BNY MELLON
INVESTMENT MANAGEMENT

NEWTON ORIENTAL FUND

INVESTMENT MANAGER

NEWTON
Investment Management

Newton Investment Management: Newton pursues a distinctive global thematic investment approach and provides added value from extensive proprietary research.

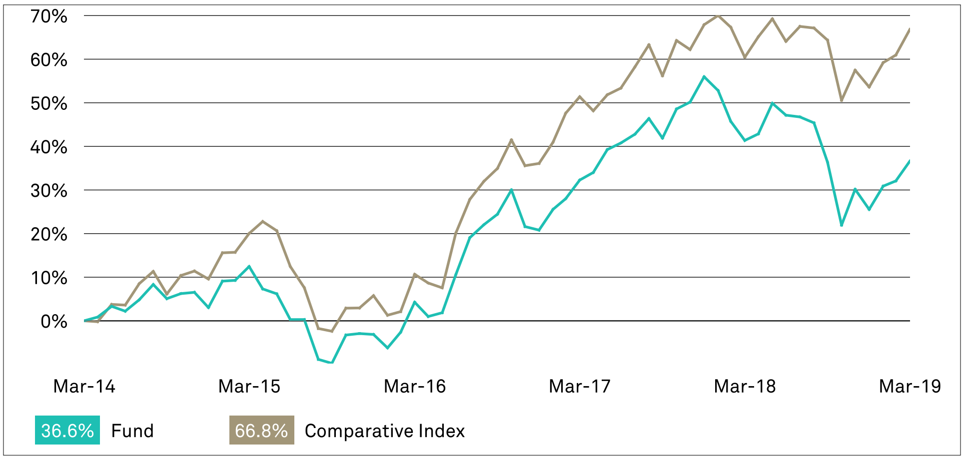
PERFORMANCE DISCLOSURE

Past performance is not a guide to future performance. The value of investments can fall. Investors may not get back the amount invested. Income from investments may vary and is not guaranteed.

QUARTERLY HIGHLIGHTS

- Performance: The Fund was slightly ahead of its comparative index over the quarter, generating a positive return, on a net basis.
- Activity: We started a new position in Autohome, the dominant website for prospective car buyers in China. We also increased the weightings in existing holdings Tencent and Maruti Suzuki.
- Outlook & Strategy: Some confidence in Asian market growth has been restored as the fear of a deflationary outcome in China dissipates and last year's rotation has begun to unwind.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

					Annualised		
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	3.43	8.82	8.82	-3.35	1.63	9.43	6.44
Comparative Index	3.65	8.60	8.60	3.99	4.98	14.66	10.77
Sector	3.28	8.83	8.83	3.92	5.21	14.44	10.64
No. of funds in sector	70	70	70	69	68	68	61
Quartile	2	2	2	4	4	4	4

	2014	2015	2016	2017	2018
Fund	4.18	-5.99	24.70	29.12	-19.51
Comparative Index	10.05	-3.48	28.66	23.37	-8.51

Source for all performance: Lipper as at 31 March 2019. Fund Performance for the Institutional Shares W (Accumulation) 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 impact of an initial charge (currently not applied) can be material on the performance of your investment. Further information is available upon request.

BNY MELLON INVESTMENT MANAGEMENT EMEA LIMITED - CLIENT SERVICES
Tel: 08085 660 000 | Email: brokersupport@bnymellon.com Tel: +44 20 7163 2367 | internationalsales@bnymellon.com | Web: www.bnymellonim.com

PERFORMANCE COMMENTARY

Asia Pacific ex Japan markets gained in the first quarter of 2019, rising strongly in sterling terms. Despite fears about fading economic growth in Asian markets and the world at large, markets rose on improving sentiment regarding US-China trade talks and a monetary policy reversal by the US Federal Reserve.

THE TOP SIX CONTRIBUTORS TO PERFORMANCE ALL HAD CHINESE EXPOSURE. SAMSUNG SDI WAS AMONG THE KEY DETRACTORS

China was the best performing major market, with gains reflecting investors' appreciation of stimulus measures from the People's Bank of China, which boosted liquidity in the banking system, and the prospect of tax cuts and greater infrastructure spending. In addition, the Caixin manufacturing purchasing managers' index began to show some signs of recovery in March.

The Indian market lagged the index over the quarter as a whole but enjoyed a dramatic rise in March, with local indices approaching all-time highs. Factors driving the rally included renewed economic strength, pre-general election optimism, and the prospect of an interest-rate cut, as inflationary pressures subsided. Consumer prices rose by less than 2% in January, down from nearly 5% in the summer of 2018.

Elsewhere, New Zealand stocks performed well, with the local market hitting an all-time high in March, as investors anticipated a reduction in interest rates. Australian equities were also firmer, buoyed by a recovery in commodity prices.

The Fund was ahead of its comparative index over the quarter, generating a strong positive absolute return. Performance was led by holdings in the consumer services, technology and healthcare sectors. This was somewhat offset by holdings in consumer goods and Indian autos in particular, as well as by the Fund's largest holding, the electric-vehicle battery maker Samsung SDI.

The strongest six contributors to performance on an individual stock basis were all Chinese or those with Chinese exposure. This is unsurprising, given the sell-off in the fourth quarter of 2018 and the resulting rebound we have seen year to date, with fears of a macroeconomic collapse in China having dissipated as data has shown signs of stabilisation. During the period of weakness we took the opportunity to add to high quality, asset-light Chinese businesses with structural growth drivers. The top contributor in the first quarter was a long-time holding, Chinese biologics drugs company 3SBio. The stock rallied on a more benign regulatory outlook than was feared last year and after publishing solid results. We see a long growth runway for this company given the very low penetration of its drugs in the Chinese market as well as a pipeline of new approvals and the purchase of new licences. Other strong performers included education provider New Oriental, internet group Alibaba and Hong Kong-based insurer AIA.

Conversely, the largest active position in the portfolio, Samsung SDI, was muted during the quarter, probably owing to an issue in its energy storage system battery business and weaker contribution from its stake in Samsung Display, due to weaker OLED panel sales. We see the latter as a non-core impact and largely immaterial to the overall investment case, and therefore have been topping up on weakness. Aside from Samsung SDI, the largest drag during the quarter was the Fund's Indian exposure as the market was weak in January and February, partially because international investors were rotating into China. Interestingly, several Indian stocks which were weak over the quarter as a whole, including Apollo Hospitals and tobacco company ITC, strongly rebounded in March. The exception was Maruti Suzuki, which has been under pressure on account of weak volumes. We expect this to be a temporary phenomenon and that sales will rebound as inventory levels normalise and demand picks up.

ACTIVITY REVIEW

We started a new position in Autohome, the dominant website for prospective car buyers in China, with revenue derived from advertising and subscriptions. This is an attractive, capital-light internet business which has structural growth drivers despite the cyclicality of the auto industry within which it operates. We also increased the weightings in existing holdings Tencent and Maruti Suzuki.

WE ADDED AUTOHOME, INCREASED TENCENT AND MARUTI SUZUKI, AND SOLD CTRIP, CHINA BIOLOGICS, OIL SEARCH AND DOMINO'S PIZZA

We funded these purchases by selling Ctrip, the leading Chinese online travel company. In our view, the attractiveness of the investment has been diluted by the company's overseas investments and a delay to its monetisation strategy. We also exited China Biologics, the Chinese plasma company, as while the industry growth is very compelling, we lost faith in its corporate governance following a private placing to select investors. Following strong recent performance and a fuller valuation, we sold the holding in Australia's Oil Search. We also disposed of Domino's Pizza Enterprises as we see better structural growth opportunities in emerging Asia at this point.

Owing to some concerns relating to corporate governance, we moderated ourholding in China Harmony and recycled some of the cash to add to its auto-dealer peer China Yongda.

Elsewhere, we reduced Chinese e-commerce company JD.com owing to the rising risks to execution from intensifying competition in the e-commerce space and a slowing consumer environment in China. Finally, we realised some profits in Hong Kong insurer AIA, although it remains a top-five position in the Fund.

INVESTMENT STRATEGY AND OUTLOOK

After a very challenging year for Asian markets in 2018, thus far in 2019 markets have been buoyant, particularly in China where last year's fear of a trade war has subsided and resolution is anticipated in the near future. Confidence in growth has been restored as the fear of a deflationary outcome in China dissipates and some of the rotation witnessed last year has started to unwind.

WE BELIEVE THE VALUATIONS OF SELECT COMPANIES IN THE ASIA PACIFIC REGION ARE STILL EXCESSIVELY DISCOUNTED AND PRESENT OPPORTUNITIES

Despite the recovery seen so far, we continue to invest with a view that extends well beyond short-term macroeconomic noise, with a longer duration five-year investment horizon, and believe there are considerable fundamental attractions for select companies in the Asia Pacific region. We view current valuations as still excessively discounted relative to developed market peers with comparable growth and return metrics, despite the recent rebound from oversold levels.

We are conscious of the risks to this scenario, not least the potential for additional bouts of volatility driven by deterioration in liquidity or in the trade and technology relationship between the US and China. However, we still believe that positioning clients' capital in high-quality companies with robust balance sheets is the best way to navigate this course.

Longer term, we are watching for the possibility of populist policies becoming mainstream, driven by persistent inequality of income and wealth. We believe this could lead to even more unconventional monetary or fiscal policies that may ultimately result in rising inflation, although it remains a tail risk at this point. Again, companies with robust and sustainable market positions and those with pricing power should be best placed in any inflationary environment.

TOP 10 HOLDINGS (%)

	Fund
Tencent Holdings Ltd	7.0
Samsung Electronics Co Ltd	6.1
Taiwan Semiconductor Manufacturing	5.9
Alibaba Group Holding Ltd	5.8
AIA Group Ltd	5.4
Samsung SDI Co Ltd	5.4
3SBio Inc	4.1
CSL Ltd	3.9
ITC Ltd	3.4
Maruti Suzuki India Ltd	3.3

INDUSTRIAL ALLOCATION (%)

	Fund	Comp. Index
Consumer Services	14.4	10.3
Technology	28.4	18.0
Health Care	14.0	3.9
Financials	14.5	32.4
Telecommunications	0.0	3.3
Utilities	1.5	3.0
Oil & Gas	0.0	5.0
Industrials	9.7	9.6
Basic Materials	3.4	6.5
Consumer Goods	13.0	8.0
Cash	1.1	0.0

GEOGRAPHICAL ALLOCATION (%)

	Fund	Comp. Index
China	28.66	28.01
India	20.80	9.57
South Korea	15.91	11.76
Australia	11.07	17.38
Hong Kong	8.38	10.56
Taiwan	6.96	10.23
Philippines	3.96	1.12
United States	2.33	0.00
Cash	1.12	0.00
New Zealand	0.82	0.73
Indonesia	0.00	1.92
Malaysia	0.00	2.45
Pakistan	0.00	0.05
Singapore	0.00	3.32
Thailand	0.00	2.92

QUARTERLY ATTRIBUTION BY INDUSTRY

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Consumer Services	27.85	18.57	1.07	0.32	1.39
Technology	12.73	9.90	0.70	0.11	0.81
Health Care	12.74	3.81	1.16	-0.45	0.70
Financials	9.67	7.80	0.24	0.13	0.37
Telecommunications	0.00	3.02	0.00	0.18	0.18
Utilities	6.59	3.54	0.05	0.07	0.12
Oil & Gas	9.48	11.41	0.04	-0.11	-0.07
Industrials	0.29	5.48	-0.47	-0.03	-0.50
Basic Materials	-4.33	9.50	-0.49	-0.02	-0.51
Consumer Goods	0.39	5.55	-0.66	-0.17	-0.83
Cash	-	0.00	-0.09	-0.11	-0.20

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 CONTRIBUTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
China	26.37	14.59	2.61	-0.13	2.48
Hong Kong	19.03	12.96	0.45	-0.08	0.38
South Korea	5.96	2.47	0.57	-0.23	0.33
Malaysia	0.00	-1.39	0.00	0.25	0.25
United States	18.93	0.00	0.42	-0.20	0.22

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 DETRACTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
India	-0.63	4.29	-0.91	-0.43	-1.34
Australia	3.09	9.04	-0.67	-0.01	-0.68
Philippines	2.12	4.15	-0.08	-0.14	-0.22
Cash	-	0.00	-0.09	-0.11	-0.20
Taiwan	4.85	6.10	-0.10	0.04	-0.05

Source: BNY Mellon Investment Management EMEA Limited

KEY RISKS ASSOCIATED WITH THIS FUND

- There is no guarantee that the Fund will achieve its objectives.
- This Fund invests in international markets which means it is exposed to changes in currency rates which could affect the value of the Fund.
- The Fund primarily invests in a single market which may have a significant impact on the value of the Fund.
- 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 have additional risks due to less-developed market practices.
- The Fund may invest in China A shares through Stock Connect programmes. These may be subject to regulatory changes and quota limitations. An operational constraint such as a suspension in trading could negatively affect the Fund's ability to achieve its investment objective.
- 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.
- Certain share classes are denominated in a different currency from the base currency of the Fund. Changes in the exchange rate between the share class currency and the base currency may affect the value of your investment.
- A complete description of risk factors is set out in the Prospectus in the section entitled "Risk Factors".

INVESTMENT OBJECTIVE

To achieve capital growth by investing in securities predominantly Asian and in Pacific markets including Australia and New Zealand but excluding Japan.

GENERAL INFORMATION

Total net assets (million)	£ 80.73
Historic yield (%)	0
Active Share (%)	77.7
Comparative Index	FTSE AW Asia Pacific ex Japan TR
IA Sector	Asia Pacific Ex Japan
Lipper sector	Lipper Global - Equity Asia Pac Ex Jap
Fund type	ICVC
Fund domicile	UK
Fund manager	Caroline Keen
Alternate	Zoe Kan
Base currency	GBP
Currencies available	GBP, EUR
Fund launch	30 Nov 1990
Distribution dates	31 Oct

DEALING

09:00 to 17:00 each business day
Valuation point: 12:00 London time

INSTITUTIONAL SHARES W (ACC.) SHARE CLASS DETAILS

Inception date	04 Sep 2012
Min. initial investment	£ 10,000,000
ISIN	GB00B8GJF672
Bloomberg	NEWORWA
Sedol	B8GJF67
Registered for sale in:	CL, GB

INSTITUTIONAL SHARES W (ACC.) COSTS AND CHARGES (%)

Ongoing Costs	0.93
Management fee	0.75
Other costs & charges	0.18
Transaction costs ex ante	0.26

Source: BNY Mellon Investment Management EMEA Limited
Any views and opinions are those of the investment manager, unless otherwise noted.

IMPORTANT INFORMATION

MIS0067-300619
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