

BNY Mellon Fund Managers Ltd

**CONSOLIDATED**  
**ASSESSMENT OF VALUE**  
**REPORT**

To 31 March 2023

Newton Managed Targeted Return Fund / Newton Growth & Income Fund for Charities /  
Newton Sustainable Growth & Income Fund for Charities / Newton SRI Fund for Charities /  
BNY Mellon (Schroder Solutions) Global Equity Fund

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**Carole Judd**  
Independent Chair of  
BNY Mellon Fund  
Managers Ltd Board  
of Directors

## Dear investors,

Welcome to our latest Assessment of Value (AoV) report, covering five of our specialised investment funds – the majority of which focus on charity investors – over the year ending 31 March 2023. As these five feature varying financial year ends, they have been consolidated into one report.

This is our fourth year with the Assessment of Value process. Every year we strive to hone our review to produce an improved and transparent report for investors. Our goal is to clearly communicate the actions and efforts we as a board have taken to meet the objective of providing funds of good value to you.

### THE REVIEW PERIOD

It is fair to say this report covers a period of significant economic volatility, particularly in the UK. Rising **inflation** – which reached a 41-year high of 11.1%<sup>1</sup> in October 2022 – saw interest rates climb steadily. At the start of this latest review period interest rates were 0.75%. By the end, 31 March 2023, they were headed towards 5%.<sup>1</sup> Undoubtedly this shift has had a material impact on investments.

<sup>1</sup> Commons Library, Rising cost of living in the UK, 26 June 2023.

Similarly, the autumn period was eventful and volatile. Following the “mini budget” in September, many UK pension funds were forced to sell assets in order to raise cash to meet their liabilities. The Bank of England had to step in to help stabilise the situation.

In the next section of this report: “Backdrop: A historic time”, we go into further detail about the economic landscape our managers faced during this review period. We, as a board, took this market context into consideration when reviewing the latest performance period.

### KEY UPDATES

When examining investment trends and client interests, we note sustainability continues to be a key area of focus – particularly for charity investors. We remain conscious of the significance of sustainability issues and are committed to being a part of the solution.





As such we are pleased to report two of the funds in this report that feature a sustainability mandate were awarded the highest grade (five globes) by ratings agency, Morningstar. Sustainability – and other climate-related investment trends – is a key priority. Shifting opportunities, concerns and regulations mean we are continuously refining our processes in cooperation with our managers, such as Newton.

One of the broader changes we took this year that we want to highlight, is a change to **share classes**. We want to ensure each share class within each fund is compatible with the fund's objective and that investors have access to the appropriate share classes. We believe the new '2' share class, which launched at the end of this review period will bolster our efforts to provide good value. (For more details on this and all of our share classes, please turn to page 18)

## STRIVING FOR VALUE

We had a number of new board members join over the course of the past 12 months. All are dedicated to questioning and challenging the presence of value. In our analysis of these funds, members across the board continuously questioned what value means to our investors – pushing each other to consider more and see through the eyes of you, the investors in our funds.

There are many ways to interpret value. Aside from the obvious answer of overall returns – we feel it should also relate to clear communication,

sound reasoning and accessible information. The UK regulator's new Consumer Duty regulations has rightfully made the provision of clear and timely information and investor support a priority. It is the goal for which all financial entities should strive.

But ultimately our goal in producing this report is to empower you. We want to provide you with our insights, our analysis and crucially our results and actions in the creation of value. We have broken this report down with an overview of our approach and methodology. However, if you want to skip ahead to your fund, we have a key guide to each fund's rating on its own dedicated page, including a summary of the past year in the view of each manager.

We hope you find this report transparent and accessible, and that you find the information within it valuable. We welcome any comments or feedback you may have so we can improve future reports (email: [clientservices@bnymellon.com](mailto:clientservices@bnymellon.com)).

Yours faithfully,

A handwritten signature in black ink that reads "Carole".

**Carole Judd**  
Independent Chair of BNY Mellon Fund Managers Ltd Board of Directors



## Backdrop to the review period: A historic time

Global inflation and rising interest rates, three UK prime ministers, a new King, labour strikes, a growing cost-of-living crisis and a mini-banking crunch. Investment markets around the world were not devoid of opportunity, but it was a rocky 12 months to end of March 2023.

Fixed interest – the debt of companies and governments – fell as interest rates started to climb in most western markets. In the UK, inflation hit double digits in what many feared as a return to the 1970s & 80s. A wary atmosphere appeared to spread in markets.

For the UK this was made worse in the autumn of 2022. New Prime Minister Liz Truss and her chancellor, Kwasi Kwarteng's "mini-budget" sparked dramatic moves in UK government debt and sterling. It is unusual to see such large falls in government bonds. The Bank of England was forced to intervene to stabilise the **gilt** market. The economic and political uncertainty led to yet another new Prime Minister.

By the end of the year, the cost-of-living was weighing on many and not just in the UK. Persistent inflation and a fear of a recession was also growing in the US and across Europe. This all had profound implications for **equity** markets and certain **fixed income** assets.

There was a resurgence of interest in value stocks – companies that appear to be priced lower than their intrinsic value. Many such companies are considered more mature and less exciting than say, growth areas like technology. However, such companies tend to be solid and focus on repaying shareholders through **dividends**.

The start of 2023 began optimistically enough with many investment experts forecasting good returns in various markets. And then ripples of unease rose from the collapse of US financial, Silicon Valley Bank. Concerns spread to Europe and Credit Suisse was rescued in an emergency deal with UBS. The impact of this was wide felt as many worried it may turn into a return of the 2008 financial crisis. This led to a heightened focus on the global financial sector in general towards the end of the review period.

While this paints a challenging 12-month period, there were areas of opportunity and interest for **active managers**. The renewed interest in value stocks and dividends shifted investment focus. And growth stories still captured attention. "Green" technology – those areas of the market tapping into the world's energy transition – was another area of rising interest. Equity markets in the UK and Europe showed positive returns over the full 12 months covered by our assessment review period.

### BNY Mellon funds and Credit Suisse Group AG, Silicon Valley Bank Financial Group (SVB)

The issue that began with one US regional bank on 10 March 2023, caused worldwide volatility in the **financials** sector. The confidence crisis then spread to Europe.

On 19 March UBS Group AG bought Credit Suisse AG Group for more than US\$2bn in what was called an "emergency" bailout.

How our different pooled investments (funds) were impacted by volatility stemming from these events depended on many different factors. This included direct exposure to the entities at the heart of the matter – like Silicon Valley Bank (SVB) and Credit Suisse Group AG.

**Of the five funds in this review, the BNY Mellon (Schroder Solutions) Global Equity Fund was the only one to have exposure to SVB at the time of its collapse. And this was marginal. None of the funds were invested in Credit Suisse at the time of its bailout.**



# Meet the Board



**Carole Judd**  
board chair (independent)

Carole has over 30 years' experience in asset management and investment consulting.



**Sarah Cox**  
executive director

Sarah is head of UK fund governance, operations and client services at BNY Mellon Investment Management EMEA and is chief executive officer for the board.



**Marc Saluzzi**  
independent director

Marc, retired from PwC Luxembourg since 2015, has extensive experience in asset management across both the US and Luxembourg.



**Kira Nickerson**  
executive director

Kira is global head of content at BNY Mellon Investment Management, with more than 22 years' experience writing for professional and retail investors.



**Gerald Rehn**  
group non-executive director

Gerald is the head of Investment Management EMEA and oversees the group's distribution functions.



**Caylie Stallard**  
executive director

Caylie, who has worked in financial services for over 16 years, is head of product development & management EMEA for BNY Mellon Investment Management.



**Sandeep Sumal**  
group non-executive director

Sandeep is the director of governance at BNY Mellon Investment Management with over 20 years of experience in the financial services industry.



## Last year – our 2022 ratings and actions



In our 2022 report, out of six funds evaluated, three were rated green. One fund was rated red and another, amber. The BNY Mellon (Schroder Solutions) Global Equity Fund did not have sufficient history to qualify for assessment.

FCA assessment criteria	Performance	Quality of service	Comparable market rates	AFM Costs – general	Comparable services	Economies of scale	Classes of units/shares	Overall rating
Absolute Insight Fund	●↓	●	●↓	●	●	●	●	●↓
Newton Managed Targeted Return Fund	●↓	●	●	●	●	●	●	●↓
Newton Growth & Income Fund for Charities	●	●	●	●	●	●	●	●
Newton Sustainable Growth & Income Fund for Charities	●	●	●	●	●	●	●	●
Newton SRI Fund for Charities	●	●	●	●	●	●	●	●
BNY Mellon (Schroder Solutions) Global Equity Fund	●	●	●	●	●	●	●	●

**KEY**

- Provided good value to investors over the assessment period
- Provided some value to investors over the assessment period
- Has provided poor value over the assessment period and requires further action or monitoring
- Insufficient track record or not applicable
- ↑↓ Upgrade/downgrade from previous year's assessment

Here is a synopsis of the remedial actions taken over the course of the year based on the 2022 ratings.

Fund name	Performance issues identified in 2022	Action taken
<b>ABSOLUTE INSIGHT FUND</b>	 Failed to meet all of its performance targets.	The fund was closed on 5 August 2022.
<b>NEWTON MANAGED TARGETED RETURN FUND</b>	 Failed to meet one of its performance targets.	A proposal is being considered to merge this fund with another Newton-managed product, BNY Mellon Multi-Asset Diversified Return Fund. A vote is scheduled for Autumn 2023.



# How to read this report

If you have **5** minutes – focus on the results of your specific fund. Turn to your fund page (listed below) where you can find performance stats, manager commentary and an overall rating summary.

**Newton Managed Targeted Return Fund** on page 21

**Newton SRI Fund for Charities** on page 24

**Newton Growth & Income Fund for Charities** on page 22

**BNY Mellon (Schroder Solutions) Global Equity Fund** on page 25

**Newton Sustainable Growth & Income Fund** for Charities on page 23

If you have **10** minutes – for more context you might want to refresh yourself on the 2022 results and the actions taken. You can find this on page 7.

If you have **30** minutes – to understand our assessment methodology, find an in-depth explanation on this and the seven criteria we use to rate our funds in ‘our methodology’ and ‘our process’ sections on pages 9 and 10.

If you have **60** minutes – alongside reading about our methodology, and your fund’s 2022 and 2023 results, this report can provide you with an in-depth analysis of our overall findings. On pages 14-17 in ‘our analysis’ section, we provide insight into our findings across all seven criteria covering all five of the funds.





# 2023 Methodology

In this Assessment of Value report, we examined five funds with accounting end dates up to and including 31 March 2023. A sixth fund covered in last year's report was closed during this review period.

Our assessment follows the seven-factor criteria outlined by the UK regulator, the Financial Conduct Authority (FCA). We used a variety of internal data to examine the individual funds within each of these areas. This data included that provided by external, independent consultants.

Further details on the seven criteria:

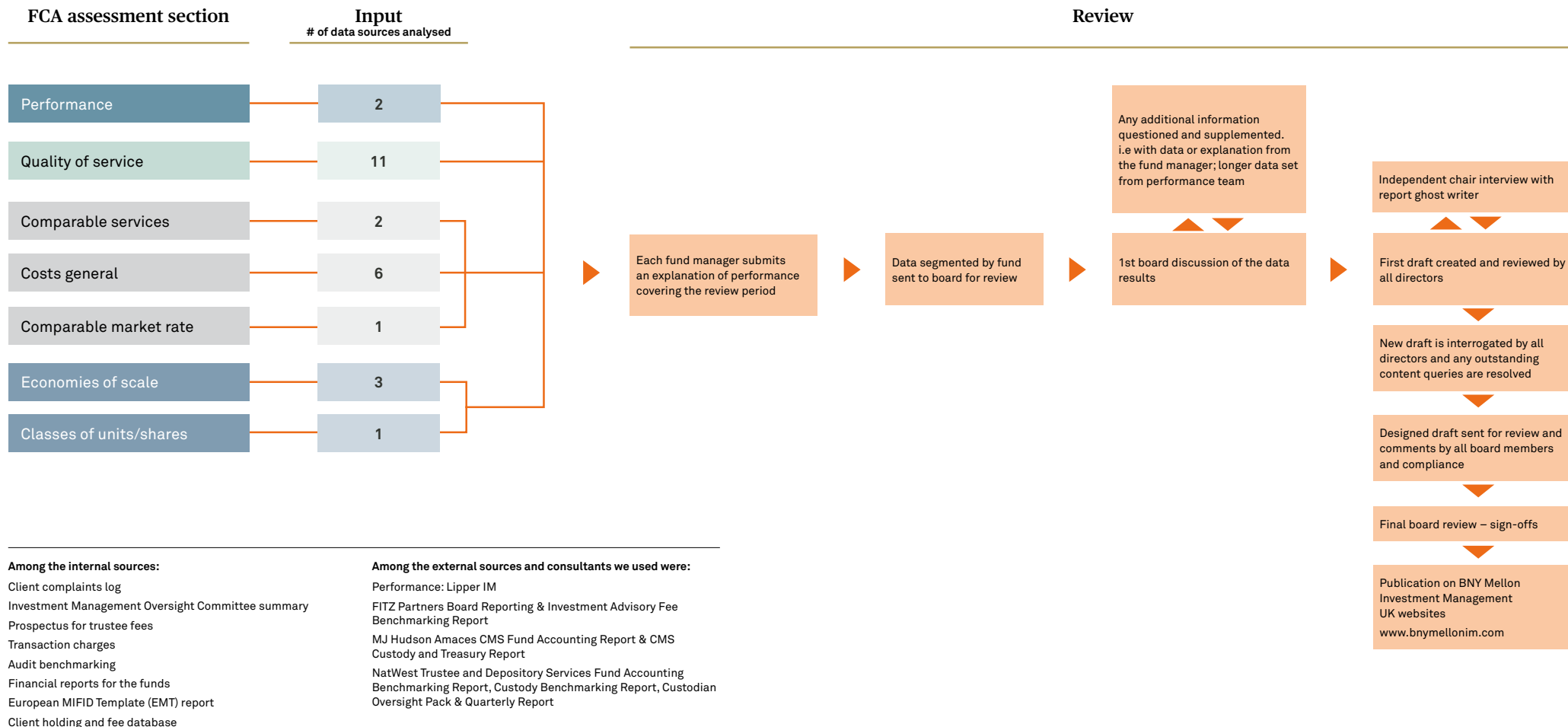
	<i>FCA Definition</i>	<i>Our assessment</i>
Performance	The performance of the scheme*, after deduction of all payments out of scheme property** as set out in the prospectus. Performance should be considered over an appropriate timescale having regard to the scheme's investment objectives, policy and strategy.	Funds – and their individual share classes – may frame objectives over a specified time frames. For instance, one may have a stated goal over three years, another over 12 months. We assessed the performance of each share class against its stated objective.
Quality of Service	The range and quality of services provided to unitholders.	We assessed the quality of the service provided to holders of the fund. Our analysis considered services provided to the fund by third parties, as well as the services investors received from BNY Mellon.
Comparable Market Rates	In relation to each service, the market rate for any comparable service provided: a) by the Authorised Fund Manager (AFM); or b) to the AFM or on its behalf, including by a person to which any aspect of the scheme's management has been delegated.	We assessed the fees paid by the investors in the funds against similar competitor funds.
AFM (Authorised Fund Manager) Costs – General	In relation to each charge, the cost of providing the service to which the charge relates, and when money is paid directly to associates or external parties, the cost is the amount paid to that person.	We assessed the individual costs for services provided in the fund. These included the payment to the <b>trustee, depositary</b> , and investment manager among others. We also considered the profitability of the funds.
Comparable Services	In relation to each separate charge, the AFM's charges and those of its associates for comparable services provided to clients, including for institutional mandates of a comparable size and having similar investment objectives and policies.	We assessed the costs of the share classes of the fund, when compared to a negotiated fee share class, or a broadly similar mandate only available to institutional investors.
Economies of Scale	Whether the AFM is able to achieve savings and benefits from economies of scale, relating to the direct and indirect costs of managing the scheme property and taking into account the value of the scheme property and whether it has grown or contracted in size as a result of the sale and redemption of units.	We assessed whether any savings achieved by the fund increasing in size were passed on to the underlying investors. If a fund decreased in size, we assessed whether the costs disproportionately increased.
Classes of Units/Shares	Whether it is appropriate for unitholders to hold units in classes subject to higher charges than those applying to other classes of the same scheme with substantially similar rights.	We examined whether the investors of the fund were in the appropriate share class. If there were many share classes for one fund, it was assessed whether all of the share classes were still fit for purpose and required.

\*Scheme is what we would call the Fund. \*\*Scheme property is what we would call the underlying investments held by the Fund.



# Our AoV review process

A complex review process using multiple sets of data, across seven criteria analysed on a fund by fund basis, the board of BNY Mellon Fund Managers Ltd has honed its methodology over the past year since the Assessment of Value was introduced. Here is a simplified flow chart outlining our process.



# OUR 2023 RESULTS



# Results

## BNY Mellon (Schroder Solutions) Global Equity Fund

● There was insufficient track record to rate this fund. Launched in 2020, one of its stated objectives is to achieve growth over the long term (at least seven years). As such, the fund cannot be fully assessed against this objective. See more on page 25.

## Newton Managed Targeted Return Fund

● Amber-rated overall, we assessed it as red in the performance category. We felt that although the fund had consistently missed one of its three performance targets, it achieved two of its other objectives and did demonstrate value across the other categories. See more on page 21.

### Note: Absolute Insight Fund

This fund was closed on the 5th August 2022 after careful consideration from the **Authorised Fund Manager (AFM)**. As a result of the closure, the fund is not included in the ratings within this report. The closure is due to multiple reasons, including the fund's diminishing size making it increasingly difficult to manage its **portfolio** construction in a way we deemed satisfactory.

## 2023 Assessment of Value results table

FCA assessment criteria	Performance	Quality of service	Comparable market rates	AFM Costs – general	Comparable services	Economies of scale	Classes of units/shares	Overall rating
Newton Managed Targeted Return Fund	●	●	●	●	●	●	●	●
Newton Growth & Income Fund for Charities	●	●	●	●	●	●	●	●
Newton Sustainable Growth & Income Fund for Charities	●	●	●	●	●	●	●	●
Newton SRI Fund for Charities	●	●	●	●	●	●	●	●
BNY Mellon (Schroder Solutions) Global Equity Fund	●	●	●	●	●	●	●	●

### KEY

● Provided good value to investors over the assessment period

● Provided some value to investors over the assessment period

● Has provided poor value over the assessment period and requires further action or monitoring

● Insufficient track record or not applicable



# OUR ANALYSIS

What, how  
and why



# Our analysis



## WHAT, HOW AND WHY

In this section we explain what we analysed, how this was done, and the conclusions we reached. For further detail on any individual fund and, where applicable, the steps we intend to take to redress any problems identified, please go to the individual fund pages in this report.

## PERFORMANCE

The data examined covered different share classes and varying time frames. All performance-related data covers the varied time periods stated in each of the fund’s individual objectives, as outlined in the prospectus. All had an end date of 31 March 2023.

We do not believe performance is simply just about the absolute amount of money gained or lost. Instead, our assessment looks at whether any individual fund being assessed performed as expected in terms of both risk and return. We looked at **relative returns** in a variety of ways, with a focus on net returns (after fees).

Did it meet its objective(s)? And, if it did not, why was this? Did the fund outperform its **index**? If not, did the **active management** provide other benefits such as higher yield or lower volatility?

For example:

- Where a fund’s objective was **capital growth, total return** performance was assessed.
- Where a fund’s objective was income, **yield** was assessed.
- If the objective was both income and capital growth, yield was used to judge income and price return for capital growth.

With respect to **responsible investing**, we monitor and assess whether such funds are being run within their agreed

criteria. Two of our funds have these frameworks – the Newton Sustainable Growth and Income Fund and the Newton SRI Fund for Charities.

## FINDINGS

One fund was rated red for performance in 2023 – the Newton Managed Targeted Return Fund. The fund did not meet one of its three stated performance targets. This is the second year the fund was assessed as red for performance for the same reason. For details on our plan to address the issues see page 21.

The BNY Mellon (Schroder Solutions) Global Equity Fund, did not have sufficient history to be rated for performance.

The remaining three funds in this year’s consolidated review, were all awarded green ratings for performance.

In the context of **responsible investing**, four of the five funds had third-party analyst reviews.

We were pleased to see the two funds with sustainability framework (The Newton Sustainable Growth & Income Fund for Charities and the Newton SRI Fund for Charities) were awarded the top Morningstar sustainability rating of five globes. The Newton Managed Targeted Return Fund and the Newton Growth and Income Fund for Charities were awarded three globes, an average sustainability rating.

The BNY Mellon (Schroder Solutions) Global Equity Fund is not available on Morningstar and therefore does not have a rating to include.

## Market backdrop – performance of major equity and bond indices over 12 months to 31 March 2023

Indices (Equities)	% Growth GBP
31/03/2022 To 31/03/2023	Value
MSCI AC Asia Pacific ex Japan index NR (Net Return)	-3.00
MSCI EM (Emerging Markets) NR	-4.91
MSCI Europe ex UK NR	8.62
MSCI North America NR	-3.23
MSCI United Kingdom NR	5.59
MSCI World NR	-0.99

Indices (Bonds)	% Growth GBP
31/03/2022 To 31/03/2023	Value
Global Corporate Bonds (ICE BofA Global Corporate Total Return (TR) index)	-0.84
Global Government Bonds (ICE BofA Global Government TR)	-3.76
Global High Yield Corporate Bonds (ICE BofA Global High Yield TR)	1.84
Emerging Market Government Bonds (JP Morgan EMBI Global Diversified TR)	-0.89
Emerging Market Corporate Bonds (in US\$) (JPM CEMBI Broad Diversified TR)	4.76

Source: Lipper-IM.



## QUALITY OF SERVICE

As the board governing these funds, we are responsible for the services provided to them and to investors within them.

The majority of the services examined in this measurement are shared resources. For instance, all the funds use the same third-party service providers such as: **fund accountants, transfer agents, auditors and custodians**. Internal services, such as marketing and communications, are shared. This means assessments in this category are quite uniform.

To come to our conclusions, we looked at data that applied to all funds as well as those that gave us a more individual picture on servicing. This included independent, external reports comparing the services our funds received to that of competitors. Our focus is on examining whether services received are not just of high quality generally, but also relative to peers.

We also reviewed and considered third party research of the funds (where available) to gauge the opinion of external analysts. Although not a direct service, this material is useful to understand what the perception of these funds is in the wider investment community.

### FINDINGS

We have rated all funds green with respect to quality of service.

Overall, we have a strong relationship with all our third-party service providers. While we believe there are always areas that can be improved upon, we did not identify any major cause for concern over this review period.

In last year's report we noted there was an issue with the wait times on calls with clients. At the board's direction the transfer agency took steps to address this short-term issue, which mostly resulted from disruption in the tail-end of the pandemic. We are pleased to see this was much improved over the latest review period.

## COMPARABLE MARKET RATES

This category is an assessment of the total costs of the funds, when compared to similar funds available from our competitors.

Although value is derived from many different areas, one key area to value for money is making sure a similar product cannot be purchased considerably cheaper elsewhere.

For this review we engaged with a third-party data provider, which assessed the total costs of our funds as well as those of our competitors. It provided us with a comprehensive report showing the costs of our funds at a **share class** level alongside the costs of competitors for their similar share classes.

When we considered this report, we considered both the **annual management charge (AMC)** and the additional expenses, which, when combined, provided the **ongoing charges figure (OCF)**.

### FINDINGS

All five funds were rated green in this review. The share classes for these funds all represented value when considering their comparable market rates.

## AUTHORISED FUND MANAGER (AFM) COSTS – GENERAL

This category is an assessment of every figure used in the calculation of a fund's OCF. It also assesses whether the charges are suitable for the services received.

For this assessment, we also considered the profitability of the fund to us as a business. This includes to what extent any charges being levied lead to profit.

Fees paid to the investment manager, the **administrator** and other third-parties were also weighed. For these overall charges we considered if there was a cap (a way to limit the costs) in place and whether there should be one.

### FINDINGS

All of the funds were marked green for this metric.

In general, and on the basis of our research, we were satisfied with the fees being paid to all parties involved in the funds.

Our analysis suggests the charges levied are appropriate for the costs involved. We are comfortable with the levels of profit for all of the funds in the review.

Two of the five funds have a cost cap in place, meaning we cover the costs for those funds over a certain level. This has helped reduce the overall costs for the benefit of the investors.



## COMPARABLE SERVICES

This category examines whether the charges of the **share classes** available to all investors represent good value when compared to similar products run by the same investment manager.

To assess this, we examined the charges of all open share classes with others available for a large sum investment (and therefore able to negotiate a lower fee). Likewise, we compared the fees to similar “segregated mandates”. These are, in essence, bespoke products created for a client (typically a large institutional investor) for an agreed fee.

### FINDINGS

We have rated all funds in this category as green.

We compared the charge of our most expensive share class with the other share classes available in each fund. None had a similar bespoke “segregated mandate” for comparison. The BNY Mellon (Schroder Solutions) Global Equity Fund is an authorised contractual scheme, which only has one client with one single fee arrangement.

We were comfortable with the difference between the individual share classes for each fund. We acknowledge

there are always discounts available for scale and consequently agreements made to pay slightly less on large investments. But we were happy that any difference is justifiable.

## ECONOMIES OF SCALE

In theory, economies of scale mean the larger a fund is, the better able it should be to spread the costs and pass on or reinvest that saving for investors. Yet there are many ways to achieve scale and hence different levels of economies of scale which can be generated.

Following last year’s Assessment of Value, the board conducted an extensive review of the factors driving economies of scale.

This year again, the board challenged the funds’ pricing structure to ensure investors benefit from economies of scale, if any. We looked (and debated) the various ways – and means – in use in this area across the industry. We assessed these alongside our own approach and the resulting impact other methods would have on any significant changes in the size of a fund (it’s assets under management).

The size of BNY Mellon Investment Management (BNY Mellon IM) as a group means we are able to negotiate

for competitive pricing fund service providers, including the portfolio managers. Additionally, some fees, such as those charged by trustees are tiered. This means the fee paid reduces when the fund hits certain size thresholds. This enables economies of scale as the fund grows.

### FINDINGS

We rated all the funds in this category as green. We believe our current pricing approach does offer appropriate economies of scale where possible. We have investigated and believe any potential opportunities for investors to benefit from the economies of scale are being passed on. Natural economies of scale are achieved as our funds grow in size, through the tiering of certain fees. For instance fixed fees, like depositary fees, are proportionally smaller in larger funds.

Ongoing charge figures (what you’ll pay over a year for as long as you hold your investment) for one fund appears to have increased slightly over the period. The increase was noted for the Newton Sustainable Growth & Income Fund for Charities and was a result of new industry guidance, which asked for the costs of select holdings to be more explicitly referenced in the OCF.





## CLASSES OF UNITS/SHARE

This category includes an assessment of whether all the investors within a fund are within the appropriate class. Could they be in a class for their investor type and investor amount?

This review is not simply checking if the existing investors have the minimum investment required to change to a cheaper share class. We also look to see if the share classes available for the fund are appropriate and up-to-date. Share classes that were appropriate in the past might not still be relevant in 2023.

Two of the five funds – the BNY Mellon Managed Targeted Return Fund and the Newton SRI fund for Charities – have two types of active share classes. One is openly available for investors who meet the criteria (like minimum investment threshold). The other is designed for those with large lump sums to invest and engage for negotiated terms.

The Newton Sustainable Growth and Income Fund and the Newton Growth and Income Fund – have three active share classes including ‘2’ which launched in March 2023. For more information on this and all of the seeded share classes please go to our share class definition table on the next page.

The BNY Mellon (Schroder Solutions) Global Equity Fund was marked as N/A as it only has one share class.

## FINDINGS

The board concluded the active share classes across the funds – including the newly launched ‘2’ – were appropriate and generally provided good value in line with each funds’ specific objectives.



# Share Class Definitions

## WHAT'S IN A SHARE CLASS?

Like most investment funds, ours have multiple share classes. This is because there are different types of investors – retail, intermediary and institutional and varying ways to invest.

For instance, you may invest in **accumulation** or income shares (this is normally seen in share class names as “Acc” or “Inc”). Typically, if you’re looking to grow your **capital** you may re-invest your income and as such you are likely to invest in accumulation shares. With income shares you’re looking to take a stream of income in the form of dividends.

Each fund in this report invests in different share classes. Here is what they mean and how we colloquially refer to them in the text of this report.

Class (income and accumulation)	Typical investor and description
Sterling	<b>Sterling</b> Only available to charities within a specified criteria.
2	<b>Charity investors</b> Only available to charities – this unit class features a higher minimum investment and lower annual charge than the standard sterling share class.
X Shares	<b>Institutional investors</b> Share classes with negotiated fees and minimum holdings.  Designed for very large holdings.
W Shares	<b>Platforms</b> Has a higher minimum investment threshold than straight retail with no advisory commissions.  By <b>platforms</b> we mean fund centres often used by financial advisers buying on behalf of their clients.
Institutional R1	<b>Pension trustees</b> Eligible investors who are trustees or other duly authorised representatives acting on behalf of a pension fund which is authorised or registered in the UK or elsewhere, or the nominee of such an investor.



## 2023 Assessment of Value Results Table

FCA assessment criteria		Performance	Quality of service	Comparable market rates	AFM Costs – general	Comparable services	Economies of scale	Classes of units/shares	Overall rating
Newton Managed Targeted Return Fund	2021	●	●	●	●	●	●	●	●
	2022	●↓	●	●	●	●	●	●	●↓
	2023	●	●	●	●	●	●	●	●
Newton Growth & Income Fund for Charities	2021	●	●	●	●	●	●	●	●
	2022	●	●	●	●	●	●	●	●
	2023	●	●	●	●	●	●	●	●
Newton Sustainable Growth & Income Fund for Charities	2021	●	●	●	●	●	●	●	●
	2022	●	●	●	●	●	●	●	●
	2023	●	●	●	●	●	●	●	●
Newton SRI Fund for Charities	2021	●	●	●	●	●	●	●	●
	2022	●	●	●	●	●	●	●	●
	2023	●	●	●	●	●	●	●	●
BNY Mellon (Schroder Solutions) Global Equity Fund	2021	●	●	●	●	●	●	●	●
	2022	●	●	●	●	●	●	●	●
	2023	●	●	●	●	●	●	●	●

**KEY**

● Provided good value to investors over the assessment period

● Provided some value to investors over the assessment period

● Has provided poor value over the assessment period and requires further action or monitoring

● Insufficient track record or not applicable

↑↓ Upgrade/downgrade from previous year's assessment



# OUR FUNDS



# Newton Managed Targeted Return Fund

## OBJECTIVE

To achieve a positive return in sterling terms by investing across a range of **asset classes**. The fund is managed to seek a minimum return of Retail Prices Index (RPI) +4% per annum over five years before fees.

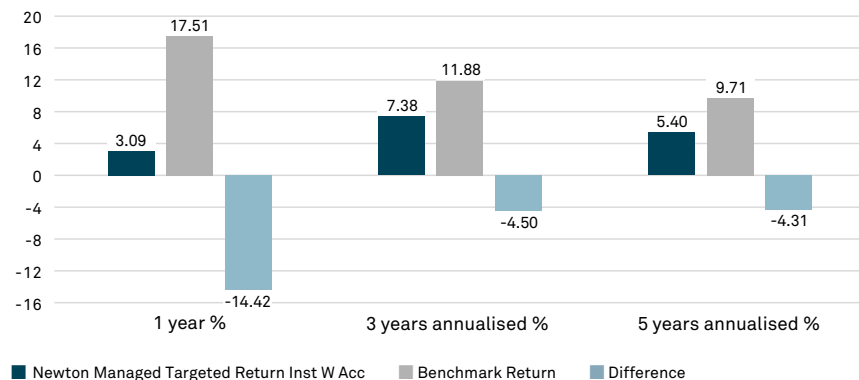
In doing so, the fund aims to achieve a positive return on a rolling three-year basis (meaning a period of three years, no matter which day you start on). However, a positive return is not guaranteed and a **capital loss** may occur.

## ASSETS UNDER MANAGEMENT (AUM)

# £73.03m

(as at 31 March 2023)

## Newton Managed Targeted Return Fund Net performance ending 31 March 2023



Benchmark: UK Retail Price Index + 4%.

Source for all performance: Lipper-IM & Morningstar Direct as at 31 March 2023. Fund performance for the Institutional Shares W (Accumulation) share class calculated as total return, including reinvested income net of UK tax and charges, based on net asset value. All figures are in GBP terms.

The Fund will measure its performance before fees against the UK Retail Prices Index (RPI) +4% per annum over five years as a target benchmark (the "Benchmark"). The Fund will use the benchmark as a target for the Fund's performance to match or exceed because RPI is representative of UK inflation and +4% is above inflation and therefore aligned with the Fund's investment objective to deliver positive returns in sterling terms. The Fund is actively managed, which means the Investment Manager has discretion over the selection of investments, subject to the investment objective and policies as disclosed in the Prospectus.

We have rated this fund amber for the second year in a row. We believe the fund is offering some value overall. However, it remains disappointing on a key performance metric – to return more than the Retail Prices Index (RPI) +4% over five years before fees.

The fund has met its objectives to achieve a positive return and a positive return on a rolling three-year basis. While we have marked its performance as red, we have given it an overall amber rating.

In our 2022 report we stated we would monitor the fund's performance and consider introducing a non-inflation-based target. During this process it became apparent that a potential merger into the Newton-managed BNY Mellon Multi-Asset Diversified Return Fund would be preferable.

A vote on a proposed merger is scheduled for Autumn 2023.

*Manager's commentary on the period leading to 31 March 2023:*

“

Over the 12-month period, inflation (as measured by the retail price index – RPI), reached its highest level in 40 years. With interest rates on the march higher, **bond yields** rose and bond prices consequently fell dramatically. This led to a challenging period for most asset classes. While the fund delivered a positive return, it was difficult to meet the **benchmark** return of RPI + 4% given the elevated level of inflation.

The BNY Mellon UK Income Fund was the biggest underlying contributor to performance as UK equities performed well over the period. The BNY Mellon Multi-Asset Growth Fund outperformed its peer group benchmark, but its overall performance was well below inflation. The BNY Mellon Global Income Fund performed well but again insufficient to deliver an inflation plus benchmark the Newton Managed Targeted Return Fund is measured against.”

## Overall ratings

Performance



Quality of Service



Economies of scale



Classes of units/shares



Comparable services



Costs



Comparable market rates



# Newton Growth & Income Fund for Charities

## OBJECTIVE

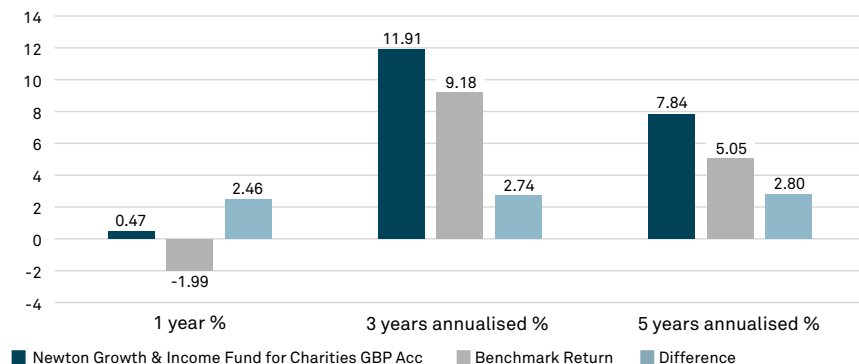
To generate **capital growth** and income growth over a period of 5-7 years by investing at least 70% of the fund's assets in a global portfolio of **equities** (company shares) and **fixed income** securities.

## ASSETS UNDER MANAGEMENT (AUM)

# £722.65m

(as at 31 March 2023)

## Newton Growth & Income Fund for Charities Net performance ending 31 March 2023



Benchmark: Newton Growth & Income Fund for Charities Index.

Source for all performance: Lipper-IM & Morningstar Direct as at 31 March 2023. Fund performance for the Sterling Accumulation share class calculated as total return, including reinvested income net of UK tax and charges, based on net asset value. All figures are in GBP terms.

The Fund will measure its performance against a composite index, comprising 50% FTSE All-Share TR Index, 25% FTSE World ex UK TR Index, 20% FTSE Actuaries UK Conventional Gilts All Stocks TR Index and 5% 7-Day Compounded SONIA, as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because it includes a broad representation of the asset classes, sectors and geographical areas in which the Fund predominantly invests. The Fund is actively managed, which means the Investment Manager has absolute discretion to invest outside the Benchmark subject to the investment objective and policies disclosed in the Prospectus. While the Fund's holdings may include constituents of the Benchmark, the selection of investments and their weightings in the portfolio are not influenced by the Benchmark. The investment strategy does not restrict the extent to which the Investment Manager may deviate from the Benchmark.

We have rated this fund green overall and are satisfied it provides good value for money.

When examining the Quality of Service, it was highlighted there were two complaints made during the period, which were upheld. These related to our anti-money laundering process.

Overall ratings	
Performance	
Quality of Service	
Economies of scale	
Classes of units/shares	
Comparable services	
Costs	
Comparable market rates	

Manager's commentary on the period leading to 31 March 2023:



This was a particularly challenging period for financial markets. The outlook for inflation, and the trajectory of interest rates, continued to dominate the narrative within financial markets.

Our positioning in **bonds** contributed significantly to performance. Lower exposure to bonds and sensitivity to interest rates was positive in the rising interest-rate environment. We added to UK government bonds (gilts) given the significant sell-off in UK **yields** and sterling. Real yields have increased significantly over the year and these bonds offered a positive real yield for a low-risk asset in an uncertain economic environment.

The fund's equity positioning was also positive over the review period, particularly in the US **industrials** sector. Strength in grid and electrification activity in US markets remain intact, despite the more uncertain economic outlook.

Weighing on returns was the zero **weighting** in BP and **underweight** in Shell, after the energy majors revealed the highest annual **earnings** in their 100+ year histories.



# Newton Sustainable Growth & Income Fund for Charities

## OBJECTIVE

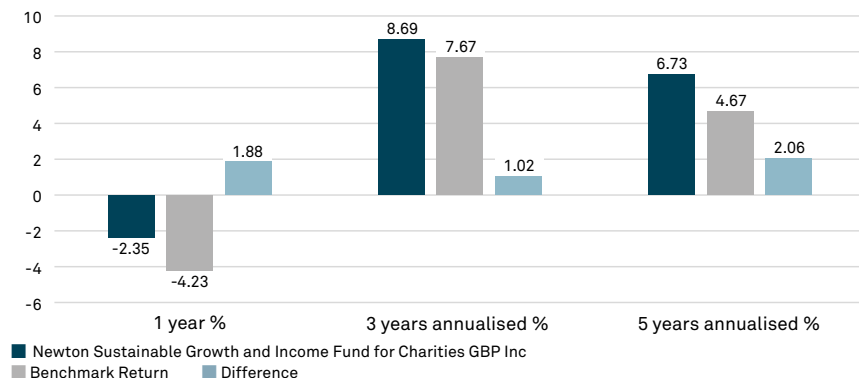
To generate **capital growth** and income over the long term (5 years or more).

## ASSETS UNDER MANAGEMENT (AUM)

# £71.60m

(as at 31 March 2023)

## Newton Sustainable Growth & Income Fund for Charities Net performance ending 31 March 2023



Benchmark: Newton Sustainable Growth & Income Fund for Charities Index.

Newton Sustainable Growth & Income Fund for Charities Source for all performance: Lipper-IM & Morningstar Direct as at 31 March 2023. Fund performance for the Sterling Income share class calculated as total return, including reinvested income net of UK tax and charges, based on net asset value. All figures are in GBP terms.

The Fund will measure its performance against a composite index, comprising 75% MSCI AC World NR Index, 20% FTSE Actuaries UK Conventional Gilts All Stocks TR Index, 5% 7-Day Compounded SONIA, as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because it includes a broad representation of the asset classes, sectors and geographical areas in which the Fund predominantly invests. The Fund is actively managed, which means the Investment Manager has absolute discretion to invest outside the Benchmark subject to the investment objective and policies disclosed in the Prospectus. While the Fund's holdings may include constituents of the Benchmark, the selection of investments and their weightings in the portfolio are not influenced by the Benchmark. The investment strategy does not restrict the extent to which the Investment Manager may deviate from the Benchmark.

We have rated this fund green overall and are satisfied it provides good value for money. The fund is being managed within its sustainability criteria, which can be seen by its 5-globe rating from Morningstar.

<b>Overall ratings</b>	
Performance	
Quality of Service	
Economies of scale	
Classes of units/shares	
Comparable services	
Costs	
Comparable market rates	

## Manager's commentary on the period leading to 31 March 2023:



During the final quarter of 2022, equities recovered some of the ground lost earlier in the year. The outlook for inflation, and the trajectory of interest rates, continued to dominate the narrative within financial markets.

At the start of 2023 share prices were lifted by positive sentiment. However, as the quarter progressed, several issues came to the fore which took their toll on sentiment.

The fund's positioning in **bonds** contributed significantly to its performance owing to its underweight in UK government bonds (gilts). The Fund's **equity** positioning was also positive as was our holding in physical gold.

We increased the **fixed-interest weighting** with the purchase of **short-dated** government bonds. Rising **yields** have resulted in a more attractive investment proposition. We also increased exposure to US longer-dated bonds. We believe bonds can start to provide diversification in the event of a significant downturn in economic growth.

## MORNINGSTAR SUSTAINABILITY SCORES



Current Sustainability Scores based on 92% of corporate AUM and 100% of sovereign AUM. Sustainability Score and Rating as of 31/05/2023. Portfolio as of 31/05/2023. Sustainalytics provides issuer-level ESG Risk analysis used in the calculation of Morningstar's Sustainability Scores. **Sustainable** Investment mandate information is derived from the fund prospectus.



# Newton SRI Fund for Charities

## OBJECTIVE

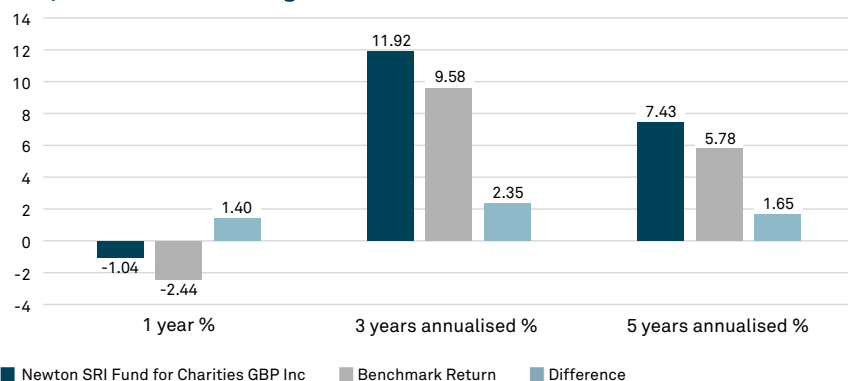
To achieve a balance between **capital growth** and income for charity investors, over the long term (5 years or more).

## ASSETS UNDER MANAGEMENT (AUM)

# £107.27m

(as at 31 March 2023)

## Newton SRI Fund for Charities Net performance ending 31 March 2023



Benchmark: Newton SRI Fund for Charities Index.

Source for all performance: Lipper-IM & Morningstar Direct as at 31 March 2023. Fund performance for the Sterling Income share class calculated as total return, including reinvested income net of UK tax and charges, based on net asset value. All figures are in GBP terms.

The Fund will measure its performance against a composite index, comprising 75% MSCI AC World NR Index, 20% FTSE Actuaries UK Conventional Gilts All Stocks TR Index, 5% 7-Day Compounded SONIA, as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because it includes a broad representation of the asset classes, sectors and geographical areas in which the Fund predominantly invests. The Fund is actively managed, which means the Investment Manager has absolute discretion to invest outside the Benchmark subject to the investment objective and policies disclosed in the Prospectus. While the Fund's holdings may include constituents of the Benchmark, the selection of investments and their weightings in the portfolio are not influenced by the Benchmark. The investment strategy does not restrict the extent to which the Investment Manager may deviate from the Benchmark.

We have rated this fund green overall and are satisfied it provides good value for money. The fund is being managed within its sustainability criteria, which can be seen by its 5-globe rating from Morningstar.

<b>Overall ratings</b>	
Performance	
Quality of Service	
Economies of scale	
Classes of units/shares	
Comparable services	
Costs	
Comparable market rates	

## Manager's commentary on the period leading to 31 March 2023:

“

After a promising start, the third quarter of 2022 proved to be very volatile. Sharp, broad-based declines were seen in all major asset classes.

The fund's positioning in **bonds** contributed significantly to performance owing to its underweight in UK bonds (gilts). The fund's **equity** positioning was also positive, particularly in the **consumer discretionary** sector. A further contribution came from the holding in physical gold, which benefited from the stronger US dollar.

We will continue to place our focus on companies which we believe have more resilient earnings profiles and attractive outlooks.”

## MORNINGSTAR SUSTAINABILITY SCORES



Current Sustainability Scores based on 98% of corporate AUM and 100% of sovereign AUM. Sustainability Score and Rating as of 31/05/2023. Portfolio as of 31/03/2023. Sustainalytics provides issuer-level ESG Risk analysis used in the calculation of Morningstar's Sustainability Scores. **Sustainable** Investment mandate information is derived from the fund prospectus.





# BNY Mellon (Schroder Solutions) Global Equity Fund

## OBJECTIVE

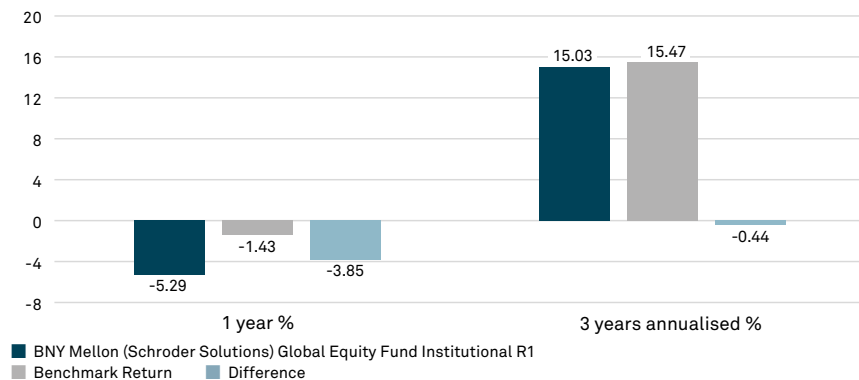
To achieve **capital growth** over the long term (a period of at least 7 years).

## ASSETS UNDER MANAGEMENT (AUM)

# £804.20m

(as at 31 March 2023)

## BNY Mellon (Schroder Solutions) Global Equity Fund Net performance ending 31 March 2023



Benchmark: MSCI AC World NR GBP.

Institutional R1 (Accumulation) share class calculated as total return, including reinvested income net of UK tax and charges, based on net asset value. All figures are in GBP terms.

The MSCI All Country World Index is used as a comparator against which to measure the performance of the Fund (the "Benchmark"). The Fund is actively managed, which means the Investment Manager has absolute discretion to invest outside the Benchmark subject to the investment objective and policies disclosed in the Prospectus. While the Fund's holdings may include constituents of the Benchmark, the selection of investments and their weightings in the portfolio are not influenced by the Benchmark. The investment strategy does not restrict the extent to which the Investment Manager may deviate from the Benchmark.

The fund, launched on 27 January 2020, has an objective of growth over the long term (at least 7 years). As such, it does not have sufficient performance history to assess.

The fund is a single client solution and is being run with significant influence from the client. As it only has one share class it was not possible to rate the fund in the classes of units/shares criterion.

Although it is not possible to give an overall rating to the fund, we are comfortable with every element we could measure. We have no concerns about the fund going forward.

Overall ratings	N/A
Performance	N/A
Quality of Service	
Economies of scale	
Classes of units/shares	N/A
Comparable services	
Costs	
Comparable market rates	

Manager's commentary on the period leading to 31 March 2023:

“

Equity markets had a challenging year in 2022.

Over the period we continued with our cautious stance, a preference for higher-quality names and a tilt towards larger companies; all traits which should better weather any economic downturn.

By the year end, we began to favour **equity** exposure outside the US on **valuation** grounds. We believe that US corporate earnings estimates still appear too high, whilst others – notably European and Emerging-Markets – appear to have priced in too much bad news. Elsewhere, as **recessionary** fears grew, we lowered our exposure to consumer-related stocks. Furthermore, the added domestic woes of the UK led us to move underweight UK small & mid-sized companies, preferring large company exposure instead.”



# GLOSSARY



# Glossary

## Accumulation

Increasing the position size in one asset, increasing the number of assets owned/positions, or an overall increase in buying activity in an asset.

## Active management

A process whereby an investment professional actively makes buy, hold and sell decisions and aims to outperform the overall market.

## Administrator

Independently verifies the assets and valuation of the fund.

## Annual management charge (AMC)

An ongoing fee paid to the management company for managing an investment, usually charged as a percentage of the investment.

## Asset class

A grouping of investments that exhibit similar characteristics and are subject to the same laws and regulations.

## Auditor

Authorised to review and verify the accuracy of financial records and ensure that companies comply with tax laws.

## Benchmark

A baseline for comparison against which a fund can be measured.

## Bond(s)

A loan of money by an investor to a company or government for a stated period of time in exchange for a fixed interest rate payment and the repayment of the initial amount at its conclusion.

## Capital

Resources or money used or available for use in the production of more wealth.

## Capital growth

When the current value of an investment is greater than the initial amount invested.

## Capital loss

When an asset is sold for less than the price it was purchased for.

## Custodian

Holds customers' securities for safekeeping to minimise the risk of their theft or loss.

## Depository

Is an entity that acts in a safekeeping and a fiduciary capacity for a fund, providing global custody services. A depository acts as a custodian.

## Dividend(s)

A sum paid regularly by a company to its investors as a reward for holding their shares.

## Earnings

Money obtained in return for labour or services.

## Equity/Equities

Shares issued by a company, representing an ownership interest.

## Financials

A sector made up of companies that provide financial services.

## Fixed income

Broadly refers to those types of investment security that pay investors fixed interest or dividend payments until their maturity date.

## Fund accountant

Responsible for the day-to-day accounting for one or more assigned funds. It is their responsibility to prepare timely and accurate net asset values (NAV), yields, distributions, and other fund accounting output for review.

## Gilt(s)

Fixed income security issued by the UK government.

## Government bonds

A loan of money by an investor to a government for a stated period of time in exchange for a (generally) fixed rate of interest and the repayment of the initial amount at its conclusion.

## Index/Indices

A portfolio of investments representing a particular market or a portion of it. For example: The FTSE 100 is an index of the shares of the 100 largest companies on the London Stock Exchange.

## Industrials

The industrial goods sector includes stocks of companies that mainly produce capital goods used in manufacturing, resource extraction, and construction.

## Inflation/Inflationary

The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

## Ongoing charge figure (OCF)

The amount an investor will pay for the service provided by a fund. The OCF is made up of the manager's fees along with other costs, such as administration. It's meant to be used as a standardised method to compare the costs of funds.

## Portfolio

A collection of investments.

## Recession(ary)

A significant decline in economic activity spread across the economy, lasting more than a few months; some countries define it as negative economic growth for two consecutive quarters.

## Relative return

The return an asset achieves over a period of time compared to a benchmark.



**Responsible investing**

An approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and of the long-term health and stability of the market as a whole.

**Share class**

A designation applied to a specified type of security such as common stock or mutual fund unit.

**Short-dated**

A description added to certain income-producing assets to highlight the fact the maturity date is very near or soon.

**Stock**

Also known as equity, is a security that represents the ownership of a fraction of the issuing corporation.

**Total return(s)**

The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

**Transfer agent**

Also known as the registrar, they are the trusts or institutions that register and maintain detailed records of the transactions of investors.

**Trustee**

A trustee is a person or firm that holds and administers property or assets for the benefit of a third party.

**Underweight(ing)**

Having less invested in a company, region or sector, than the benchmark or comparative product.

**Valuation**

A quantitative process of determining the fair value of an asset, investment, or firm.

**Weighting(s)**

The exposure to a company, sector or market in a fund, usually expressed as a percentage – i.e the Fund had a 20% weighting to US companies.

**Yield**

Income received from investments, either expressed as a percentage of the investment's current market value, or dividends received by the holder.



**IMPORTANT INFORMATION**

**This is not a financial promotion.**

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**Our phone lines are open Monday to Friday 8.30am until 5.30pm, UK time, excluding bank holidays.**

**Telephone calls may be recorded for monitoring and training purposes.**

