

**Newton**

Global investment manager with assets under management of £76.6 billion, providing investment solutions since 1978.

**Assets under management<sup>1</sup>**

|                               |          |
|-------------------------------|----------|
| Strategy (£m)                 | 1,512.47 |
| Representative portfolio (£m) | 1,512.47 |

**General information<sup>2</sup>**

|                       |       |
|-----------------------|-------|
| Number of holdings    | 43    |
| 12 month turnover (%) | 51.05 |
| Active share (%)      | 71.70 |

**Strategy characteristics (3 yr ex-post)**

|                      |      |
|----------------------|------|
| Information Ratio    | 1.13 |
| Tracking Error (%pa) | 3.98 |
| Beta                 | 1.13 |
| Alpha                | 3.51 |

**Volatility (3 yr ex-post)**

|  |       |
|--|-------|
| Newton UK Equity Income Strategy (%pa) | 12.98 |
| Performance Benchmark (%pa)            | 11.02 |

**Dividend yield**

|                                      |      |
|--------------------------------------|------|
| Newton UK Equity Income Strategy (%) | 3.78 |
| Performance Benchmark (%)            | 3.63 |

Strategy characteristics calculated on a rolling three year basis.

<sup>1</sup>Source: Newton as at 31/03/2025. Please refer to Important Information page for more detail.

<sup>2</sup>Source: BNY Mellon UK Income Fund as at 31/03/2025

**Strategy available through pooled UK vehicle via**

BNY Mellon UK Income Fund

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**Strategy objective**

The strategy seeks to outperform the FTSE All-Share index by more than 2% per annum over rolling 5-year periods, by achieving income and capital growth from a portfolio comprised predominantly of UK securities. The strategy is designed to yield at least 110% of the FTSE All-Share Index yield over a rolling 3-year period.

**Investment approach**

The investment team seeks to invest in high-quality companies offering attractive and sustainable dividend yields, underpinned by strong cash generation. We employ a valuation screen to help portfolios in their aim to achieve a dividend yield above that of the index. In-house research analysts are at the core of our investment process, and our multidimensional research capabilities help to promote better-informed investment decisions.

**Investment team**

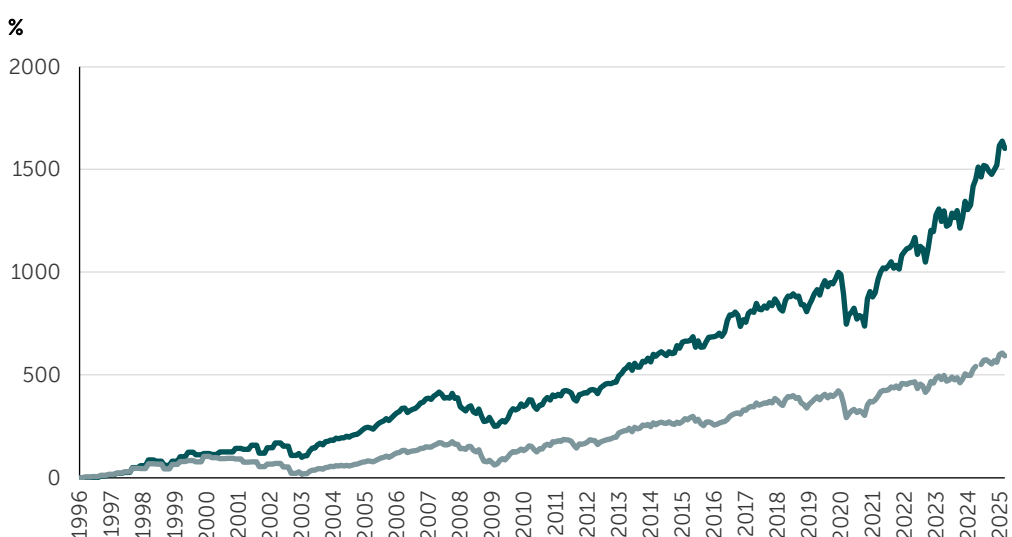
Our investment team of research analysts and portfolio managers work together across regions and sectors, helping to ensure that our investment process is highly flexible. The UK Equity Income strategy is managed by a team of two portfolio managers.

**Portfolio managers** Timothy Lucas & David Cumming

**Performance Benchmark:** FTSE All-Share

**Performance (%) - since inception (gross)**

**10.18% pa** Newton UK Equity Income Strategy **6.84% pa** Performance Benchmark



**Performance (%) - net and gross**

|  | Quarterly |         |         |         | Annualised |         |         |          |
|--|-----------|---------|---------|---------|------------|---------|---------|----------|
|  | Q1 2025   | Q4 2024 | Q3 2024 | Q2 2024 | 1 year     | 3 years | 5 years | 10 years |
| Newton UK Equity Income Strategy (Net)   | 4.85      | 1.68    | 1.68    | 2.79    | 11.43      | 11.11   | 14.32   | 7.69     |
| Newton UK Equity Income Strategy (Gross) | 5.01      | 1.83    | 1.83    | 2.94    | 12.09      | 11.78   | 15.00   | 8.33     |
| Performance Benchmark                    | 4.51      | -0.35   | 2.26    | 3.73    | 10.46      | 7.22    | 12.04   | 6.15     |

Source: Newton FactSet, Newton UK Equity Income composite. As at 31/03/2025. Composite inception: 31/12/1995. This is supplemental information to the GIPS compliant information. Performance is stated net and gross of management fees. The net-of-fee returns are calculated by deducting an annual management charge of 0.6% from the composite gross-of-fee returns. The impact of fees can be material. A fee schedule providing further detail is available upon request. The FTSE All-Share index is used as a comparator for this strategy. The strategy does not aim to replicate either the composition or the performance of the performance benchmark.

## Strategy commentary

### Performance commentary

UK equities delivered positive returns over the quarter, driven by strong performance from major financial, energy and pharmaceutical stocks. In contrast, mid-cap and smaller companies lost ground as the domestic economic outlook remained challenging with the UK economy unexpectedly contracting in January. The Bank of England lowered its growth forecast for the UK economy and sanctioned a further cut in interest rates in February. In response to calls from the US administration for European nations to commit more resources to military spending, the UK government announced an increase in the defence budget, boosting shares in aerospace and defence companies. In contrast, consumer-facing sectors such as retailers, travel and leisure and housebuilders underperformed as both business and consumer confidence remain fragile.

Against this backdrop, the strategy rose and outperformed its performance benchmark. Among financials, stock selection in the banking sector was the main factor that contributed to returns. Lloyds Banking Group was a key contributor as shares in major UK banks continued to outperform the broader equity market on the back of rising profits, higher dividends and share buybacks. The holding in BNP Paribas performed well. Fourth-quarter earnings came in ahead of forecasts as revenues in its investment banking division rebounded.

A zero weighting in beverages group Diageo was beneficial, as the company reported disappointing interim results, highlighting weak demand in its core markets and uncertainty over US tariffs.

Among industrials, SPIE, a leading electrical engineering group in continental Europe, reported substantial growth in revenues and earnings over the fourth quarter. A substantial proportion of the company's business is focused on energy efficiency, as it installs equipment such as HVAC (heating, ventilation, and air conditioning) and heat pumps, as well as high-voltage power lines required for renewables transmission and distribution over long distances.

In the pharmaceutical sector, GSK reported annual results ahead of market expectations driven by strong sales revenues from speciality medicines, notably cancer drugs, and announced an increase in dividends for the 2024 financial year.

Among consumer discretionary stocks, the strategy's holding in WPP underperformed as the advertising group posted disappointing fourth-quarter results and earnings guidance for 2025. EasyJet was also weak as it cautioned that fares would be discounted during the first quarter of 2025, partly because the airline had opened several new routes.

A zero weighting in low-yielding stocks BAE Systems and Rolls Royce detracted from returns as shares in aerospace and defence companies rose after NATO members' pledges to significantly increase defence spending, due to pressure from the US.

Among industrials, the holding in mid-cap electronic equipment provider Morgan Advanced Materials detracted after its shares dipped post-annual results.

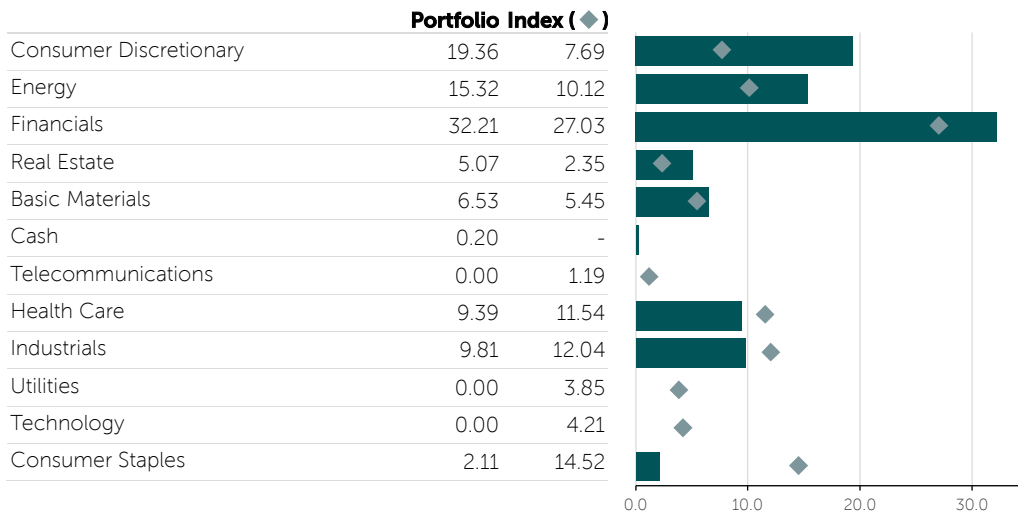
### Investment strategy and outlook

The new US administration's policies make the outlook uncertain, but we believe bond and equity market realities make it likely that the worst trade war fears will not be realised. Also, interest-rate cuts globally could mitigate the confidence impact. Overall, we do not expect a global recession, while low valuations in Europe and the UK relative to the US could provide protection and could deliver upside as sentiment improves as tariff dislocations fade.

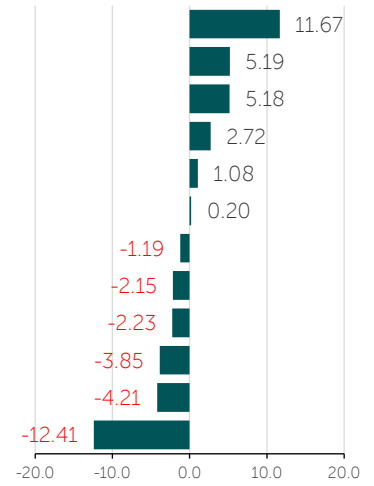
Meanwhile, policy in Europe is supportive, with the German government's plans to raise defence and infrastructure spending positive for economic activity.

We see valuation upside across the market but particularly in financials, where we remain overweight as the long period of zero interest rates has ended and yet valuations have still not adjusted to this new reality. In the event of any economic dislocation, the balance sheets of the banks are in their best positions for decades and provide a margin of safety. The strategy is underweight in more defensive sectors, where we continue to struggle to see value, notably consumer staples, telecoms and utilities.

**Sector positioning (absolute %)**



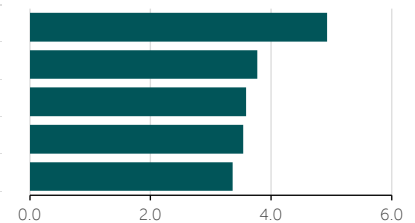
**Sector positioning (relative %)**



**Security positioning overweight/underweight (%)**

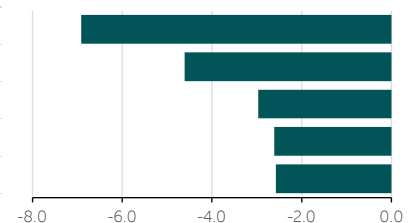
**Top 5 overweight**

|                            | Portfolio | Index | Relative |
|----------------------------|-----------|-------|----------|
| GSK PLC                    | 7.33      | 2.40  | 4.93     |
| Barclays PLC               | 5.48      | 1.71  | 3.77     |
| Phoenix Group Holdings PLC | 3.75      | 0.16  | 3.58     |
| Land Securities Group PLC  | 3.70      | 0.17  | 3.54     |
| Volkswagen AG              | 3.36      | -     | 3.36     |



**Top 5 underweight**

|                              | Portfolio | Index | Relative |
|------------------------------|-----------|-------|----------|
| AstraZeneca PLC              | 0.00      | 6.91  | -6.91    |
| Unilever PLC                 | 0.00      | 4.61  | -4.61    |
| RELX PLC                     | 0.00      | 2.97  | -2.97    |
| Rolls-Royce Holdings PLC     | 0.00      | 2.61  | -2.61    |
| British American Tobacco PLC | 0.00      | 2.58  | -2.58    |



**Security positioning (absolute %)**

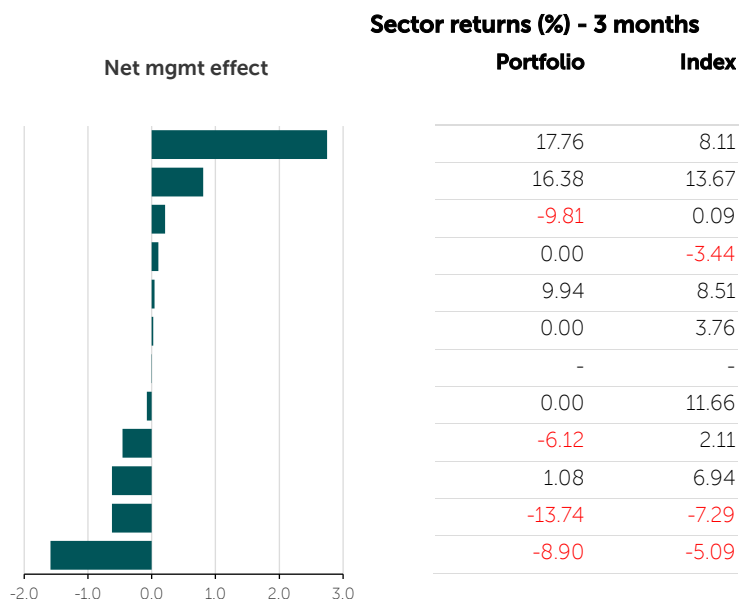
**Top 10 holdings**

|                            | Portfolio |
|----------------------------|-----------|
| Shell PLC                  | 10.22     |
| GSK PLC                    | 7.33      |
| HSBC Holdings PLC          | 6.69      |
| Barclays PLC               | 5.48      |
| Lloyds Banking Group PLC   | 4.99      |
| BP PLC                     | 4.02      |
| Phoenix Group Holdings PLC | 3.75      |
| Land Securities Group PLC  | 3.70      |
| Volkswagen AG              | 3.36      |
| Glencore PLC               | 2.91      |

Source: Newton FactSet as at 31/03/2025. Portfolio details relate to a representative portfolio, BNY Mellon UK Income Fund, which adheres to the same investment approach as the strategy. The strategy does not aim to replicate either the composition or performance of the performance benchmark.

**Performance attribution by sector (%) - 3 months**

|                        | Selection effect | Allocation effect | Net mgmt effect |
|------------------------|------------------|-------------------|-----------------|
| Financials             | 2.66             | 0.08              | 2.75            |
| Energy                 | 0.36             | 0.44              | 0.81            |
| Consumer Staples       | -0.26            | 0.48              | 0.21            |
| Technology             | -                | 0.10              | 0.10            |
| Health Care            | 0.13             | -0.09             | 0.05            |
| Utilities              | -                | 0.02              | 0.02            |
| Cash                   | -                | 0.00              | 0.00            |
| Telecommunications     | -                | -0.08             | -0.08           |
| Real Estate            | -0.40            | -0.06             | -0.46           |
| Industrials            | -0.61            | -0.01             | -0.62           |
| Basic Materials        | -0.51            | -0.11             | -0.62           |
| Consumer Discretionary | -0.73            | -0.86             | -1.59           |
| <b>Total</b>           | <b>0.57</b>      | <b>-0.09</b>      | <b>0.48</b>     |



**Performance attribution by security top 10 (%) - 3 months**



**Performance attribution by security bottom 10 (%) - 3 months**



Source: Newton FactSet as at 31/03/2025. Portfolio details relate to a representative portfolio, BNY Mellon UK Income Fund, which adheres to the same investment approach as the strategy. The strategy does not aim to replicate either the composition or performance of the performance benchmark.

## Transaction highlights

### Purchases



#### **Deutsche Lufthansa**

Consumer discretionary

We bought Deutsche Lufthansa as the airline's valuation on a discount to book value, high yield and improving earnings growth on a low price/earnings ratio, made it attractive versus both the peer group and the market.



#### **Land Securities**

Real estate

We added to UK REIT Land Securities. The shares were trading on a significant discount to net tangible assets, with potential for an acceleration in rental growth from its portfolio in both the office and retail sectors.



#### **Phoenix Group**

Financials

We added to the holding in insurer Phoenix Group, owner of Standard Life. The shares were trading on an attractive yield, well above that of the FTSE All-Share index, while free cash flows are growing at an impressive rate.

Transaction details relate to a representative portfolio, BNY Mellon UK Income Fund, which adheres to the same investment approach as the strategy. 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 page is for information purposes only and does not constitute an offer or solicitation to invest.

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## Transaction highlights

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### Sales



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**Smiths Group**  
Industrials

We exited conglomerate Smiths Group following a rally in the share price as the dividend yield on the shares was less attractive.



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**Barclays**  
Financials

Following a rally in the share price, we took profits in Barclays, which remains one of the strategy's major holdings.



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**Standard Chartered**  
Financials

We reduced the holding in Asia-focused bank Standard Chartered, following a large rerating.

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## Key risks

### Newton UK Equity Income Strategy

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. 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.

#### Investment performance %

|  | Mar 24 to Mar 25 | Mar 23 to Mar 24 | Mar 22 to Mar 23 | Mar 21 to Mar 22 | Mar 20 to Mar 21 |
|--|------------------|------------------|------------------|------------------|------------------|
| Newton UK Equity Income Strategy - Net   | 11.43            | 12.09            | 9.83             | 13.76            | 25.11            |
| Newton UK Equity Income Strategy - Gross | 12.09            | 12.76            | 10.49            | 14.44            | 25.86            |
| Performance Benchmark*                   | 10.46            | 8.43             | 2.92             | 13.03            | 26.71            |

#### Performance calendar years %

|  | YTD 2025 | 2024  | 2023  | 2022 | 2021  |
|--|----------|-------|-------|------|-------|
| Newton UK Equity Income Strategy - Net   | 4.85     | 11.57 | 10.72 | 9.03 | 16.92 |
| Newton UK Equity Income Strategy - Gross | 5.01     | 12.24 | 11.38 | 9.69 | 17.62 |
| Performance Benchmark*                   | 4.51     | 9.47  | 7.92  | 0.34 | 18.32 |

Source: Newton. As at 31/03/2025

Source: Newton FactSet, Newton UK Equity Income composite. As at 31/03/2025. Performance is stated net and gross of management fees. The net-of-fee returns are calculated by deducting an annual management charge of 0.6% from the composite gross-of-fee returns. The impact of fees can be material. A fee schedule providing further detail is available upon request.

\*FTSE All-Share is used as a comparator for this portfolio. The portfolio does not aim to replicate either the composition or the performance of the performance benchmark.

#### Risk factors

- **Objective/Performance Risk:** There is no guarantee that the strategy will achieve its objectives.
- **Currency Risk:** This strategy invests in international markets which means it is exposed to changes in currency rates which could affect the value of the strategy.
- **Geographic Concentration Risk:** The strategy primarily invests in a single market which may have a significant impact on the value of the strategy.
- **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 strategy 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 strategy may not always find another party willing to purchase an asset that the strategy wants to sell which could impact the strategy's ability to sell the asset or to sell the asset at its current value.
- **Concentration Risk:** A fall in the value of a single investment may have a significant impact on the value of the strategy because it typically invests in a limited number of investments.
- **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 strategy to financial loss.

## Important information

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Newton's assets under management are as of the most recent quarter end, unless noted otherwise. Newton's assets under management include assets collectively managed by NIM, NIMNA and NIMJ. In addition, AUM for Newton includes assets of bank-maintained collective investment funds for which Newton has been appointed sub-advisor, where Newton personnel act as dual officers of affiliated companies and assets of wrap fee account(s) for which Newton provides sub-advisory services to the primary manager of the wrap program.

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The FTSE All-Share index is used as a comparator for this strategy. The strategy does not aim to replicate either the composition or the performance of the performance benchmark. The Newton UK Equity Income Strategy composite includes any Newton managed segregated accounts that follow the strategy and the BNY Mellon UK Income Fund.

Newton manages a variety of investment strategies. How ESG analysis is integrated into Newton's strategies depends on the asset classes and/or the particular strategy involved. ESG can be one of many inputs into the fundamental analysis. Newton will make investment decisions that are not based solely on ESG analysis. Other attributes of an investment may outweigh ESG analysis when making investment decisions.

Newton claims compliance with the Global Investment Performance Standards (GIPS®). To receive a list of composite descriptions and/or list of Broadly Distributed Pooled Funds and/or a GIPS Report contact Newton at +44 (0)20 7163 9000 or write to Newton at [contact@newtonim.com](mailto:contact@newtonim.com). Model Fees are used to calculate the strategy's net returns and performance returns include the reinvestment of dividends and other earnings. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Newton UK Equity Income Composite contains fully discretionary equity portfolios that only invest in companies that have a dividend yield 15% higher than that of the FTSE All-Share Index at the point of purchase and for comparison purposes is measured against the FTSE All-Share Index.

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2021. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" and "ICB®", are trade marks of the relevant LSE Group companies and are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

The new "Industry Classification Benchmark" (ICB) framework adopted by FTSE indices in March 2021 is now reflected in the report.