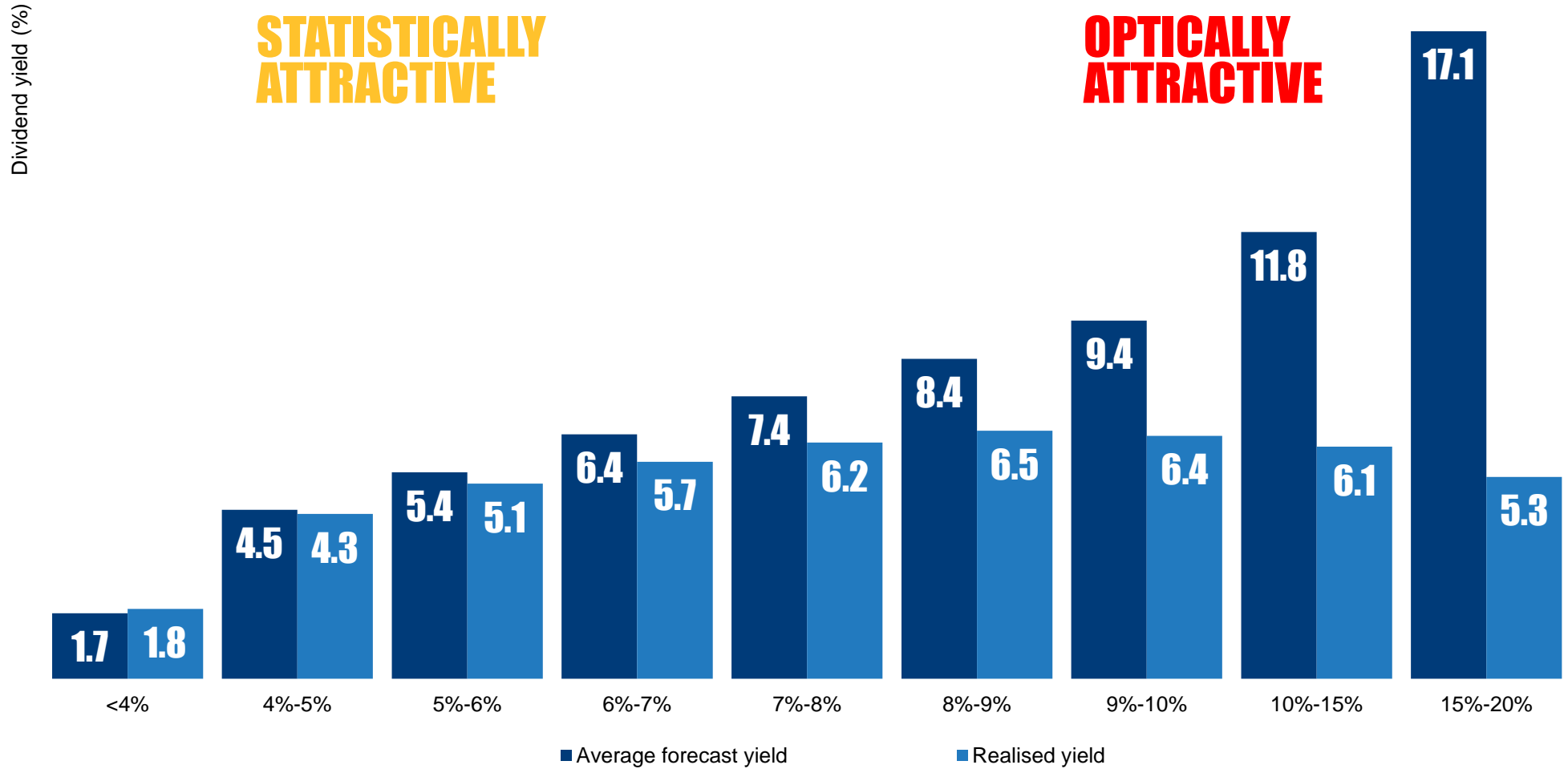
Equity dividends – inflation linked...



For illustrative purposes only.
Source: SG Cross Asset Research/Equity Quant, Robert Shiller, February 2017.

Dividends: need to be active

Comparing forecast and realised dividend yields since end-1995 to 31 December 2018

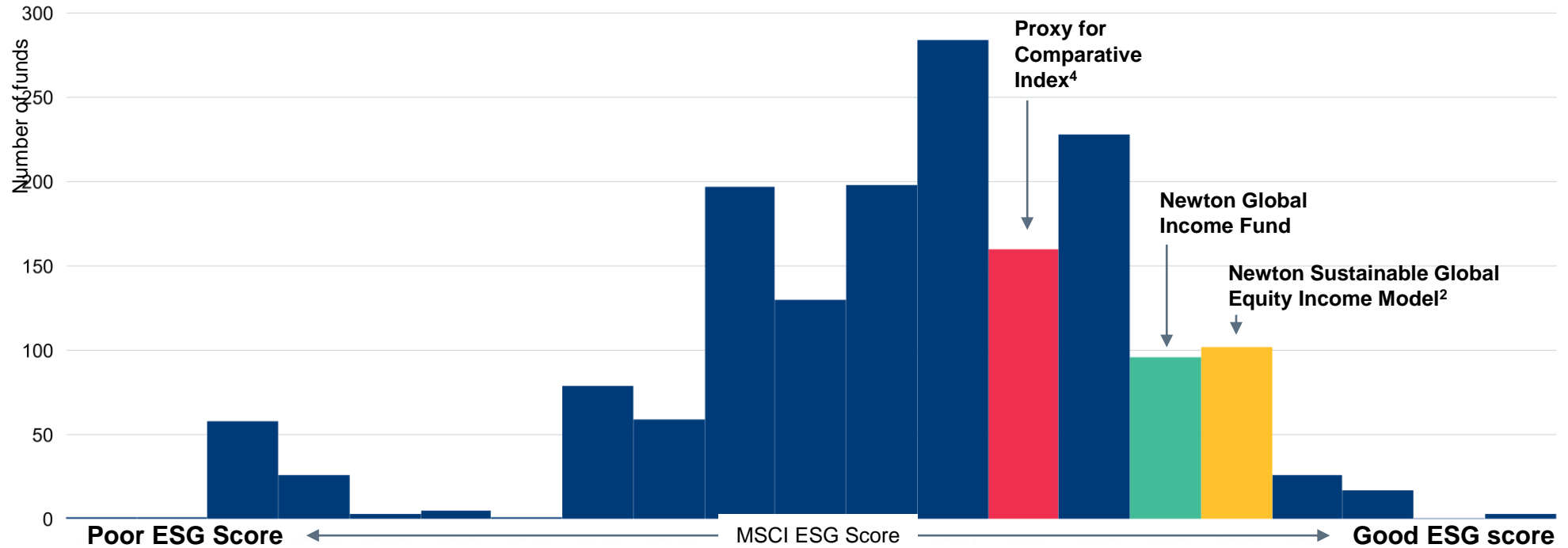


Source: SG Quantitative Research, FactSet, 31 December 2018.

**CAN YOU HAVE YOUR
CAKE AND EAT IT?**

Overall MSCI ESG¹ quality rating is in 83rd – 89th percentile² relative to peers and much higher than the index

Distribution of MSCI ESG quality scores³ in Equity Global Income peer group



Your capital may be at risk. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested. You should read the Prospectus and the Key Investor Information Document (KIID) for each fund in which you want to invest. The Prospectus and KIID can be found at www.newtonim.com.

Projected model portfolio data is not based on an actual trading history. There are no guarantees that, if launched, the Strategy's actual portfolio will reflect the model data.

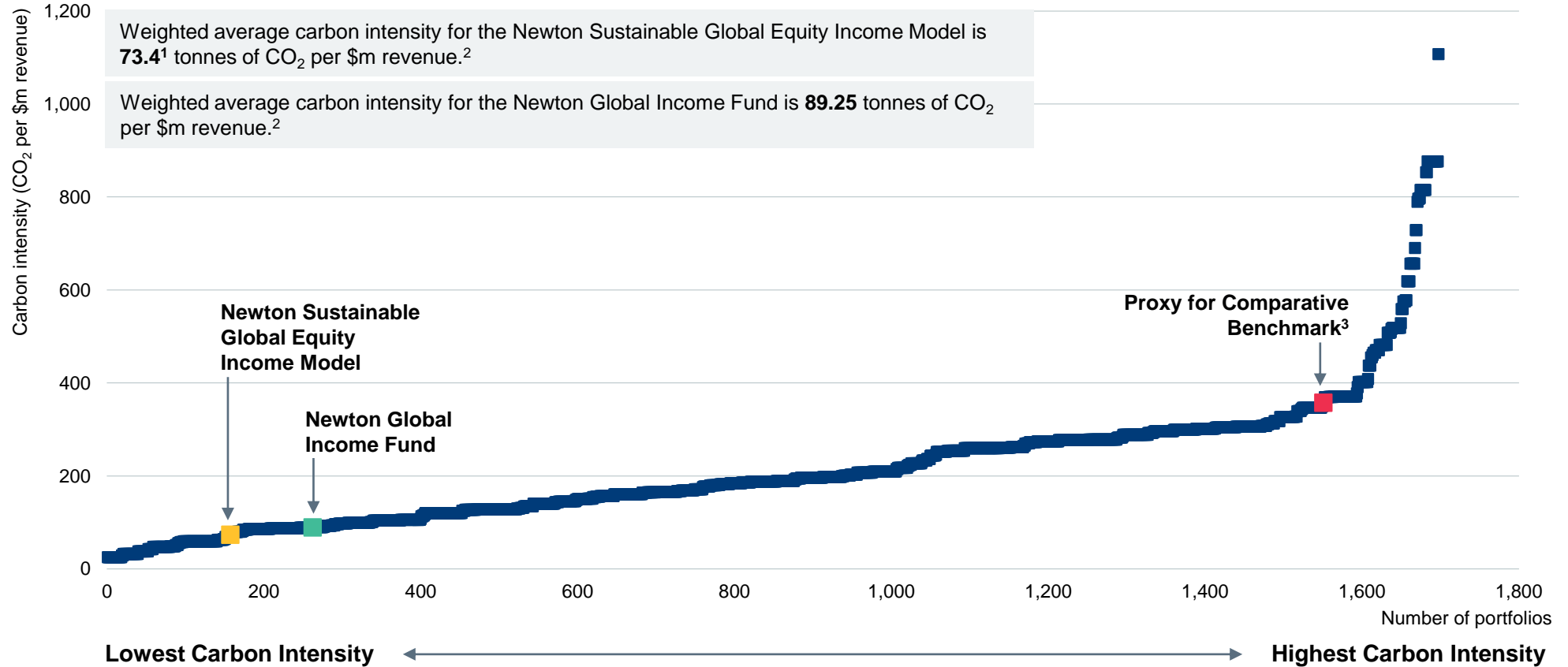
Notes: ¹ Environmental, Social and Governance; ² Estimate based on the weighted averages of holdings in model portfolio; ³ The overall Fund ESG Quality Score measures the ability of underlying holdings to manage key medium- to long-term risks and opportunities arising from environmental, social, and governance factors.

⁴ Xtrackers Morningstar Global Qual Div UCITS ETF 1D.

MSCI Fund Universe peer group: Equity Global Income. Number of funds in peer group: 1,697 (this figure includes multiple share classes run under the same strategy).

Source: MSCI ESG Manager. Data accessed January 2019. The data presented is based on the latest available holdings information for each fund in the MSCI Fund Universe database. ©2019 MSCI ESG Research LLC. Reproduced by permission. MSCI ESG Research LLC's ('MSCI ESG') Fund Metrics products (the 'Information') provide environmental, social and governance data with respect to underlying securities within more than 21,000 Mutual Funds and ETFs globally across multiple asset classes. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided 'as is' and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

The carbon intensity of the Newton Sustainable Global Equity Income model portfolio is markedly lower than peers



Projected model portfolio data is not based on an actual trading history. There are no guarantees that, if launched, the Strategy's actual portfolio will reflect the model data.

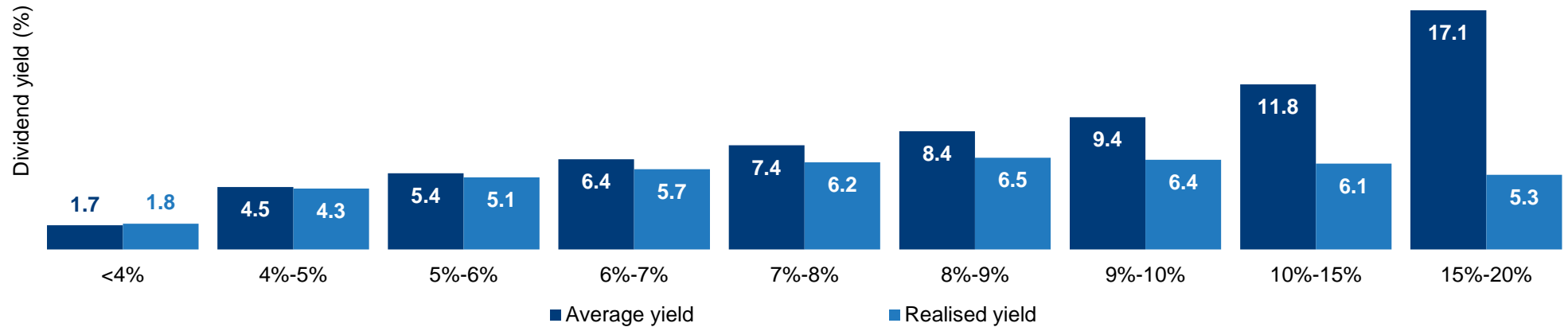
Notes: ¹ Estimate based on the weighted averages of holdings in model portfolio; ² The Weighted Average Carbon Intensity measures a fund's exposure to carbon intensive companies. The figure is sum of security weight (normalized) multiplied by the security Carbon Intensity. MSCI calculates weighted average carbon intensity as scope 1+2 emissions/\$m sales weighted by portfolio weight.

³ Xtrackers Morningstar Global Qual Div UCITS ETF 1D.

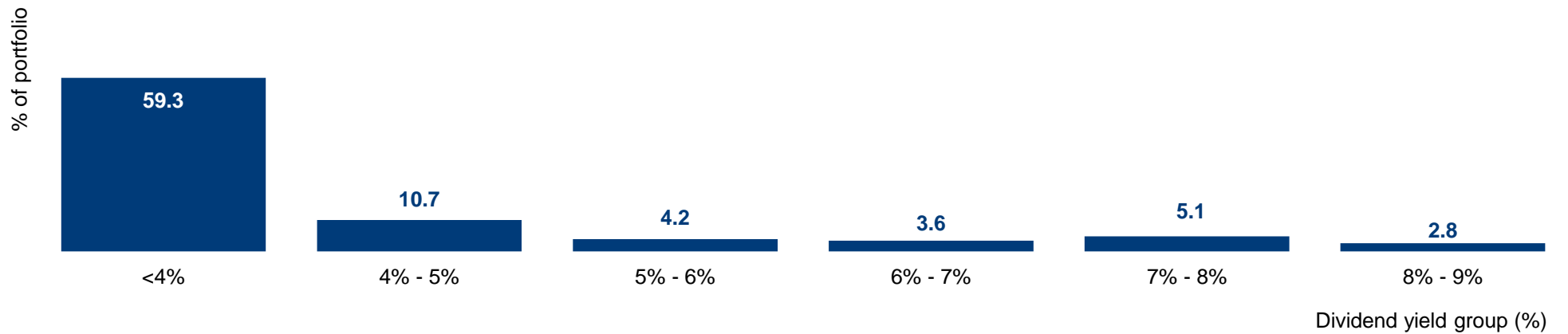
MSCI Fund Universe peer group: Equity Global Income. Number of funds in peer group: 1,697 (this figure includes multiple share classes run under the same strategy).

Source: MSCI ESG Manager. Data accessed January 2019. The data presented is based on the latest available holdings information for each fund in the MSCI Fund Universe database. ©2019 MSCI ESG Research LLC. Reproduced by permission. MSCI ESG Research LLC's ('MSCI ESG') Fund Metrics products (the 'Information') provide environmental, social and governance data with respect to underlying securities within more than 21,000 Mutual Funds and ETFs globally across multiple asset classes. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided 'as is' and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

Comparing forecast and realised dividend yields since end-1995 to 31 December 2018



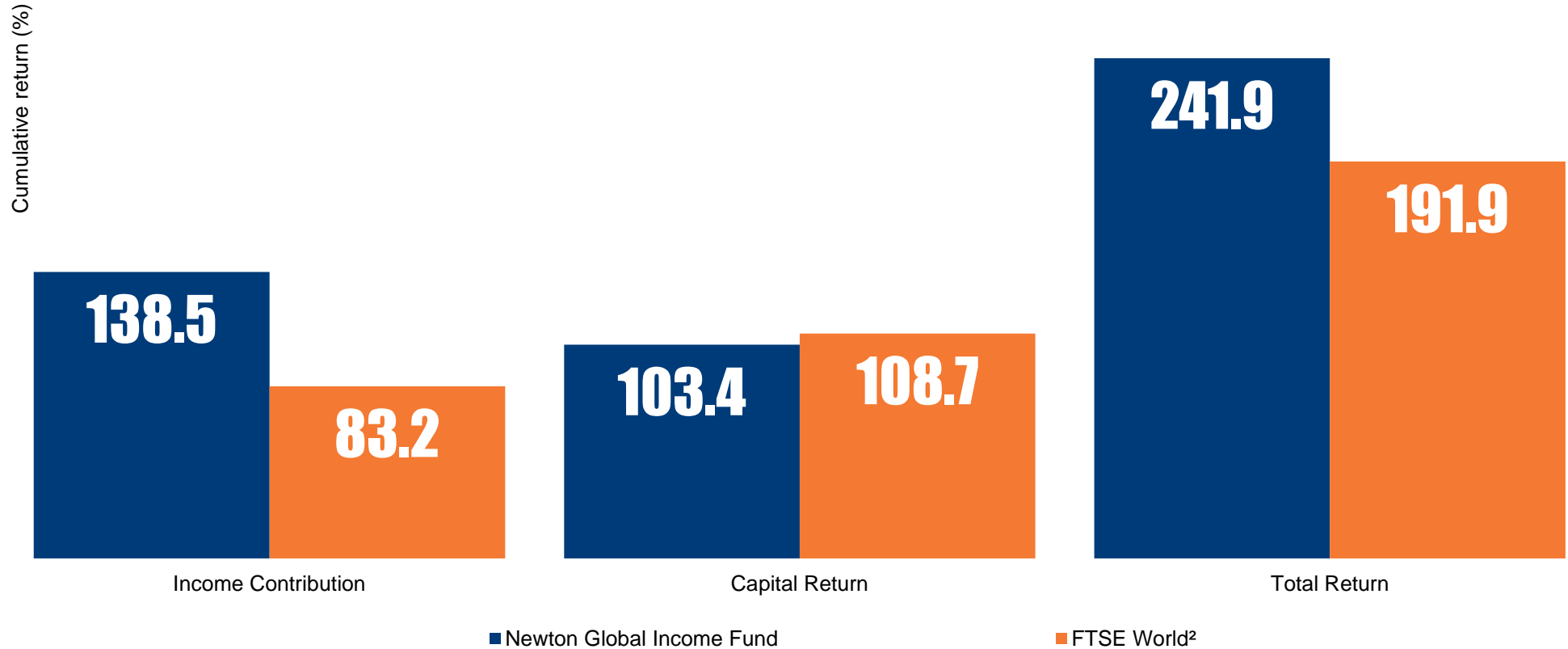
Newton Global Income representative portfolio stock selection



Source: SG Quantitative Research, FactSet / Newton Global Income representative portfolio, 31 December 2018. The representative portfolio adheres to the same investment approach as the Newton Global Equity Income strategy.

How have dividends helped?

Newton Global Income Fund (since inception¹ to 31 December 2018)



Your capital may be at risk. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested. You should read the Prospectus and the Key Investor Information Document (KIID) for each fund in which you want to invest. The Prospectus and KIID can be found at www.newtonim.com. Past performance is not a guide to future performance.

Notes:

¹ Inception date: 30 November 2005.

² The FTSE World Index is used as a comparative index for this fund. The fund does not aim to replicate either the composition or the performance of the comparative index.

Source: Lipper, midday prices, performance calculated as weekly data, total return, income reinvested, net of 0.75% annual management charges, Inst W Acc share class, in GBP, 31 December 2018.

Intertwined...

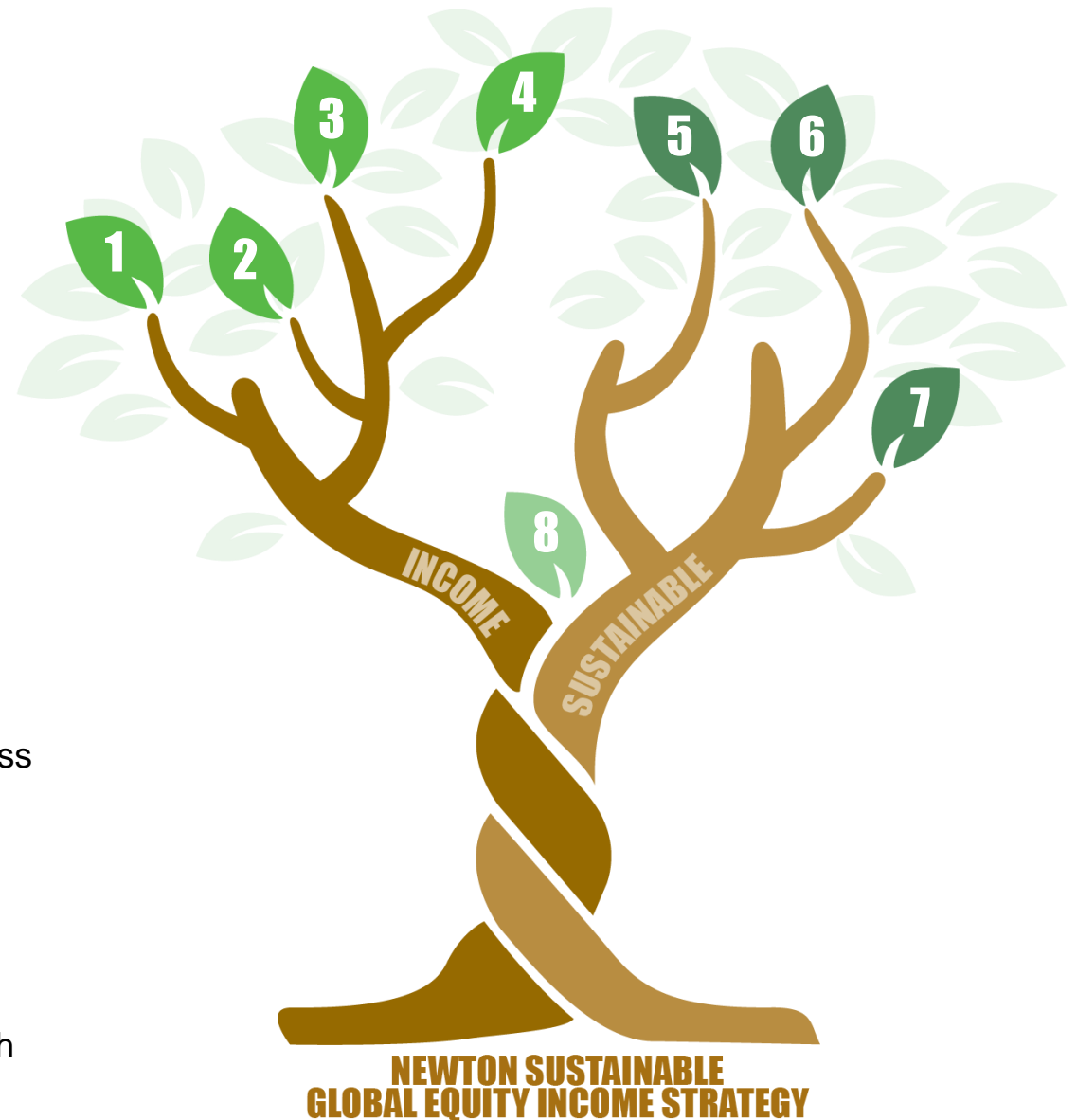
Merging two key Newton strengths

INCOME

1. Newton Global Income philosophy and process
2. Sustainability of capital allocation
3. Sustainability of cash flows
4. Sustainability of dividends

SUSTAINABLE

5. Newton sustainable ESG¹ philosophy and process
6. Sustainability of corporate behaviour
7. Sustainability of governance
8. Compounding returns via a sustainable approach



Note: ¹ Environmental, Social and Governance.

Sustainability in all its forms...

REFERENCES

Integrated ESG¹

ESG analysis enriches our fundamental analysis of risks and opportunities

PRI A/A+ ranked²
Fixed Income/Equity

UK stewardship
code Tier 1

WHY?

ESG issues can have a material impact on company value

Ensures that companies protect the interests of minority shareholders

Protects against reputational loss

HOW?



Integrated research and analysis



Engagement & stewardship



Active proxy voting³



Policy & regulation

Notes:

¹ Environmental, social and governance.

² 2018 PRI report.

³ Where we retain voting authority. Only applies to corporate bonds where equity also held.

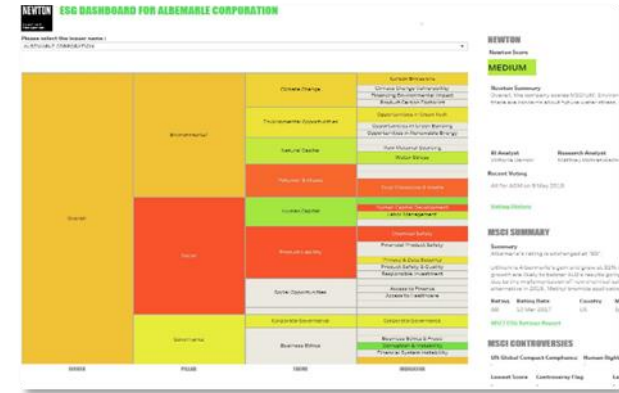
Our ESG¹ analysis process in action

1 ANALYSIS OF COMPANY INFORMATION AND CONSENSUS SCORES

Alfa Laval AB	3.5	3.1	3.4	2.9	25%	4.5
ALFA, S.A.B. de C.V.	2.4	2.4	2.5	2.4	0%	-
Alfreda Holdings Corporation	2.8	4.6	3.6	2.9	25%	1.3
Algonquin Power & Utilities Corp.	3.2	3.2	1.9	4.1	0%	-
ALIGN TECHNOLOGY, INC.	3.1	3.6	3.3	3.0	0%	-
ALIMENTATION COUCHE-TARD INC.	3.2	1.0	2.2	2.2	25%	3.2
ALIOBI BANK SPOLIA RYBNIA	2.6	2.8	2.3	3.6	0%	-
ALIRAVES PUBLIC LIMITED COMPANY	2.4	1.9	2.5	3.5	25%	1.6
ALLEGHANY CORPORATION	2.5	2.0	2.6	3.9	25%	1.9
ALLEGION PUBLIC LIMITED COMPANY	3.4	3.2	4.4	3.2	0%	-
Allergan plc	2.4	3.2	3.4	2.7	25%	3.5
ALLIANCE BANK MALAYSIA BERHAD	2.8	1.4	2.5	3.8	0%	-
ALLIANCE DATA SYSTEMS CORPORATION	3.1	4.3	2.3	4.3	25%	3.3
Alliance One International, Inc.	3.2	2.7	1.7	3.1	0%	-
ALLIANT ENERGY CORPORATION	2.9	3.3	2.9	3.6	25%	1.8
Alliande SE	4.0	4.2	4.0	3.0	25%	4.6
ALLY FINANCIAL INC.	2.8	3.4	2.6	4.4	25%	2.1
ALNYLAM PHARMACEUTICALS, INC.	2.7	2.8	2.7	3.6	25%	1.7
ALPEX, S.A.B. DE C.V.	-	1.8	1.0	1.0	0%	-
ALPHA BANK S.A.	2.6	2.8	2.8	2.1	0%	-
ALPHABET INC.	3.2	3.7	3.4	1.9	25%	4.3
ALPS ELECTRIC CO., LTD.	2.7	2.4	3.1	2.2	25%	2.6
ALSTOM S.A.	3.5	3.6	4.1	2.5	25%	4.2
Alstria office REIT-AG	3.3	3.9	2.7	4.2	0%	-
AltoGas Ltd.	3.3	3.3	4.2	3.1	25%	2.8



2 ASSESSMENT OF OUTPUT FROM PROPRIETARY DASHBOARD



4 PREPARATION OF QUALITY REVIEW



3 DISCUSSION WITH RI COLLEAGUES, GLOBAL ANALYSTS AND WIDER TEAM

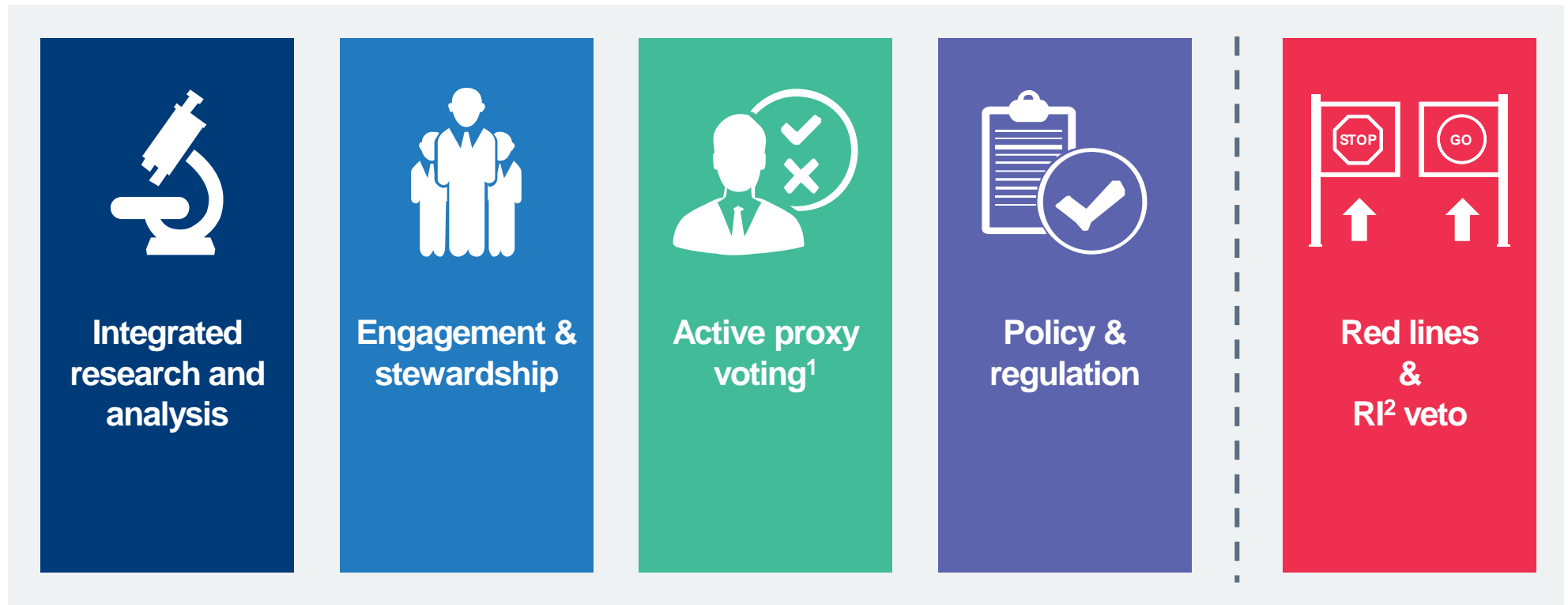


Note: ¹ Environmental, Social and Governance.
The securities mentioned are only for illustrating the investment process of Newton Investment Management.
These opinions should not be construed as investment or any other advice and are subject to change. This slide is for information purposes only and does not constitute an offer or solicitation to invest.

More nuanced and impactful vs third party data

What investing sustainably means at Newton

4 steps for integrated, 5 steps for sustainable portfolios



Notes:

¹ Where we retain voting authority. Only applies to corporate bonds where equity also held.

² Responsible Investing.

Red lines in addition to integrated process

Giving process rigour

Principles based red lines and ESG¹ engagement



Note: ¹ Environmental, Social and Governance.

No investment in the tobacco sector

Gender



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NEWTON'S GENDER DIVERSITY VOTING AND ENGAGEMENT POLICY

Gender equality has been a frequent media story over the last year, with the #MeToo and #TimesUp campaigns garnering global support and attention. Conversations are happening everywhere about the importance of improving diversity and inclusion, and for us, as investors, these discussions centre on the possible benefits for shareholders and positive social impact of supporting gender equality in the workplace.

One of the ways we believe investors can achieve this is through our engagement and voting with companies. As such, we have chosen to implement a policy which aims to improve board performance by way of enhanced gender diversity.

WHY DOES DIVERSITY MATTER?

It is widely accepted by way of empirical research and good governance standards that diversity improves decision making and helps create long-term shareholder value. The fundamental belief behind this is that a group of individuals with similar backgrounds and experiences is unlikely to make the best decisions given the inherent dangers of 'group think'. Studies relating to specific types of diversity, such as gender, have drawn similar conclusions, with companies ranking in the top quartile for executive-board diversity achieving a 53% higher return on equity vs. those in the bottom quartile.¹

It is also good business sense that as well as company board members possessing expertise in key risk areas such as legal and financial, those board members should be able to relate to the company's clients.

Diversity is also a lead indicator of wider corporate culture. Too often we have seen companies fail or make poor decisions where the board is populated with directors unwilling or unable to challenge a single dominating personality. Investors are not privy to the internal discussions of a board. Often we can only gain insights into the effectiveness of the decision making process by way of analysing external information.

Further, research shows that increasing the numbers of women in the workplace (and supporting them once they're there) carries a host of potential macroeconomic benefits, including increasing GDP by \$12tn by 2025 according to one study.² We believe this highlights that working to achieve gender parity should be on the agenda of all investors, not just those with a social impact focus.

WHY FOCUS ON GENDER DIVERSITY?

Simply put, gender diversity is the most favorable factor to assess across a company's board diversity. We recognise gender is certainly not the only factor which investors are able to assess.

There are a number of quantitative measures for example parental leave programmes to promote these figures and policies where no other information is available, as it can be a lead indicator of strong policies and practices throughout the company.

OUR VOTING POLICY

We will look at two key indicators to assess the gender diversity credentials of a company:

- A company's gender-related policies and practices.

Where these are disclosed, we will seek to examine policies and practices at all levels in the company.

- The gender split of a company's board.

We have chosen the figure of 30% as a starting point by which to evaluate the gender diversity of a company's board, with 30% being the proportion where minority voices start to have an effect on decision making. We firmly emphasise this figure does not represent a mandatory quota, and we will judge each company on a case-by-case basis, in the context of its geography and industry. We are firmly against tokenism, but we believe in many countries this is a realistic and achievable target.

Where we see insufficient board diversity and a robust policy has not been published – either on board diversity or diversity in the wider company – we will vote against the chair of the nomination committee.

We acknowledge for cultural reasons 30% cannot be achieved realistically on a global basis at present. Therefore, we have split the policy geographically – in countries where gender diversity is a well-established topic and/or a 30% club has been launched, we are taking voting action this year in the 2018 AGM season, and engaging with the companies to explain our rationale and seek improvement. In the rest of the world's countries, we are engaging with the company in the first instance before taking voting action.

Cobalt



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SAMSUNG SDI: CHILD LABOUR AND COBALT MINING

Newton's work on child labour in cobalt mining has been catalysed by our investment in Samsung SDI, the large Korean battery manufacturer. It is publicly disclosed that we are the 2nd largest holder after Samsung Electronics with a 6% holding. Our position in this stock has been driven by our thematic and fundamental work on the outlook for EV battery demand and the competitive position that Samsung SDI has in this fast growing market.

In late 2016, Samsung SDI was hit by well-publicised battery explosions in the Samsung Galaxy. It was this, alongside our concerns over corporate governance, which led our analyst Victoria Barron to spend a week in February 2017 touring China and South Korea looking at the battery supply chain. This trip highlighted the problems that were surfacing about the involvement of child labour in cobalt mining. Cobalt is a key resource for batteries and the complexities of the supply chain mean it is hard to verify the source of production.

The facts around child labour in cobalt are stark and are linked with the poor economic and security situation in the DRC. When Victoria highlighted these points to the investment team it was agreed that this was a material risk for Samsung SDI and that we needed to raise this with management.

We started by emailing the company raising our concerns and then we followed up with calls in May 2017. Investor relations were somewhat surprised by our interest but they worked hard to provide us with information, given our holding, and because we had worked with them before on urging management to translate investor documents into English. They arranged for us to talk to the in-house expert on the cobalt supply chain. These conversations indicated that Samsung SDI had been fairly active in assessing cobalt and had actually produced a report on the topic. However, management had felt it better not to publish the report, though they were working on the points raised. The points covered a series of initiatives which were at an early stage in the DRC and would need monitoring for success. They also highlighted the practicalities of working in the DRC and the complexities of the supply chain.

These conversations greatly improved our understanding of the SDI's actions regarding cobalt mining and also some steps where we could be of assistance. The company had no meaningful disclosure in this area and the general market perception was that they were not concerned about the issue. This was clearly not a fair representation and so we contacted the CEO, via IR, to urge the company to publish their report on cobalt. We were pleased to see this done that month. We also took the opportunity to urge the company to take on board the recommendations and to stress how important we felt this issue was to the company. This clearly raised the profile of the issue within the company.



At this point, June 2017, it was clear that this topic impacted more companies than just Samsung SDI. No user of batteries could realistically claim not to supply cobalt from the DRC given the opaque supply chain and that battery usage covers a huge variety of companies. SDI had told us that they were working via the Responsible Cobalt Initiative (RCI) as the best way to drive real change.

So for the rest of 2017 our focus was on talking to other companies and supporting the RCI. We talked to Anode in June, as a massive end user

In October we talked concerns regarding

with the RCI. All of this helps us build our knowledge, but also maintains pressure across the supply chain. In November, we attended the Geneva meeting of the RCI, which brought miners, car and battery manufacturers, NGOs, the OECD and Chinese government together. As one of the few asset managers at the meeting, we were able to publicly support their work while urging greater action from all the participants at the meeting.

In 2018 we have focused more on Samsung SDI again. We have worked with a Dutch coalition of investors who are working in this area. In particular we have followed up on the initiatives that were discussed in 2017 to monitor progress. We particularly pushed on the issue of a supply chain audit and the need for surprise audit visits to give credibility to the programme. SDI have been very active in the RCI and suggested that the auto manufacturers are the missing link in this work. Overall, we feel that SDI have taken a number of steps that will improve lives in the DRC while helping protect their reputation and supply chain.

NEXT STEPS

Newton is not a substantial investor in the auto manufacturers but we will contact the two companies we own to urge them to join the RCI. We need to follow up on the auditing of the SDI supply chain. We also need to monitor the results of the ongoing programmes in DRC to measure the success in reducing child labour and to stay engaged with RCI so they realise it's an issue which investors care about. We are committed to improving lives around the globe and the approach we took regarding SDI and cobalt mining shows the purpose and engagement with which we aim to address all ESG issues.

Oil & gas industry letter



June 2018. For professional investors only. Please read the important disclosures at the end of this article.

CALL TO ACTION

The responsible investment landscape is changing amid climate-change governance risks. We wrote a letter, supported by 60 asset managers and owners, urging the oil industry to address climate change concerns.

At Newton, we believe active investment plays a crucial role in identifying the future risks and opportunities of climate change for investors. Where we believe companies are ineffectively managing their climate-related risks or opportunities, we will engage to seek further information and more comprehensive action. One recent example provides a good case study of collaborating with other investors to create a wide-reaching, global impact.

In the run up to their 2018 AGMs, we wanted to strongly encourage the oil industry to take full responsibility for their emissions and to improve the transparency of reporting in this area. As members of the Institutional Investors Group on Climate Change (IIGCC) we have been supporting the Climate 100+ campaign to target the 100 most significant contributors to climate change. Across the whole of Newton we own less than 10 of those names, and while we carry out engagement work with these businesses as an individual firm, we wanted to make a bigger impact. To do this, we leveraged our industry contacts to garner support for a public letter. We wanted to make this collaboration an effective way to maintain pressure on the industry and bolsters the overall campaign for greater climate change awareness. Responsible investment analyst Victoria Barron worked alongside her counterparts at Legal & General Investment Management to rally other investors to support these aims.

The outcome of this work was a letter, supported by 60 asset managers and owners with combined assets of over \$10tn. The letter gained excellent traction in the global press, first published by the Financial Times and then by other media outlets like the Wall Street Journal, Bloomberg and Reuters. Crucially, we were particularly pleased to hear from Christiana Figueres (chair of the Paris COP21 negotiations) that the letter was discussed by large oil company CEOs.

The letter urged the oil and gas industry to be more transparent and take responsibility for their emissions. Given that some of the largest oil and gas companies held their annual shareholders meetings in the weeks following the letter's publication, it was an inopportune moment for these companies to raise climate change issues and position themselves for a low-carbon future. In particular, we discussed a vote at Royal Dutch Shell's meeting where investors will be deciding whether the company should set firm carbon emissions targets in alignment with the Paris accord. Regardless of the result at the Shell AGM, we encouraged all companies in this sector to clarify where they see their future in a low-carbon world, including concrete commitments and actions to improve climate change issues.

With many investors embracing their responsibility to support the Paris agreement, it is time for oil and gas companies to do the same. Climate change remains a key area of focus for us and this letter shows our commitment to creating positive change and productively engaging with companies to improve outcomes in this area.

See below for the total list of asset managers and owners who supported our letter:

- Aberdeen Standard Investments
- Axa Investment Managers
- BNP Paribas Asset Management
- Legas and General Investment Management
- Newton Investment Management
- ACTIAM
- Argon NV
- Arundel Asset Management
- APT
- AFG Asset Management
- ASH Redland NV
- Aviva Investors
- BMO Global Asset Mgmt
- Bourne Pension Partners
- CCLA
- Central Finance Board of the Methodist Church
- Church in Wales
- Church of Scotland Investments Trust
- Coop Investments (Credit Cooperative Group)
- De Mutual Pension Insurance Company
- Epiphany Investment Management
- United
- UIN
- WBC Global Asset Management Ltd
- Investec Asset Management
- Kames Capital
- Kaplan Capital Management
- LGPS Centre Limited
- Local Government Super (Australia)
- M&I Investments
- Merrill Lynch Private Fund
- Millennium Investments
- Mirova
- NU
- Redwood Capital
- Steward Asset Management
- Tenor Asset Management
- Uppsalen
- United Methodist Church Ministries World Trust
- USS
- De Mutual Global Investors
- Oil Mutual Investment Group
- Optium Asset Management
- Pr (S)UCIPES
- Investment Partners
- INGAM
- PCA
- Rabobank Pension Fund
- Robeco
- RobecoAM
- Saxo Bank Partners LP
- Schroders
- SVI Helios Capital Management
- J.C.

Sustainable investing offers a solution

**STRONG
FINANCIALS**

**AVOID
THE WORST**

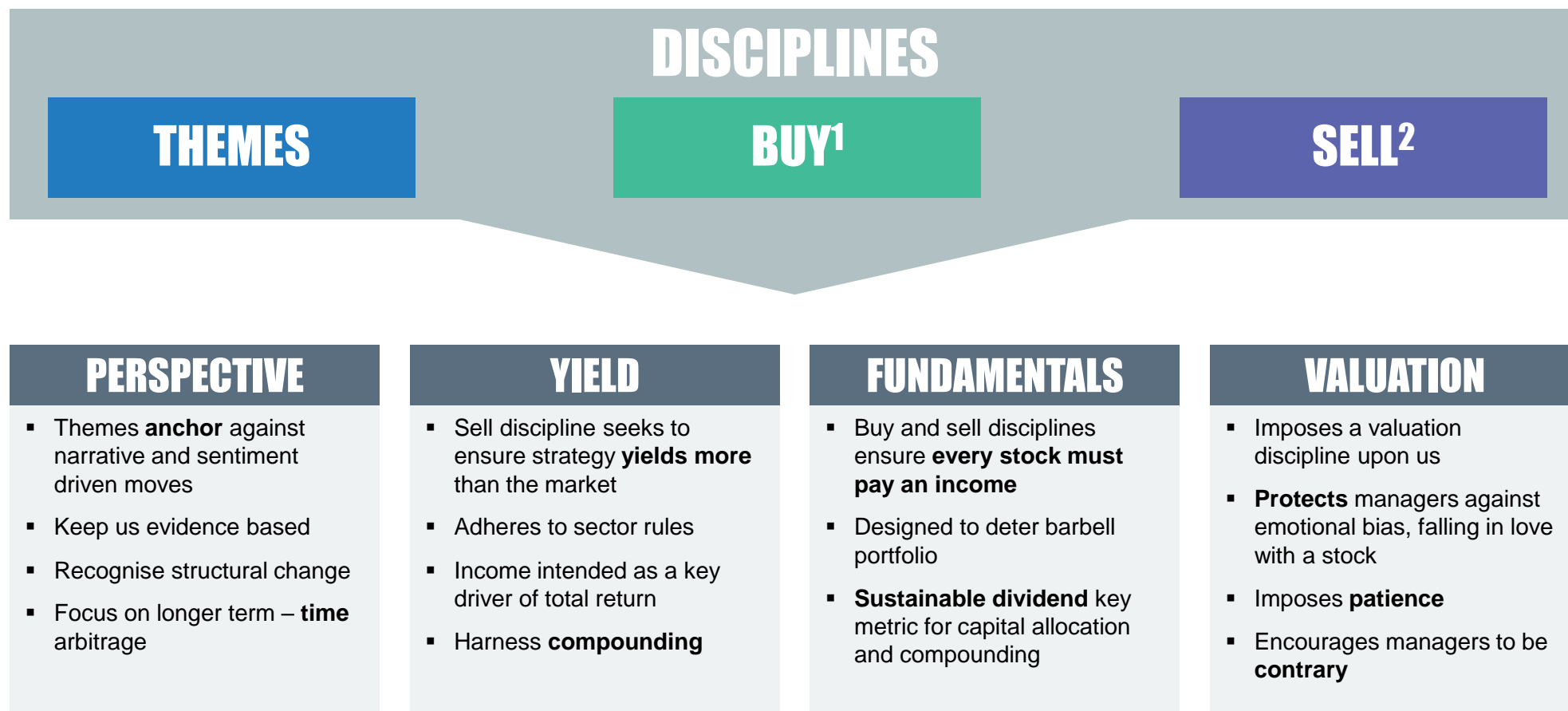
**IDENTIFY
THE BEST**

**SUPPORT
IMPROVEMENT**

**DISCIPLINED
AND ACTIVE**

**FISH IN STATISTICALLY
ATTRACTIVE
BUCKETS**

What do the disciplines do for the client... and manager



Notes:

¹ Buy – all new holdings typically have a prospective yield 25% greater than the FTSE World Index yield.

² Sell – any holding whose prospective yield falls below the FTSE world Index yield will trigger our sale discipline process.

Disciplined, repeatable

Process: repeating pattern of opportunity

Identify & exploit areas the market tends to get wrong

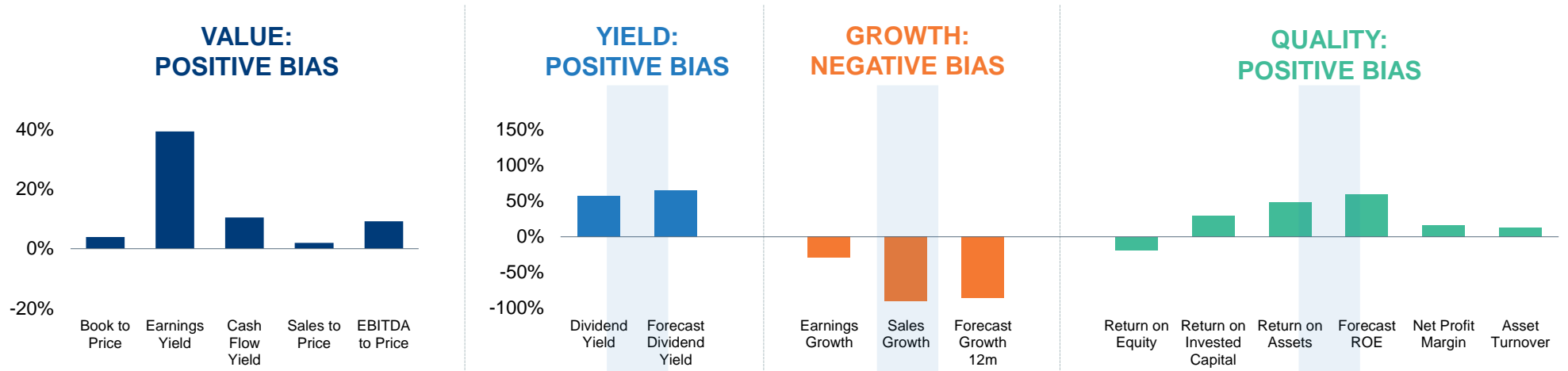


	TROUBLED COMPOUNDING MACHINES	EX-GROWTH CASH GENERATORS	PROFITABILITY TRANSFORMATION	CAPITAL INTENSITY	SPECIAL SITUATIONS
REPEATING OPPORTUNITY	<ul style="list-style-type: none"> Temporary problems mistaken for permanent Power of compounding underappreciated 	<ul style="list-style-type: none"> Market believes business is structurally broken Greater longevity to returns 	<ul style="list-style-type: none"> Short termism Fear of cyclical pain Mean reversion 	<ul style="list-style-type: none"> Market boredom 'Exciting' alternatives Power of compounding underappreciated 	<ul style="list-style-type: none"> Spin-offs Hidden assets
MARKER	<ul style="list-style-type: none"> High ROIC & growth multiple Single negative issue dominating consensus and media coverage Majority of business in good shape 	<ul style="list-style-type: none"> High ROIC & ex-growth multiple High FCF yield Consensus capitulation 	<ul style="list-style-type: none"> Low ROIC v LT average Low margin v LT average Discount to tangible book 	<ul style="list-style-type: none"> Fixed asset intensity Low but profitable RoIC Low but durable growth with good visibility Robust regulatory/market moats 	<ul style="list-style-type: none"> Little sell side coverage Complexity with uncertain timeline to resolution Substantial discount to sum-of-the-parts

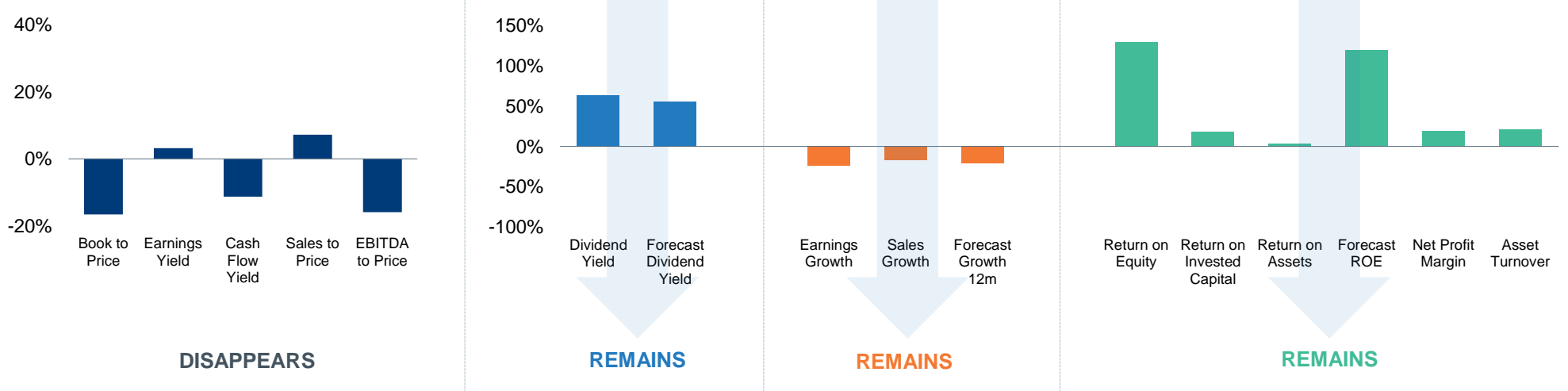
What you get – Quality at a reasonable yield

Newton Global Equity Income Strategy

Securities bought vs comparative index¹



Securities sold vs comparative index¹



For illustrative purposes only.

Note: ¹ The MSCI World Index is used as a comparative index for this strategy. The strategy does not aim to replicate either the composition or the performance of the comparative index.

Source: Newton, Style Research during December 2015 to December 2018.

Process in action

Proposed key risks

Newton Sustainable Global Equity Income model

- There is no guarantee that the Model will achieve its objective.
- This Model invests in global markets which means it is exposed to changes in currency rates which could affect the value of the Strategy.
- The Model may use derivatives to generate returns as well as to reduce costs and/or the overall risk of the Strategy. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment.
- The Model may invest in emerging markets. These markets have additional risks due to less developed market practices.
- A fall in the value of a single investment may have a significant impact on the value of the Model because it typically invests in a limited number of investments.
- The Model may invest in small companies which may be riskier and less liquid (i.e. harder to sell) than large companies. This means that their share prices may have greater fluctuations.
- The Model follows a sustainable investment approach, which may cause it to perform differently to strategies that have a similar objective but which do not integrate sustainable investment criteria when selecting securities.

Key risks

Newton Global Income Fund

Investment performance

	12 month returns				
	Dec-17 to Dec-18	Dec-16 to Dec-17	Dec-15 to Dec-16	Dec-14 to Dec-15	Dec-13 to Dec-14
	%	%	%	%	%
Fund	0.46	9.13	30.10	11.04	9.48
Index	-3.09	13.34	29.59	4.34	11.29

	Calendar year returns				
	2018	2017	2016	2015	2014
	%	%	%	%	%
Fund	0.46	9.13	30.10	11.04	9.48
Index	-3.09	13.34	29.59	4.34	11.29

Performance is stated gross of management fees. The impact of management fees can be material. A fee schedule providing further detail is available on request.

FTSE World is used as a comparative index for this fund. The fund does not aim to replicate either the composition or the performance of the comparative index.

Past performance is not a guide to future performance. Your capital may be at risk. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested. You should read the Prospectus and the Key Investor Information Document (KIID) for each fund in which you want to invest. The Prospectus and KIID can be found at www.bnymellonim.com. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Newton is not a tax expert and independent tax and/or legal advice should be sought.

Source: Newton, close of business prices, total return, income reinvested, gross of fees, in GBP, 31 December 2018.

Key investment risks

- **Objective/Performance Risk:** There is no guarantee that the Fund will achieve its objectives.
- **Currency Risk:** This Fund invests in international markets which means it is exposed to changes in currency rates which could affect the value of the Fund.
- **Derivatives Risk:** Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the Fund can lose significantly more than the amount it has invested in derivatives.
- **Emerging Markets Risk:** Emerging Markets have additional risks due to less-developed market practices.
- **Liquidity Risk:** The Fund may not always find another party willing to purchase an asset that the Fund wants to sell which could impact the Fund's ability to sell the asset or to sell the asset at its current value.
- **Charges to Capital:** The Fund takes its charges from the capital of the Fund. Investors should be aware that this has the effect of lowering the capital value of your investment and limiting the potential for future capital growth. On redemption, you may not receive back the full amount you initially invested.
- **Counterparty Risk:** The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the Fund to financial loss.
- A complete description of risk factors is set out in the Prospectus in the section entitled 'Risk Factors'.

Important information

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Registered in England No. 01998251

Registered office: as above.

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