

Newton Offshore Strategy Fund Ltd

Audited Final Report and Financial Statements
for the year ended 31 December 2010

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NEWTON
The Power of Ideas

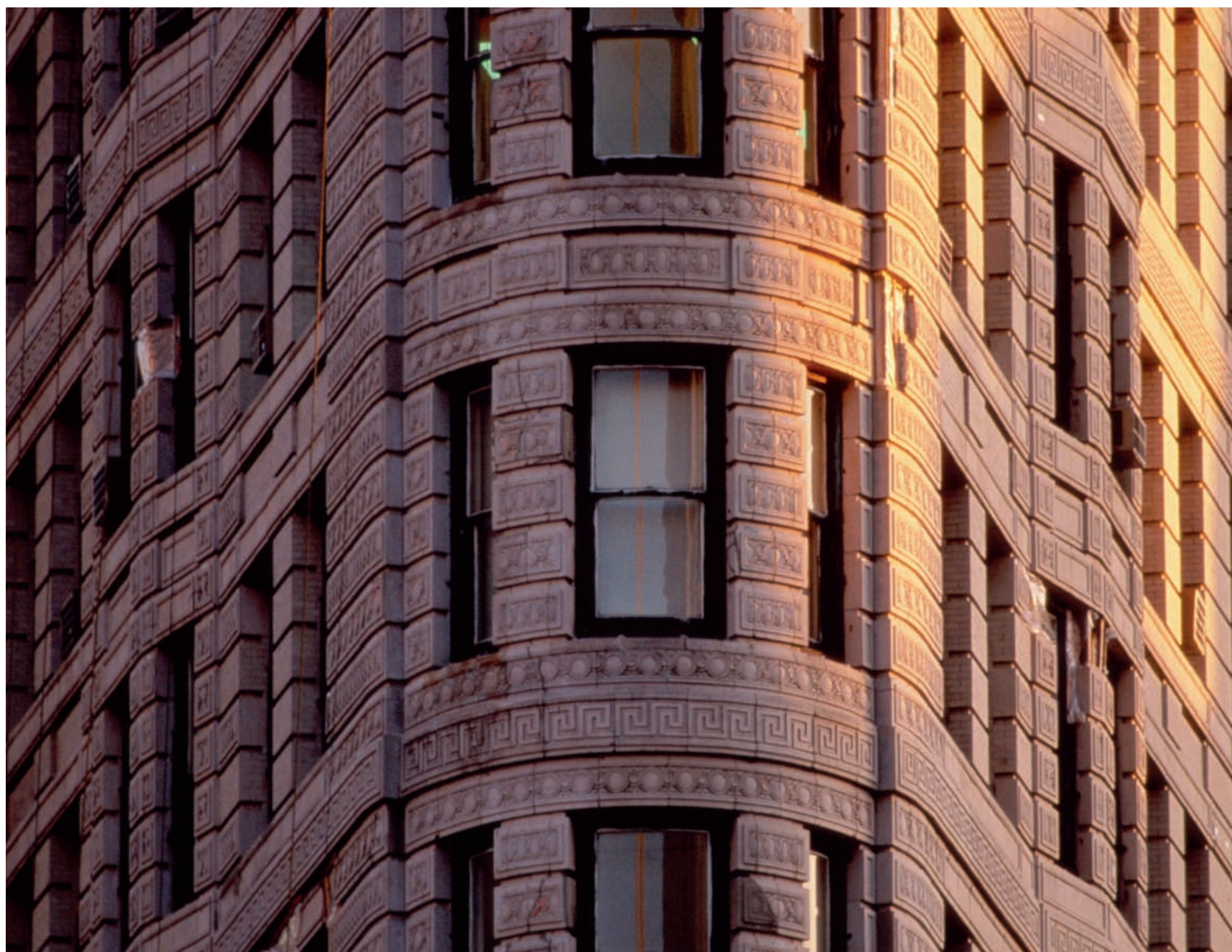


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Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Newton Offshore Strategy Fund Limited (“the Company”) will be held on 18 May 2011 at Liberté House, La Motte Street, St Helier, Jersey, Channel Islands, at 9.30 a.m. for the transaction of the following business:

- 1) To receive and adopt the Financial Statements of the Company for the year ended 31 December 2010 and the Directors’ and Auditor’s reports thereon.
- 2) To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.
- 3) To appoint Mr Martin Magee as a Director of the Company.
- 4) To re-appoint Mr Clive Barton as a Director of the Company.

BY ORDER OF THE BOARD

Newton Fund Managers (C.I.) Limited
Secretary
Liberté House
19–23 La Motte Street
St Helier
Jersey, JE2 4SY

29 March 2011

Notes:

- 1) A Shareholder entitled to attend and vote at the Meeting convened by this Notice is entitled to appoint one or more proxies to attend and (on a poll) to vote instead of him/her. A proxy need not also be a member of the Company.
- 2) A form of proxy is enclosed. The Chairman of the Meeting would be willing to act as your proxy if desired. Please sign and complete the form and return, to reach the office of the Secretary not later than 24 hours before the time fixed for the Meeting.

Management and Administration

Directors of the Company

Clive Aubrey Charles Chaplin (Chairman)

Partner of:-

Ogier
Ogier House
The Esplanade
St Helier, Jersey, JE4 9WG

Clive Chaplin has been a partner of Ogier, Advocates & Solicitors since 1994 and Chairman of Newton Offshore Strategy Fund since 2002. A graduate of Nottingham University, he was admitted as a solicitor of the Supreme Court of England & Wales in 1977. He became a solicitor of the Royal Court, Jersey in 1985 and as a solicitor in private practice has had many years experience of investment funds and structures. He is a non-executive director of Jersey's electricity utility, Jersey Electricity PLC, as well as other companies. He is also Chairman of the Jersey Law Commission. (Service 9 years.)

Clive Neil Stewart Barton

Senior Partner of:-

Moore Stephens
Chartered Accountants
First Island House
Peter Street
St Helier, Jersey, JE4 8SG

Clive Barton is the International Liaison Partner for Moore Stephens Jersey. He is also the Senior Partner responsible for the Moore Stephens Offshore Group and is a Director and past Chairman of Moore Stephens Europe Limited. Since qualifying in 1974, with Moore Stephens, Clive has developed a wide range of expertise, in advisory and consultancy fields, including international structures and tax planning.

Clive is Chairman of the Board of Governors of Victoria College Jersey, a Member of the Board of Highlands College of Further Education, Jersey. He was awarded a Doctorate in Education by Plymouth University. He is a Freeman of the City of London, a Liveryman of the Company of Bowyers and Procurer Du Bien Public of the Parish of St Helier, Jersey.

Clive is a Fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Management, the Institute of Directors and the Society of Trust and Estate Practitioners. (Service 14 years.)

Michael Patrick O'Brien

Investment Management Director of:-

Newton Investment Management Limited
BNY Mellon Centre
160 Queen Victoria Street
London, EC4V 4LA

Michael O'Brien is Investment Management Director at Newton. He joined Newton in 1999, specialising in the management of portfolios for international private clients, having worked for Mellon Financial in the USA since 1988. As a vice president of Mellon's Private Asset Management Group, he had investment responsibility for the portfolios of a variety of private clients associated with the Boston office. Mike attained a Bachelor of Finance, with First Class honours, from Bentley College (USA), and is a Chartered Financial Analyst (Service 1 year).

Martin Paul Magee approved for appointment on 2 March 2011

(subject of approval by the Jersey Financial Services Commission)

Finance Director of:-

Jersey Electricity PLC
The Power House
Queens Road
St Helier, Jersey, JE4 8SG

Martin joined the Board of Jersey Electricity plc as Finance Director in May 2002. He moved from Scottish Power plc, after nine years in a variety of senior financial roles. He previously worked for nine years with Stakis plc (now part of the Hilton Hotels Group). He is Chairman of Jersey Deep Freeze Limited and a Director of the Channel Islands Electricity Grid Limited and Foreshore Holdings Limited. He is also a member of the Jersey Public Accounts Committee.

Martin is member of the Institute of Chartered Accountants of Scotland having qualified in 1984.

Fiona Mary Gower

Director of:-

Newton International Investment Management Limited
Liberté House
19-23 La Motte Street
St Helier, Jersey, JE2 4SY

Fiona Gower was appointed to the Board in March 2006. She trained as a Certified Accountant with Ernst & Young. After six years in Audit she spent a year in Sydney working for a publishing company. On her return she joined Ernst & Young Trust Company Limited and as a Director was responsible for International Private Clients.

Fiona is a fellow of the Association of Chartered Certified Accountants. (Service 4 years.)

Fiona will not seek re-election and will retire at the 2011 AGM.

Arthur Jeremy Arnold

Furze Cottage
Les Nouvelles Charrieres
St John, Jersey, JE3 4DJ

Jeremy Arnold trained as a Chartered Accountant and spent 37 years in public practice. His career was mostly with Andersen, for whom he worked in London, Birmingham, Toronto and Brussels. His experience as a partner has been with clients in a wide range of industries such as manufacturing, consumer products, film and music production and advertising. He moved to Jersey in 1991 and retired in 1994. At present he serves on the Board of a number of Jersey companies.

Jeremy retired on 30/09/2010.

Registered Office of the Fund

Liberté House
19-23 La Motte Street
St Helier, Jersey, JE2 4SY

Secretary, Registrar and Manager

Newton Fund Managers (C.I.) Limited
Liberté House
19-23 La Motte Street
St Helier, Jersey, JE2 4SY
Telephone Jersey (01534) 709130
Investment Helpline Jersey (0870) 8400456
Fax Jersey (01534) 709189
e-mail: offshore@newton.co.uk
Registered in Jersey No. 5769
Regulated by the Jersey Financial Services Commission.

Administrator

BNP Paribas Securities Services Fund Administration Limited
Liberté House
19-23 La Motte Street
St Helier, Jersey, JE2 4SY

Directors of the Manager

Sheelagh Mary Cameron
Andrew Ian Wignall (appointed 12/01/2010)
Fiona Mary Gower (resigned 02/03/2011 subject to JFSC approval)
Kevin Charles Mundy
Alison Katherine Fawcett

Custodian

BNP Paribas Securities Services Trust Company (Jersey) Limited
Liberté House
19-23 La Motte Street
St Helier, Jersey, JE2 4SY
Regulated by the Jersey Financial Services Commission.

Investment Manager

Newton Investment Management Limited
BNY Mellon Centre
160 Queen Victoria Street
London, EC4V 4LA
Registered in England No. 1371973
Registered office as address above.
Authorised and regulated by the Financial Services Authority.

Principal Bankers to the Fund

BNP Paribas Securities Services S.A. (Jersey Branch)
Liberté House
19-23 La Motte Street
St Helier, Jersey, JE2 4SY
Regulated by the Jersey Financial Services Commission.

Legal Advisers

In Jersey:-
Ogier
Ogier House
The Esplanade
St Helier, Jersey, JE4 9WG
In United Kingdom:-
Eversheds
Senator House
85 Queen Victoria Street
London, EC4V 4JL

Auditors

Ernst & Young LLP
Liberation House
Castle Street
St Helier, Jersey, JE1 1EY

Compliance Officer and Money Laundering Compliance Officer

Patricia Stanley

Chairman's Statement

I am happy to report that the Company recorded meaningful growth in net assets for the year ended 31 December 2010. This increase is attributable to both net inflows as well as growth from investment activities.

MARKET AND ECONOMIC BACKGROUND

Equity and fixed interest markets around the world posted generally positive returns during 2010, as investors continued to take comfort from the highly accommodative measures of governments and central banks throughout the developed world and to overcome their fears about sovereign indebtedness in the periphery of Europe.

Amid the cheerfulness imbued in financial markets by benevolent central bankers and by generally reassuring economic data were moments during the year which betrayed the debt-related challenges still facing the global economy. Unease about government finances in the periphery of Europe persisted for much of 2010, with Greece (early in the year) and Ireland (six months later) forced to accept bail-outs by their European partners and the International Monetary Fund. Much to investors' chagrin, European authorities failed to match their palpable concern about contagion of Ireland's ills with the political resolve to establish durable solutions to the Continent's debt-related woes.

More broadly, investors were troubled by disagreement among the G20 nations about how to resolve challenges in the aftermath of the credit crisis. Currency 'wars' continued to create economic and financial-market distortions. The weakness of the US dollar had a particularly notable influence, not simply in relation to the stance of US authorities, but in the policies of an array of governments and central banks around the world, and in the pricing of a broad range of financial instruments.

However, such factors were distractions from, rather than impediments to, further gains in 'real' asset markets over the year, with the actions of policymakers, particularly in the US, providing significant countervailing solace to investors. In the wake of the Federal Reserve's launch of 'QE2' in November (a second wave of quantitative easing which will entail a direct increase by the 'Fed' of the supply of money in the economy by \$600 billion), in particular, the prices of real assets rose strongly and those of government bonds fell. A tax deal struck between President Obama and congressional Republicans in December also roused enthusiasm for risk-taking in financial markets.

RECENT DEVELOPMENTS AND OUTLOOK

The efforts of central banks and governments in the developed economies to deal with the aftermath of the global credit crisis have brought some near-term successes; economic activity has generally recovered well from post-crisis levels, and asset markets have been buoyant. In the long term, it is doubtful how effective those efforts will be in counteracting the extensive repayment of debt required in the 'mature' economies, but for the time being, such efforts are likely to be significant in determining economic and financial-market conditions.

The puzzle facing investors in reconciling the sway of munificent policymaking (and its scope to cause both 'improvements' and profound distortions in economies and financial markets) with the debt-related difficulties in much of the developed world is complex. Highly indebted economies are ill-equipped to withstand the higher borrowing costs that typically would complement a recovery. In employing more recuperative policies, authorities may yet sustain economic growth, but they are mostly reallocating debt burdens (essentially from private to public sector), rather than reducing them; and in so doing they are deferring the resolution of some imbalances and abetting the enlargement of others.

Those imbalances are manifest in the focus upon today's troubles rather than tomorrow's consequences, in the reliance upon government spending rather than the development of (more durable) private demand, and in the maintenance of a mercantilist economic model which has cast eastern economies broadly as 'providers' and western counterparts as 'consumers'. Most graphically, in an environment in which western liquidity is abundant, but credit is rationed, capital is moving hurriedly into higher-growth areas of the world, increasing the dangers in those areas of asset price bubbles and of fast-rising inflation and social unrest. In currency markets, the weakness of the US dollar, the world's reserve currency, threatens to destabilise the global economy and trigger retaliatory (and largely counterproductive) devaluations of currencies.

The monetary policy backdrop can continue to support cyclical and commodity-related sectors, although we continue to believe that the stocks of companies with stable earnings look particularly attractive given current valuations and yields. Moreover, conspicuous structural risks and the likelihood of continued

Chairman's Statement (continued)

volatility suggest that investors may be increasingly wary of chasing the riskiest sectors. That said, the understandable suspicion that current monetary policies are aimed partially at 'inflating away' debt problems should keep investors interested in companies with exposure to real physical assets, such as commodities, particular where supply is controlled or restricted. In developing economies, rising inflation is likely to squeeze the world's emerging consumers and lead to upward pressure on wages. This, in turn, should favour capital spending by companies in the region and benefit suppliers worldwide.

Against this backdrop, there is scope for policy errors among the world's fiscal and monetary authorities, for capricious law-making and regulation and, when money is so cheapened and the 'hunt for yield' so pervasive, potential for investment risk to be mispriced. If investors are to solve the puzzle facing them in 2011, they will have to pay careful attention to a host of developing trends in a rapidly changing world and, especially, to the exploits of policymakers. Those trends and exploits will create risks for investors, but also should fashion plentiful opportunities.

I hope that you will find this report informative and thank you for investing with us.

C A C Chaplin

Chairman

29 March 2011

Report of the Directors

The Directors submit their Annual Report and the audited Financial Statements for the year ended 31 December 2010. The Company was incorporated in Jersey on 4 April 1996. On 2 July 1996 the Company obtained Recognized Fund status under the Collective Investment Funds (Jersey) Law 1988 and under the United Kingdom Financial Services Act 1986.

The Company is an open-ended investment company whose shares are divided into a number of Share Classes. The Company is a recognized fund in the category of an umbrella fund as defined in the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003.

The Company has nine Share Classes all constituting Securities Funds in which investors may subscribe for shares. Each Class owns a fund of assets to which the proceeds of issue of shares of that Class and the revenue arising from the investment of those proceeds together with related expenses are applied.

Accordingly, separate accounting records are maintained and separate Balance Sheets, Statements of Total Return and Statements of Change in Net Assets attributable to Shareholders have been prepared for each Class.

The Company is a recognized scheme in the United Kingdom for the purposes of the Financial Services and Markets Act 2000 (FSMA) by virtue of s270 of FSMA.

Investment Objective and Policy

Alternative Assets Class: to achieve long-term capital growth and an element of income, principally through investment in a diversified portfolio of global securities obtaining exposure to Alternative Assets. The investment strategy of this Class is to invest predominantly in a balanced portfolio of approved securities to provide exposure to Alternative Assets in a range of markets. This Class may also invest in collective investment schemes, warrants, deposits and money market instruments within the limits set out in the Rules. Derivatives and forward transactions may be entered into for efficient portfolio management. For the purposes of this paragraph, "Alternative Assets" means non-traditional assets including, but not limited to, hedge funds, structured products, real property, private equity, commodities, art and fine wine.

Bridge Class: to provide investors with capital growth with an element of income in Sterling from a diversified portfolio of investments worldwide in any economic sector. This Class will primarily be invested in a portfolio of international equities and fixed interest securities. Although it will normally be invested in securities, the Investment Manager may elect to hold cash or near cash from time to time. There will be no limits on the proportion of the Class invested in bonds or equities or in any one geographic region.

Diversified Assets Class: to provide investors with long-term growth in excess of cash returns from a balanced portfolio diversified across a range of assets. The investment strategy of this Class is a balanced portfolio of equity and fixed interest securities (including where appropriate, investment funds) in a range of international markets.

Global Balanced Class: to maximise the total return, both of capital and income, provided to investors through investment in a diversified portfolio of both global equity and fixed interest securities. An income share class and an accumulation share class are available for Global Balanced.

Global Equity Class: to provide investors with capital growth with an element of income, through a diversified range of Global Securities, principally equities.

Global Fixed Interest Class: to maximise the total return, both of capital and income, provided to investors through investment in a diversified portfolio of fixed interest securities, with some cash or near cash holdings from time to time.

Special Situations Class: to maximise the total return both of capital and income provided to investors through investment in a diversified portfolio of global securities, predominantly equities.

Sterling Fixed Interest Class: to provide investors with a mixture of both capital preservation and an income from a portfolio of predominantly sterling denominated fixed interest securities. This Class will focus on maximising the total return to the investor.

UK Equity Class: to provide investors with capital growth together with an element of income, through a diversified range of UK equity investments.

Distributor/Reporting Fund Status

The UK Inland Revenue certified the Company as a distributing Company for the year ended 31 December 2009 on 01 July 2010. The Company has received confirmation from HMRC of its entry into the Reporting Fund Regime with effect from 1 January 2010. Further information on the reporting status is continued in the Distribution Statement and Reporting Status on page 75.

Report of the Directors (continued)

A Word of Warning

Investors should remember that the value of shares can fluctuate and is not guaranteed. Past performance is not a guide to the future and you may not get back the full amount invested. Shares in the Company should be regarded as long-term investments and may not be suitable for money you may need at short notice. The value of overseas securities will be influenced by the rate of exchange, which is used to convert these into sterling. In the event of the Company being unable to meet liabilities attributable to any particular Share Class out of the assets attributable to such Share Class, the excess liabilities may have to be met out of the assets attributable to the other Share Classes.

Distribution Policy

The amount of revenue available for distribution will be determined by the Company. For all Share Classes except the Sterling Fixed Interest, Global Fixed Interest, Special Situations and Diversified Assets, dividends will normally be paid six monthly on 28 February and 31 August in sterling to shareholders who are on the register at 31 December and 30 June immediately prior to the distribution. For the Sterling Fixed Interest, Global Fixed Interest, Special Situations and Diversified Assets Class, dividends, will be paid quarterly. In addition to the dividend dates stated above, dividends will also be paid on 31 May and 30 November in sterling to shareholders who are on the register at 31 March and 30 September immediately prior to the distribution.

The accumulation shares of the Global Balanced Class carry no right to dividends, but instead carry a right to an increased share in the underlying assets of that class.

Included in the issue and cancellation prices of Participating Shares and therefore reflected as a capital sum in those prices, is a revenue equalisation figure representing any revenue attributable to the Participating Shares accrued since the last record date for dividends. An amount representing an average equalisation will be included in the amount of the first dividend paid after the initial investment.

At present all net revenue earned is paid out as a distribution to Shareholders of each Share Class.

Further information in relation to the reporting status for UK investors is included on page 75.

Shares in Issue

The total number of Shares in issue of each Share Class is disclosed in the Net Asset Value History table in the Statistics for each Share Class. The highest sale and lowest repurchase price per share and the Net revenue per share of each Share Class over the last 5 years (or since launch if shorter) and the Net Asset Value History are disclosed under the heading "Statistics" just before the portfolio statements and not in this Director's report as required by Part 3 of Schedule 3 of the Fund Rules, as the Directors believe the information presented within each set of Share Class results is a more informative presentation and will aid the understanding of the figures contained therein.

Market value per Share

The bid-market value per share of each Share Class is disclosed in the Net Asset Value History table in the Statistics for each Share Class.

Report of the Directors (continued)

Corporate Governance Report

Jersey law does not contain a mandatory code of corporate governance but does impose general fiduciary duties and duties of care, diligence and skill on the Directors who are also under a statutory obligation to act in good faith and in the best interest of the Company. Save to the extent agreed with the Jersey Financial Services Commission ("JFSC"), the Company will remain materially compliant with the UK Corporate Governance Code, the corporate governance code adopted by the UK Financial Services Authority.

Management structure

The management structure is a one-tier Board of Directors.

Board independence

The Board currently consists of five non-executive directors. Mrs Gower has resigned as a Director of the Company's Manager, with effect from 2 March 2011 and will not be seeking re-election and will retire at the Company's AGM in 2011. Mr O'Brien is an employee of the Company's Investment Manager. The Directors' interests are fully disclosed to the Board and each Director abstains himself from any matters which could be affected by the non-independence of the Director concerned.

Mr Chaplin is a Partner of the legal firm, Ogier, which provides legal services to the Company. Mr Tim Morgan from Ogier is the engagement partner and Mr Chaplin is not involved with any advice given to the Company on behalf of Ogier and has not done so since the engagement of Ogier.

The Board and Manager operate in a supportive, co-operative and open environment.

The Directors are conscious of the need to maintain continuity of the Board, particularly given the cyclical nature and remoteness of the Company's markets. The Board believes that retaining Directors with sufficient experience of both the Company and its markets is of great benefit to shareholders and that the Directors have different qualities and areas of expertise on which they may lead where issues arise. Their biographies, set out on page 4, demonstrate a breadth of investment, commercial and professional experience with an international perspective. The Directors length of service are also disclosed on page 4.

Mr Arnold, Mr Barton and Mr Magee are and have been wholly independent of the Manager and Investment Manager.

Responsibilities

The Board meets at least four times each year and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The Investment Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information.

The Board's tenure and succession policy seeks to ensure that the Board is well-balanced and refreshed by the appointment of new directors with the skills and experience necessary, in particular, to replace those lost by Directors' retirements. Directors must be able to demonstrate their commitment to the Company. The Board seeks to encompass relevant past and current experience of various areas relevant to the Company's business.

Board Committees

The Board has not established separate Audit, Management Engagement and Nominations committees with defined terms of reference and duties. All members of the Board consider and make decisions on matters of Audit, Management Engagement and Nominations. The Board believes that the Company is of insufficient size and complexity to warrant the additional cost associated with the engagement of separate committees to consider these matters.

The Board does ensure that at least one of its members is a qualified accountant and that accountant(s) leads on all matters in relation to financial statements preparation and audit.

The Board is responsible for the review and monitoring of the internal financial control systems and risk management systems on which the Company is reliant;

- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half year and annual financial statements and the going concern statement of the Company by reviewing and challenging, where necessary, the actions and judgments of the Manager and the Administrator;
- to meet with the Company's auditors to review their proposed audit programme of work and the findings of its audits (the Board also uses this as an opportunity to assess the effectiveness of the audit process);

Report of the Directors (continued)

- to make recommendations in relation to the appointment of the Company's auditors and to approve the remuneration and terms of engagement of the Company's auditors; and to monitor and review annually the Company's auditors' independence, objectivity, effectiveness, resources and qualifications.

The Board has satisfied itself that Ernst & Young LLP, the Company's auditors, are independent. Ernst & Young LLP do provide non-audit services to the Company, specifically in relation to Distributor status applications and compliance with the requirements of the new Reporting Status. Audit fees of £47,600 and non-audit fees of £5,900 were paid to Ernst & Young during the year for these services.

Change of Directors

On 30 September 2010 Mr A J Arnold retired as a Director of the Company and on 2 March 2011 Mr Magee was proposed to be appointed as a Director subject to the approval of the Jersey Financial Services Commission. Mrs Gower has advised the Company that she will not seek re-election at the 2011 AGM and will retire from that date.

In the year ended 31 December 2010, the Board of Directors held four regular quarterly meetings and two ad-hoc meetings (for approval of the financial statements, prospectus, dividends and other ad-hoc matters). Attendance at each of these is noted below.

Number of meetings attended in year	Regular Quarterly	
	Board meetings	Ad-Hoc meetings
Clive Chaplin (Chairman)	3	2
Clive Barton	2	1
Mike O'Brien*	4	0
Fiona Gower	4	2
Jeremy Arnold†	3	1

* Mike O'Brien is based in London and therefore has been unable to attend ad-hoc meetings held in Jersey. However papers have been supplied to him and feedback received thereon in relation to the matters to be discussed at the relevant meeting.

† Mr Jeremy Arnold retired from the Board on 30 September 2010.

The mandate of each Director ends at the shareholders annual general meeting following the date of appointment. The articles of the Company do not require retirement on a rotational basis, however from the 2011 AGM the Board of Directors have agreed that each Director will be submitted for re-election on a voluntary basis at least once every three years, during the introduction of this policy and to ensure continuation of the board only one existing Director will be put forward for re-election in 2011, one in 2012 and the remaining two in 2013.

The Company does not impose a requirement to be re-elected annually after nine years service. Mr Barton has currently served the Company for 14 years and is a highly skilled and qualified Chartered Accountant, the Board believes the benefit provided by Mr Barton enable him to be independent notwithstanding the fact that his service to the Company exceeds nine years.

Directors' Interests

The Directors at the date of this report are listed on page 4 and no Director has a service contract with the Company.

The Directors of the Company and their families had no interests in the Share Capital of the Company on 28 February 2011, the latest available date, save for Mr C A C Chaplin who held 34,713.984 participating shares in the Company.

Mrs Fiona Gower is a Director of the Manager of the Company, Newton Fund Managers (CI) Limited.

The Chairman of the Board of Directors of the Company, Mr C A C Chaplin, is a partner of Ogier and as such is deemed a related party under 'FRS 8 Related Party Disclosures'. £1,300 in legal fees were either rendered or paid to Ogier in respect of the period ended 31 December 2010.

There have been no changes in the interests of the Directors from the year end to 21 March 2011.

Directors' professional development

When a new Director is appointed, he or she is offered an induction programme which includes on site visits to Newton's office in London and Edinburgh as well as to the administrator, based in Jersey. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Directors also regularly participate in relevant training and industry seminars, in particular anti-money laundering training is undertaken by each director on a minimum of an annual basis.

Report of the Directors (continued)

Remuneration Report

The Board consists of non-executive Directors who meet regularly to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will initially serve for a period of three years. Directors' appointments will be reviewed formally every three years thereafter by the Board as a whole. Each of the Directors has a letter of appointment and a Director may resign by giving notice in writing to the Board at any time; there are no set notice periods. The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally other than Mr Chaplin and Mr Barton, whose fees are payable to their firms. Mr O'Brien is an employee of the Investment Manager and as such has waived his right to receive remuneration from the Company. There are no long term incentive schemes provided by the Company and the fees are not specifically related to the Directors' performance, or the share price. Each Director will stand for re-election at least once every three years.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Remuneration is reviewed on an annual basis. There have been no increases in remuneration proposed since the AGM in April 2008.

The Company's Articles of Association limit the fees payable to such remuneration as may be approved by the Company in general meeting, this currently being £15,000 for the Chairman and £10,000 for each Director.

The Directors' fee paid for the period to 31 December 2010 to Mr C A C Chaplin was £15,000, Mr A J Arnold £7,500, Mr C N S Barton £10,000 and Mrs F M Gower £10,000. Mr O'Brien is an employee of the investment manager and as such has waived his right to receive remuneration from the Company.

The Company has in place Directors' and Officers' Insurance cover in the sum of £10m in the aggregate in respect of the members of the Board of directors, the costs (£11,456) of which are borne by the Company.

Board Performance evaluation

The performance of the Company will be considered in detail at each Board meeting going forward. The Chairman will review each individual Director's contribution on an annual basis. The work of the Board as a whole will be reviewed annually.

Committees of the Board of Directors

The Directors may delegate any of their powers to committees consisting of a Director or Directors or such other persons as they think fit. Currently, no such committees have been established.

Bank facilities and gearing

At the year end the Company had short term overdrafts totalling £nil and held cash of £17.76 million, which meant the Company was ungeared.

Related party transactions

The contracts with Newton Fund Managers (C.I.) Limited and Newton Investment Management Limited are the only related party arrangements currently in place. Other than fees payable in the ordinary course of business, there have been no material transactions with these related parties which have affected the financial position or performance of the Company in the financial year.

Senior Independent Director

Mr C Barton has been identified as the Senior Independent Director.

The role of Chief Executive

Since all Directors act in a non-executive capacity and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a chief executive.

Internal audit function

As the Company delegates to third parties its day-to-day operations and has no employees, the Board has, therefore, determined that there is no requirement for an internal audit function. The Directors annually review whether a function equivalent to internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

The Board has delegated contractually to external third parties, including the Manager and the Administrator, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial compliance and

Report of the Directors (continued)

administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

Relationship with the Manager

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

The Investment Manager takes decisions as to the purchase and sale of individual investments. The Manager and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information.

Representatives of the Manager and of the Administrator attend each Board meeting enabling the Directors to probe further on matters of concern. A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative and the Compliance Officer who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Manager and the Administrator operate in a supportive, co-operative and open environment.

The Board reviews investment performance at each Board meeting and a formal review of the Investment Manager is conducted annually. As a result of their annual review, it is the opinion of the Directors that the continued appointment of the current Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Investment Manager has extensive investment management resources and wide experience in managing and administering Global Investment Companies.

Substantial share interests

At 31 December 2011 344,135,899.756 (94.29%) shares are held by nominee companies (Waterhouse Nominees and BNP Paribas Nominees) representing holdings on behalf of Newton Private Investment Management Clients. The remaining 5.81% of shares are held by 218 individual shareholders.

Relations with Shareholders are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Half Year and Annual Reports.

It is the intention of the Board that the year end items and Notice of the AGM be issued to shareholders so as to provide at least twenty one days' notice of the AGM.

Shareholders wishing to contact the Company are invited to do so by writing to the Company Secretary at the registered office address on the inside back cover, the Chairman can also be contacted at his address on page 4 of this report.

Corporate Responsibility

Responsible Investment

The Board has delegated all responsible investment activities for the Share Classes to the investment manager. It is believed that the investment manager is best placed to undertake such activities and to ensure that these activities are integrated within the investment process. The manager has a well established approach to responsible investment. This approach encapsulates the exercise of voting rights, engaging with investee companies and influencing the debate on certain environmental, social and governance (ESG) matters.

For information relating to the investment manager's approach to responsible investment please visit www.newton.co.uk/responsibleinvestment. Documents that can be found discuss the manager's responsible investment policies and principles, voting activity, examples of engagement, thematic insight and also ESG focus reports.

Voting policy

The Manager's voting policies and procedures have been formulated by investment directors of the Manager. The Manager seeks to support or enhance its investment rationale for a company through appropriate levels of engagement or activism and through the subsequent exercise of voting rights.

Report of the Directors (continued)

The Investment Manager endeavours to exercise voting rights in all markets. However, this may be hindered by various practical considerations, such as share blocking or the requirement for a physical presence at the meeting. The manager's voting policy can be found in its responsible investment policies and principles document.

Annual General Meeting ('AGM')

The AGM will be held at the Company's registered office in Jersey on 18 May 2011 at 9.30 a.m. The Notice of Meeting is contained on page 3 and a proxy form is enclosed for each shareholding. Separate resolutions will be proposed for each substantive issue, including the approval of the report and financial statements, re-appointment of Directors. Our Independent Auditors, Ernst & Young LLP, have indicated their willingness to remain in office. The Directors will place a resolution before the Annual General Meeting to re-appoint them as independent auditors for the ensuing year, and to authorise the Directors to determine their remuneration.

Website

The Prospectus, Financial Statements, quarterly factsheets, notice of annual general meeting and results of all Shareholder meetings are available on the website of the Investment Manager.

By Order of the Board
Newton Fund Managers (C.I.) Limited
Manager and Company Secretary
29 March 2011

Report of the Custodian

To the Shareholders of Newton Offshore Strategy Fund Limited

It is the opinion of BNP Paribas Securities Services Trust Company (Jersey) Limited in respect of the year ended 31 December 2010, during which time we acted as Custodian to the Company, to the best of our information, knowledge and belief, that in all material respects, the Directors and the Manager have managed the Company in that period:

- a) In accordance with the limitations imposed on the investment and borrowing powers of the Company and the Custodian by the Memorandum and Articles of Association, by Prospectuses and by all Orders for the time being in force under Article 10 of the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003; and
- b) Otherwise in accordance with the provisions of the Articles of Association, and the Management Agreement and those Orders.

BNP Paribas Securities Services Trust Company (Jersey) Limited
29 March 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Jersey Company law and the Collective Investments Funds (Recognized Funds) (Rules) (Jersey) Order 2003 requires the Directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company and of the revenue or expenses of the Company for that period. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991 and the Collective Investments Funds (Recognized Funds) (Rules) (Jersey) Order 2003. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Investment Manager's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Auditor

Independent Auditor's Report to the Members of Newton Offshore Strategy Fund Limited

We have audited the financial statements of Newton Offshore Strategy Fund Limited ("the Company") for the year ended 31 December 2010 which comprise the Aggregated Statement of Total Return, the Aggregated Statement of Change in Net Assets Attributable to Shareholders, the Aggregated Balance Sheet and the related notes to the Aggregated Financial Statements, and for each Share Class, the Portfolio Statement, the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the related Notes and the Distribution Statement and Reporting Status. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company and each Share Classes' affairs as at 31 December 2010 and of their results for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards;
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991;
- have been prepared in accordance with the requirements of the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003; and
- have been prepared in accordance with the requirements of the Memorandum and Articles of Association of the Company.

Report of the Auditor (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 and the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the information given in the Directors' Report for the period is inconsistent with the financial statements.

David Robert John Moore, ACA
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
29 March 2011

Notes:

- 1) The maintenance and integrity of the Newton Offshore Strategy Fund Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- 2) Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Notes to the Aggregated Financial Statements for the year ended 31 December 2010

1. Accounting Policies

(a) Accounting Convention

Notes specific to individual Share Classes are shown following the Financial Statements for each Share Class.

(b) Accounting Principles

The Financial Statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Companies (Jersey) Law 1991, the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003, and with accounting principles generally accepted in the Island of Jersey incorporating United Kingdom accounting standards and with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Management Association in October 2010.

The prior year financial statements have been prepared under the SORP issued in November 2008. No restatement was necessary following this change.

(c) Investments

The listed investments of the Share Classes have been valued at bid market prices net of any accrued interest, at 12 noon on 31 December 2010 in line with the last dealing valuations in the period. The valuations of unlisted investments are based on the Manager's assessment of their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review. Holdings in Collective Investment Schemes and Structured Products are valued at the last sale price available at the valuation point.

(d) Bank Deposit Interest and Investment Revenue

Dividends on equities and revenue from shares held in underlying funds are recognised when the security is quoted ex-dividend. Interest on deposits is accounted for on an accruals basis. Revenue on debt securities is recognised on the effective interest rate basis. Accrued interest purchased or sold is excluded from the cost of the security and is dealt with as revenue.

(e) Foreign Exchange

All transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at 12 noon on 31 December 2010.

(f) Expenses

Expenses are accrued on a daily basis. Expenditure directly attributable to a Share Class is charged to that Share Class. All expenses are charged to the revenue property of the Share Class, with the exception of activity charges which have been charged to capital property.

(g) Derivatives

As described in note 13, a number of Share Classes enter into derivative transactions in the form of forward foreign currency contracts, futures and option contracts.

For over the counter derivatives, market value is determined, based on valuation pricing models, which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions. Amounts due to and from an individual counterparty which falls under a legally enforceable master netting agreement are netted.

Exchange traded products have been valued at the bid price at 12 noon on the last business day of the year.

Both realised and unrealised gains on derivatives are taken to the Statement of Total Return and are included in the net capital gains on investments.

(h) Tax

The tax charge relates to irrecoverable withholding tax on interest on debt securities and overseas dividends.

(i) Special dividends

Special dividends are reviewed on a case by case basis in determining whether the amount is capital or revenue in nature.

(j) Underwriting commission

Underwriting and sub-underwriting contracts and placements may also be entered into. Commissions earned on these transactions are accounted for on an accruals basis and, to the extent that the shares are taken up, the commission is accounted for as capital.

2. Distribution Policies

(a) Basis of Distribution

If, at the end of each accounting period, revenue exceeds expenses, the net revenue of the Share Class is available to be distributed to shareholders of that Share Class.

(b) Special Dividends

Amounts recognised as revenue form part of the relevant Share Class distribution.

(c) Equalisation

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

(d) Expenses

For all Share Classes, except the Sterling Fixed Interest, Global Fixed Interest, Special Situations and Diversified Assets, the following fees and expenses solely for the purpose of calculating the amount that is distributable are charged to capital in line with the Manager's expectation of the split between capital and revenue growth:

Manager's periodic charge	75%
Custody charges	100%

For the Sterling Fixed Interest, Global Fixed Interest, Special Situations and Diversified Assets Classes, all fees and expenses are charged to capital for the purpose of calculating the amount that is distributed.

(e) Stock dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue and forms part of the distribution. Any excess in value of shares received over the amount of cash forgone is reviewed on a case by case basis to determine whether the amounts are capital or revenue in nature.

3. Net capital gains

The net capital gains on the investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	306,213,294	218,959,184
Original cost of non-derivative securities sold during the year	(287,938,420)	(231,149,466)
Gains/(losses) realised on non-derivative securities sold during the year	18,274,874	(12,190,282)
Net (appreciation)/depreciation thereon already recognised in earlier years	(5,157,350)	19,290,749
Net realised appreciation for the year	13,117,524	7,100,467
Net unrealised appreciation for the year	23,573,571	36,132,782
Net gains on non-derivative securities	36,691,095	43,233,249
Gain/(losses) realised on derivative securities sold during the year	1,963,382	(128,031)
Net (appreciation)/depreciation thereon already recognised in earlier years	(49,920)	1,253,917
Net realised appreciation for the year	1,913,462	1,125,886
Net unrealised (depreciation)/appreciation for the year	(1,636,195)	49,920
Net gains on derivative securities	277,267	1,175,806
Overseas transaction costs	(55,258)	-
Activity charges	(48,754)	(55,943)
Net gains on investments	36,864,350	44,353,112
Other losses – currency losses	(309,989)	(977)
Net capital gains	£36,554,361	£44,352,135

Notes to the Aggregated Financial Statements (continued)

4. Revenue

	2010 £	2009 £
UK dividends	2,873,927	3,072,809
Overseas dividends	3,384,382	2,899,740
Bank interest	51,703	88,298
Interest on debt securities	8,004,450	7,021,427
Underwriting commission	1,354	2,743
Total revenue	£14,315,816	£13,085,017

5. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	3,608,824	2,888,505
Registrar's fees	4,495	4,510
	<u>3,613,319</u>	<u>2,893,015</u>
Other expenses:		
Directors' fees	44,998	41,669
Custodian fees	93,087	76,181
Custody charges	56,569	34,744
Collection charges	5,481	6,193
Audit fees	47,600	53,278
Other expenses	78,642	79,147
	<u>326,377</u>	<u>291,212</u>
Total expenses	£3,939,696	£3,184,227

6. Taxation

	2010 £	2009 £
Withholding tax on interest on debt securities	32,551	53,943
Withholding tax on overseas dividends	456,861	424,884
Total taxation	£489,412	£478,827

7. Finance costs

	2010 £	2009 £
Interim distribution 31 March	2,653,492	2,125,246
Interim distribution 30 June	4,610,157	4,199,371
Interim accumulation distribution 30 June	28,784	11,191
Interim distribution 30 September	2,809,295	2,622,162
Final distribution 31 December	3,564,792	3,526,979
Final accumulation distribution 31 December	17,206	14,514
	<u>13,683,726</u>	<u>12,499,463</u>
Amounts deducted on cancellation of shares	249,694	296,716
Amounts added on issue of shares	(497,551)	(537,656)
Net distribution for the year	£13,435,869	£12,258,523
Interest	2,291	4,263
Total finance cost	£13,438,160	£12,262,786

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

8. Movement between net revenue after taxation and distributions

	2010 £	2009 £
Net revenue after taxation	9,884,417	9,417,700
Expenses paid from capital	3,551,390	2,840,866
Undistributed revenue brought forward	209	166
Undistributed revenue carried forward	(147)	(209)
	<u>£13,435,869</u>	<u>£12,258,523</u>

9. Debtors

	2010 £	2009 £
Accrued revenue	4,014,433	3,406,233
Amounts receivable for issue of shares	1,507,732	1,057,919
Sales awaiting settlement	4,808,721	906,620
Amounts receivable for dilution levy	1,969	-
	<u>£10,332,855</u>	<u>£5,370,772</u>

10. Cash and bank balances

	2010 £	2009 £
Cash held at bank	17,757,278	12,646,696
Bank overdraft	-	(2)
	<u>£17,757,278</u>	<u>£12,646,694</u>

11. Creditors

	2010 £	2009 £
Accrued expenses	407,362	364,142
Amounts payable for cancellation of shares	1,847,587	96,014
Purchases awaiting settlement	3,632,275	1,047,811
	<u>£5,887,224</u>	<u>£1,507,967</u>

12. Share Capital

(a) Authorised	2010 US\$	2009 US\$
100 Management Shares of £1 each	165	165
1,000,000,000 Unclassified Shares of US\$0.01 each	10,000,000	10,000,000
	<u>US\$10,000,165</u>	<u>US\$10,000,165</u>
(b) Issued and fully paid	2010	2009
Management Shares of £1 each	100	100
Participating Shares of US\$0.01 each	2010	2009
Alternative Assets Class	11,493,566	13,911,482
Bridge Class	31,205,026	33,604,011
Diversified Assets Class	21,947,699	27,507,096
Global Balanced Accumulation Class	1,676,838	1,500,000
Global Balanced Income Class	6,289,143	5,552,921
Global Equity Class	21,821,896	23,146,973
Global Fixed Interest Class	82,001,003	47,279,762
Special Situations Class	70,223,164	81,205,920
Sterling Fixed Interest Class	104,168,792	101,397,302
UK Equity Class	14,160,424	13,595,758
	<u>364,987,551</u>	<u>348,701,225</u>
Nominal shares of US\$0.01 each	-	-

Under Financial Reporting Standard FRS 25 each class of Share Capital falls under the definition of "debt" as Shares can be redeemed at the direction of the Participating Shareholders. Whereas Participating Shares are not within the definition of "equity", they hold in substance the equity interest of Shareholders.

Notes to the Aggregated Financial Statements (continued)

(c) Principal Rights

The principal rights attaching to the three types of shares available for issue are as follows:

(i) Management Shares

The Management Shares were created to comply with Jersey Law, under which there must be a class of non redeemable shares in issue in order that the Participating Shares of US\$0.01 par value and the Nominal Shares of US\$0.01 par value may be redeemable.

The Management Shares of £1 par value are not redeemable, and in accordance with the Articles of Association, are owned by the Manager or their nominees. At both a General Meeting and a Class Meeting every holder of Management Shares is entitled, on a show of hands, to one vote and, on a poll, to one vote in respect of each Management Share held.

(ii) Participating Shares

The Participating Shares, having a par value of US\$0.01 each, may be issued in Share Classes designated in any currency. The Participating Shares are the only shares which will be issued to the public.

At both a General Meeting or at a Class Meeting every holder of Participating Shares of the relevant Class is entitled, on a show of hands, to one vote and, on a poll, to one vote in respect of each whole Participating Share held.

(iii) Nominal Shares

The Nominal Shares of US\$0.01 par value are non-participating Redeemable Preference Shares and are issued for the purpose of providing funds for the redemption of the nominal value of Participating Shares. They can only be issued at par and, in practice, only to the Manager. In a winding-up, they rank for return of their paid-up par value after the Participating Shares and in priority to the Management Shares, but have no rights to any further participation in the surplus assets of the Fund and no recourse to assets of any Share Class. A holder is entitled, on a show of hands and on a poll, to one vote in respect of all Nominal Shares held by him, irrespective of the number held.

The Manager has undertaken to subscribe for Nominal Shares to provide for the redemption of the nominal value of the Participating Shares.

Holders of Nominal Shares are entitled to convert any Nominal Shares held into Participating Shares of any Share Class by paying to the Fund on a Dealing Day an amount equal to the creation price of a Participating Share on that day less its nominal value. No such conversions may take place on a day when the repurchase of Participating Shares of the Share Class in question has been suspended or if any creation or cancellation application by the Manager in connection with the conversion is refused.

Where the repurchase of Participating Shares has been suspended and/or any creation or cancellation application made by the Manager refused, conversion of the Nominal Shares will be made on the Dealing Day next following the end of such suspension or refusal as the case may be.

The Company may from time to time on any Dealing Day redeem all or any Nominal Shares in issue out of the monies which may lawfully be applied for this purpose.

No transfer of Management Shares and Nominal Shares may be carried out without the prior written consent of the Directors.

(d) Winding-up

In a winding-up of the Fund the Participating Shares of any Share Class rank:

- (i) in priority to the Nominal Shares and the Management Shares, for the return of their paid-up US\$0.01 par value as to which recourse will be had in the following manner
 1. to the assets attributable to the relevant Share Class of Participating Shares;
 2. to the assets of the Fund not comprised in any Share Class; and
 3. to the assets attributable to any other Share Classes, after payment of the par value of the Participating Shares of those Share Classes, pro rata to the total value of the assets comprised in those Share Classes.
- (ii) *pari passu* with all other Participating Shares of the same Share Class for the balance of the surplus assets of the corresponding Share Class remaining after the payment of the par value on each Participating Share as described above.

- (iii) *pari passu* with all other Participating Shares of all Share Classes for surplus assets of the Fund remaining following (i) and (ii) above and the payment of the par value on the Management Shares and Nominal Shares.

The liquidator has power to transfer assets to and from Share Classes in the course of the winding-up of the Fund in order to share the effective burden of creditors' claims against the Fund on an equitable basis.

13. Financial Instruments and Related Risks

The Share Classes assets and liabilities comprise financial instruments held in accordance with their respective investment objectives and policies. Set out below is a description of the principle risks inherent in the Share Classes activities along with the actions taken to manage these risks.

Market price risk

Market price risk is the risk that the value of the Share Classes investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Share Class might hold. It represents the potential loss the Share Class might suffer through holding market positions in the face of price movements. The Share Classes investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Prospectus mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Foreign currency risk is the risk that the value of the Share Classes investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of the Share Classes investment portfolio is invested in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The Manager may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to sterling on or near the date of receipt. The foreign currency risk profile for the relevant Share Classes is shown in their Notes to the Financial Statements.

Interest rate risk

Interest rate risk is the risk that the value of the Share Classes investment holdings will fluctuate as a result of changes in interest rates.

Some of the Share Classes invest in fixed and floating rate securities. The revenue of these Share Classes may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The benchmark rate is LIBOR. The interest rate profile of the relevant Share Classes is shown in their Notes to the Financial Statements.

Liquidity risk

The assets of the Share Classes comprise mainly readily realisable securities. The main liquidity risk to the Share Classes is the redemption of any shares that investors wish to sell. Assets of the Share Classes may need to be sold if insufficient cash is available to finance such redemptions. Since the Share Classes accounting year end there have been sufficient cash resources available to finance any such redemptions.

From time to time market liquidity may be affected by economic events. To manage these risks, the Investment Manager undertakes research of investment opportunities to select opportunities congruent with the Share Classes investment objective.

All stocks are valued daily and are reviewed for pricing accuracy as the need arises. The investment manager has considered the liquidity of the stocks in the portfolio, however the risk of low market liquidity, through reduced trading volumes, may affect the future ability of the Share Classes to trade financial instruments at values previously indicated by financial brokers.

Notes to the Aggregated Financial Statements (continued)

Credit/counterparty risk

Certain transactions in securities that the Share Class enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Share Class has fulfilled its responsibilities. The Share Class only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

At the balance sheet date the table below shows the percentage of the Fund's assets that were held in corporate bonds. Corporate bonds involve the risk that the bond issuer will be unable to meet its liability to pay interest or redeem the bond. The Manager selects bonds taking into account the credit rating.

NOSF Alternative Assets	0.00%
NOSF Bridge Class	2.30%
NOSF Diversified Assets Class	17.24%
NOSF Global Balanced Class	8.23%
NOSF Global Equity Class	0.00%
NOSF Global Fixed Interest Class	47.70%
NOSF Special Situations	1.48%
NOSF Sterling Fixed Interest Class	85.46%
NOSF UK Equity Class	0.00%

Derivative and other financial instrument risk

The Share Classes also enter into derivative transactions in the form of forward foreign currency contracts, futures contracts and options contracts. The purpose of these financial instruments is Efficient Portfolio Management. Forward foreign currency contracts are used to manage currency risk arising from holdings of overseas securities. Futures are used to manage market price risk. The Share Classes use traded options to hedge up the stock which is physically owned. The purpose of undertaking these contracts is to protect the portfolio as far as possible from a downturn in the markets.

Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the value of financial assets and liabilities, as shown in the balance sheet, and their fair value.

14. Dilution Levy

The need to charge a dilution levy will depend on the volume of sales or repurchases. The Manager may charge a discretionary dilution levy on the sale and repurchase of shares if, in his opinion, the existing shareholders (for sales) or remaining shareholders (for repurchases) might otherwise materially be adversely affected. A dilution levy must be imposed only in a manner which, so far as practicable, is fair to all shareholders or potential shareholders.

In particular, the dilution levy may be charged in the following circumstances: on a Share Class experiencing large levels of net sales relative to its size, on "large deals" (being a deal with a total value of 1% or more of the total value of the relevant Share Class), where a Share Class is in continual decline, and in any other case where the Manager is of the opinion that the interests of existing/remaining shareholders and any potential shareholders require the imposition of a dilution levy.

In order to reduce the volatility in the rate of any dilution levy, the Manager may take account of the trend of the Share Class in question to expand or to contract, and the transactions in shares at a particular valuation point. As dilution is directly related to the inflows and outflows of monies from the scheme it is not possible to accurately predict whether dilution will occur at any point in time. If charged, the dilution levy will be shown in addition to (not as part of) the price of shares when they are sold by the Manager or as a deduction when they are repurchased by the Manager.

The Manager has no entitlement to the dilution levy, which will either be paid into the relevant Share Class, in the case of a sale of shares, or retained in the Share Class, in the case of a repurchase of shares.

15. Jersey Taxation

Profits arising in the Company for the year ended 31 December 2010 are subject to income tax at a rate of 0% (2009: 0%).

The States of Jersey introduced a Goods and Services Tax ("GST") with effect from 6 May 2008. The Company does not suffer any irrecoverable GST, as it has applied to the comptroller of Income Tax for inclusion on the list of International Services Entities of its administrator BNP Paribas Securities Services Fund Administration Limited.

16. Audit

The provision for the audit fee is £51,900 (2009: £51,603).

Alternative Assets Class

Fund Report

The Fund produced a return of 3.50% in the final quarter of the year, increasing 2010's performance to 9.30%. This return was ahead of both cash and bonds for the year but behind equities which performed very well in the final quarter. These results were achieved with lower volatility than equities; the maximum drawdown for the Fund during the year was -1.40%, compared to -11.80% for the UK equity market.

Hedge funds continued to build on their recovery; the HFRI Fund Weighted Composite Index was up 5.50% for the quarter bringing total returns for the year to 10.40%. In 2010, hedge fund returns have been diverse by both manager and strategy. This has been shown in the performance of the funds in the portfolio. BlueCrest AllBlue continued its strong performance, up 8.30% for the year, but both Brevan Howard managed funds, BH Global and BH Macro, ended the year marginally up in NAV terms. During the year, we maintained a preference for trading strategies, given the underlying liquidity. Towards the end of the year, we took profits in BlueCrest AllBlue, voted against the continuation of FRM Credit Alpha, a credit orientated fund on a deep discount to NAV which had performed poorly; and added two new managers. The two new positions are in CQS Diversified, a credit orientated fund issued in December; and NB Distressed debt, a manager that specialises in US distressed positions.

Within our structured product investments, we reduced equity market exposure towards the end of the year by selling or reducing several structured products with greater correlation to equity returns. These sales included the sale of the Goldman Sachs Phoenix Autocall; the product had returned 12.00% since inception (January 2010). A further sale was that of the Elders 24A which was directly exposed to the direction of the EuroStoxx 50. We added the RBS FTSE 100 autocall, which will pay a 7.00% coupon as long as the FTSE 100 is above 60% of the index strike level on any one day during the year. With volatility and interest rates low, opportunities in structured products remain limited but we continued with our approach of seeking undervalued investments and defensive equity opportunities.

Gold and Agriculture commodities continued to be strong in the final quarter and finished the year as the best performing asset class in the fund, contributing 2.70% to performance during the year. The long term outlook for soft commodities appears well supported by the continuing imbalance between demand and supply and future growth from developing countries.

Property investments also provided a healthy contribution to performance during the year. There were few changes to the property investment but towards the end of the year we added to Mapletree Logistics Trust, an investment trust which owns warehouses in Hong Kong and Singapore, on share price weakness. We continue to hold a preference for Asian property stocks which are exposed to superior levels of economic growth but we are mindful of investors' recent enthusiasm, which has helped to drive prices over the last year.

In private equity, the addition of Oakley in the third quarter has proved successful. The manager realised its largest holding, Host Europe, and bought a 50% stake in Timeout magazine, during the quarter. The Timeout purchase appears particularly well placed, allowing the manager to utilise its online expertise to enhance Timeout's web presence and profitability.

During the second half of the year, we commenced a strategy of buying out of the money put options on the FTSE 100 to provide some portfolio protection in the event of an equity market set back and the possible widening of discounts in the investment trust sector. So far this strategy has been a cost to the Fund but given the experience of 2008, this approach appears prudent.

Looking ahead the Fund is positioned to make steady returns with limited equity correlation from a diversified pool of alternative assets.

Statistics

Price and Revenue Record by Share Class (Calendar Year)

Income Shares	Highest Price (p)	Lowest Price (p)	Net revenue per share* (p)
2007†	100.01	98.92	0.0000
2008	101.61	76.43	1.3773
2009	92.86	75.56	0.4253
2010	100.68	92.61	0.6687

†From launch date, 10 December 2007.

*Distributions are shown in the year declared rather than paid.

Net Asset Value History by Share Class

as at	Net Asset Value (£)	Pence per share	Shares in issue
31/12/2008	11,219,719	76.21	14,722,072
31/12/2009	12,771,400	91.80	13,911,482
31/12/2010	11,480,403	99.89	11,493,566

Total Expense Ratio

Share Class	31/12/10 %	31/12/09 %
Income shares	1.11	1.13

The following shows the top ten purchases and sales for the year.

Purchases	£000's
HSBC Bank 0.00% FTSE AutoCall 2015	750
Goldman Sachs International Phoenix Autocall	650
ETFS Physical Gold 0.00% Secured Note (USD)	464
Royal Bank of Scotland FTSE Autocall	351
CQS Diversified Fund	340
Barclays Bank 0.00% FTSE AutoCall 2016	300
International Public Partnership	262
Goldman Sachs International Quanto Euro Stoxx 50	251
FundLogic Global Solutions	238
NB Distressed Debt	176
Sales	£000's
Barclays Bank 0.00% FTSE AutoCall 2013	746
Goldman Sachs International Phoenix Autocall	702
ETFS Physical Gold 0.00% Secured Note (AUD)	569
Marshall Wace 'E'	516
Goldman Sachs Strategic Investment Dividend-Linked Equity	310
Elders (Merrill Lynch International) 9.00% High Yield	229
Alternative Investment Strategies Sterling Hedged	180
Mapletree Logistics	178
Hongkong Land	129
Tapestry Investment	122

Alternative Assets Class (continued)

Financial Statements

Portfolio Statement as at 31 December 2010

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
United Kingdom 15.68% (12.85%)				Derivatives 0.04% (0.00%)			
Financial Services 1.23% (0.00%)				Futures and Options 0.04% (0.00%)			
Oakley Capital Investments	98,576	140,964	1.23	FTSE 100 Index Feb11 5100 (Put Option)	2	270	0.00
Investment Trusts 14.45% (12.85%)				FTSE 100 Index Jan11 5100 (Put Option)	8	120	0.00
Ashmore Global Opportunities	21,358	166,592	1.45	FTSE 100 Index Jan11 5300 (Put Option)	13	650	0.01
CQS Diversified Fund	340,000	338,300	2.95	FTSE 100 Index Jan11 5500 (Put Option)	25	2,875	0.03
HSBC Infrastructure	143,662	168,516	1.47	Portfolio of investments			
HSBC Infrastructure 'C' Shares	17,957	18,585	0.16			10,759,236	93.72
International Public Partnership	230,000	269,560	2.35	Net current assets			
JP Morgan Private Equity Warrants	31,980	1,030	0.01			721,167	6.28
JP Morgan Private Equity	241,884	156,562	1.36	Total Net Assets			
NB Distressed Debt	278,851	187,673	1.63			11,480,403	100.00
Pantheon International Participations	15,200	79,040	0.69	Total unapproved securities			
UK Commercial Property Trust	333,000	273,060	2.38				0.00%
Hedge Funds 30.61 (34.21%)				Comparative figures in brackets refer to 31 December 2009.			
Absolute Return Trust	431,227	485,130	4.23	Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.			
BH Global	51,790	562,439	4.91	All investments are ordinary shares listed on recognised stock exchanges unless otherwise stated.			
BH Macro	23,026	379,929	3.31				
Bluecrest Allblue Fund	267,422	450,071	3.92				
Dexion Trading	366,034	430,090	3.75				
FRM Credit Alpha	504,896	373,623	3.25				
Lyxor Focus Fund	240,000	246,000	2.14				
Merrill Lynch Invest Solutions 'B' Shares	2,549	252,615	2.20				
Signet Global Fixed Income Strategies	413,000	333,498	2.90				
Commodities 7.42% (7.65%)							
Ceres Agriculture Fund Limited	193,280	0	0.00				
ETFS Physical Gold 0.00%							
Secured Note (AUD)	3,833	336,845	2.93				
ETFS Physical Gold 0.00%							
Secured Note (USD)	5,750	515,378	4.49				
Structured Products 30.45% (22.57%)							
Barclays Bank 0.00% FTSE AutoCall 2016	300,000	314,700	2.74				
Barclays Bank 0.00% Protected Agric 2 2014	400,000	495,800	4.32				
Elders (Merrill Lynch International)							
Japan Capital Protected III	644,618	591,437	5.15				
Elders (Merrill Lynch International)							
7.00% Fixed Income	181,180	139,962	1.22				
FundLogic Global Solutions	1,400	138,502	1.21				
Goldman Sachs International P Warrants 2011	84,650	85	0.00				
Goldman Sachs International C Warrants 2011	84,650	106,151	0.92				
Goldman Sachs International Quanto Euro Stoxx 50	233,280	274,104	2.39				
Harewood Structured Investment	285,512	368,310	3.21				
HSBC Bank 0.00% FTSE AutoCall 2015	675,000	720,158	6.27				
Royal Bank of Scotland FTSE Autocall	3,510	347,139	3.02				
Overseas Equities 9.52% (9.10%)							
Brazil 1.41% (1.19%)							
Rossi Residencial	28,316	161,647	1.41				
Hong Kong 4.79% (2.10%)							
Hongkong Land	45,000	209,248	1.82				
Link Real Estate Investment Trust	170,500	341,183	2.97				
Singapore 3.32% (5.50%)							
Mapletree Logistics Trust	795,150	381,395	3.32				

Alternative Assets Class (continued)

Statement of Total Return

for the year ended 31 December 2010

Notes	£	2010 £	£	2009 £
Income				
Net capital gains				
Net gains on investments	1	1,137,624	2,154,328	
Other gains	1	1,230	2,577	
		1,138,854		2,156,905
Revenue	2	130,558	104,687	
Expenses	3	(138,554)	(126,304)	
Net expenses before tax		(7,996)	(21,617)	
Taxation	4	773	(5,755)	
Net expenses after taxation		(7,223)		(27,372)
Total return before distributions		1,131,631		2,129,533
Finance costs: Distributions	5	(87,478)		(57,338)
Change in net assets attributable to Shareholders from investment activities		£1,044,153		£2,072,195

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2010

	£	2010 £	£	2009 £
Opening net assets attributable to Shareholders		12,771,400		11,219,719
Movement due to sales and repurchases of shares:				
Amounts receivable on issue of shares		1,348,431	1,467,638	
Amounts payable on cancellation of shares		(3,697,220)	(1,995,385)	
		(2,348,789)		(527,747)
Dilution Levy		13,639		7,233
Change in net assets attributable to Shareholders from investment activities (see above)		1,044,153		2,072,195
Closing net assets attributable to Shareholders		£11,480,403		£12,771,400

Balance Sheet

as at 31 December 2010

Notes	£	2010 £	£	2009 £
Assets				
Investment assets		10,759,236		11,032,013
Debtors	7	13,077	101,013	
Cash and bank balances	8	748,654	1,684,906	
Total other assets		761,731		1,785,919
Total assets		11,520,967		12,817,932
Liabilities				
Creditors	9	(15,485)	(16,901)	
Distribution payable on income shares		(25,079)	(29,631)	
Total liabilities		(40,564)		(46,532)
Net assets attributable to Shareholders		£11,480,403		£12,771,400

Notes to the Financial Statements for the year ended

31 December 2010

1. Net capital gains

The net capital gains on investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	6,050,959	12,099,067
Original cost of non-derivative securities sold during the year	(5,415,523)	(13,202,104)
Gains/(losses) realised on non-derivative securities sold during the year	635,436	(1,103,037)
Net (appreciation)/depreciation thereon already recognised in earlier years	(194,216)	1,652,255
Net realised depreciation for the year	441,220	549,218
Net unrealised appreciation for the year	720,250	1,608,075
Net gains on non-derivative securities	1,161,470	2,157,293
Losses realised on derivative securities sold during the year	(15,976)	–
Net realised depreciation for the year	(15,976)	–
Net unrealised depreciation for the year	(6,410)	–
Net losses on derivative securities	(22,386)	–
Activity charges	(1,460)	(2,965)
Net gains on investments	1,137,624	2,154,328
Other gains – currency gains	1,230	2,577
Net capital gains	£1,138,854	£2,156,905

2. Revenue

	2010 £	2009 £
UK dividends	6,555	36,449
Overseas dividends	121,069	55,142
Bank interest	4,481	9,791
Interest on debt securities	(1,547)	3,305
Total revenue	£130,558	£104,687

3. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	124,740	112,020
Registrar's fees	175	138
	124,915	112,158
Other expenses:		
Directors' fees	1,512	1,587
Custodian fees	3,761	3,343
Custody charges	1,149	703
Audit fees	4,795	5,402
Other expenses	2,422	3,111
	13,639	14,146
Total expenses	£138,554	£126,304

4. Taxation

	2010 £	2009 £
Withholding tax on overseas dividends	102	5,755
Prior year tax adjustment	(875)	–
Total taxation	£(773)	£5,755

Alternative Assets Class (continued)

Notes to the Financial Statements (continued)

5. Finance costs

	2010 £	2009 £
Interim distribution 30 June	60,353	27,694
Final distribution 31 December	25,079	29,631
	85,432	57,325
Amounts deducted on cancellation of shares	5,080	2,319
Amounts added received on issue of shares	(3,034)	(2,306)
Net distribution for the year	£87,478	£57,338
Interest	–	–
Total finance costs	£87,478	£57,338

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

6. Movement between net expenses after taxation and distributions

	2010 £	2009 £
Net expenses after taxation	(7,223)	(27,372)
Expenses paid from capital	94,704	84,718
Undistributed revenue brought forward	8	–
Undistributed revenue carried forward	(11)	(8)
	£87,478	£57,338

7. Debtors

	2010 £	2009 £
Accrued revenue	10,077	11,674
Amounts receivable for issue of shares	3,000	89,339
	£13,077	£101,013

8. Cash and bank balances

	2010 £	2009 £
Cash held at bank	748,654	1,684,906
	£748,654	£1,684,906

9. Creditors

	2010 £	2009 £
Accrued expenses	15,485	16,901
	£15,485	£16,901

10. Related party transactions

Manager's periodic charge and Registrar's fees payable to Newton Fund Managers (C.I.) Limited (the Manager) are shown in note 3. Details of shares issued and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Shareholders. The total balance due to the Manager at 31 December 2010 in respect of these transactions is £6,746 (31 December 2009: £78,570 due from the Manager).

11. Financial instruments

Interest rate risk

The Share Class does not currently invest in either fixed or floating rate securities and interest rate exposure is restricted to interest on bank deposits or payable on bank overdraft positions which will be effected by fluctuations in interest rates.

Foreign currency risk

The table that follows details the foreign currency risk profile of the Alternative Assets Class assets at the Balance Sheet date.

	31 December 2010		31 December 2009	
	Investments £	Net Current Assets £	Total £	Total £
United Kingdom	8,468,275	713,715	9,181,990	10,228,297
Australia	336,845	–	336,845	826,268
Brazil	161,647	–	161,647	152,025
Hong Kong	341,183	7,452	348,635	274,485
Japan	–	–	–	39,025
Singapore	381,395	–	381,395	433,262
United States of America	1,069,891	–	1,069,891	818,038
Total	£10,759,236	£721,167	£11,480,403	£12,771,400

12. Portfolio transactions costs

	2010		2009	
	£	£	£	£
Analysis of total purchase costs:				
Purchases in period before transaction costs		4,663,782		12,359,143
Commissions	1,088		3,520	
Taxes	636		4,014	
Total purchase costs		1,724		7,534
Gross purchase total		£4,665,506		£12,366,677
Analysis of total sales proceeds:				
Gross sales before transaction costs		6,054,156		12,101,413
Commissions	(3,054)		(2,275)	
Taxes	(143)		(71)	
Total sale costs		(3,197)		(2,346)
Total sales net of transaction costs		£6,050,959		£12,099,067

13. Post Balance Sheet Events

As indicated in the Accounting Policies in Note 1 to the Aggregated Financial Statements, the investments have been valued at 12 noon on 31 December 2010. Since that date the Share Class's quoted price has decreased from 100.67p to 100.29p as at 24 February 2011 (the latest practicable date before completion of the accounts), a decrease of 0.37%.

Bridge Class

Fund Report

The Fund witnessed volatility throughout the first half of the year and from the beginning of July markets rallied strongly, aided by the anticipation and then confirmation of additional quantitative easing measures in the US, and broad improvements to economic data. Neither the ongoing debt issues in Europe erupting in Ireland nor an increase in interest rates in China seemed to diminish the appetite for risk. UK equities returned 14.5% over the 12 month period, as measured by the FTSE All Share index, while world equities rose by 16.7% over the same period, according to the FTSE World ex UK index. Against this backdrop, the Fund returned 15.7% for the year compared to a benchmark return of 15.0%.

The Fund's positioning continues to be influenced by our *Global Realignment*, *All Change* and *Networked World* themes. Economic sensitivity is focused on Emerging Markets, and the Fund has benefited greatly over the year from the increased exposure to Asia. We remain positive on the prospects of Asian and Latin American economies, although we are keeping an eye on rising inflation and the authorities' responses to it. Over the year, we added further exposure to Asia through Man Wah Holdings (Chinese sofa manufacturer), Shenguan Holdings (Chinese sausage casing manufacturer), Rei Agro (Indian basmati rice producer), and Huabao International (Chinese flavourings manufacturer). Parkway Holdings (Singaporean based hospital provider) was added earlier in the year and benefited from increased corporate activity, being acquired at a premium during the third quarter.

Consistent with the *All Change* theme, we retain an element of Western stocks that display defensive characteristics, although we have taken some profits in this area over the recent quarter and continue to do so in line with our outlook for the economic recovery gaining traction.

Throughout the year, positions in Taiwan Semi Conductor Corporation, Imagination Technologies and Apple were added and the positions in HTC and Cisco were retained. They are all technology beneficiaries of our *Networked World* theme. Although all performed strongly, HTC, particularly, was a significant contributor to the Fund's return over the whole year. Within the telecommunication sector, we added MTN and sold Millicom, which we believed had become fully valued, and added to Cable and Wireless Communications.

In line with our *Earth Matters* theme, a dramatic rise in crop prices, coupled with increased M&A activity within the sector, prompted us to add exposure to fertiliser and crop protection stocks Syngenta and Mosaic. Gold continued to rally, breaching the \$1,400 per oz. by the end of the year, and contributed significantly to performance of the Fund throughout the year. The holding in the Gold ETF was subsequently reduced in October following strong performance. Exposure to energy was increased by adding to the position in Petrobras and by introducing Statoil, following a period of poor performance.

Bond yields declined on the expectation of further quantitative easing in the U.S, rather than the actual announcement from the Federal Reserve in November, and then began to rise through to the end of the year. The portfolio's small bond exposure continues to be through corporate bonds where the yields are more attractive.

Continuing low interest rates in Western economies and further intervention in the bond market in the form of another round of quantitative easing in the U.S. are helping to drive asset prices higher and we are starting to see rising inflation around the globe. This is negative in the long term for nominal bonds and will become problematic for equities if it gets out of hand. In response, many Asian countries, Australia and Brazil have already started to raise interest rates and in some cases implement further tightening measures such as increased reserve requirements in China and capital controls in Brazil. As economic data strengthens in the West, underpinning a sustained recovery, we anticipate central banks will start to raise interest rates here too, potentially in the second half of 2011, to combat inflation. The reaction of financial markets to initial interest rate rises following a recession is historically volatile, and this in combination with the ongoing debt issues faced by peripheral Europe are the main visible risks to markets in the short term. The ability of the West to maintain a recovery as stimuli packages are withdrawn and economies are left to walk on their own two feet remains key to the strength of equity markets this year. In summary, we are cautiously optimistic, and position the Fund accordingly, with a broad mix of exposure to the secular trends that we believe are important. This predominantly includes emerging markets growth, the rising opportunities driven by increased network bandwidth, and the implications and opportunities this has for all sectors, in addition to increased demand for a broad range of resources, specifically those that are constrained in their supply. However, we also maintain a core of yielding Western stocks, which along with their certainty of return in the form of a growing dividend, have strong balance sheets and provide some hedge to volatility of the more cyclical sectors.

Statistics

Price and Revenue Record by Share Class (Calendar Year)

Income Shares	Highest Price (p)	Lowest Price (p)	Net Revenue per share* (p)
2006	131.21	118.81	2.6651
2007	145.75	127.16	3.0068
2008	147.27	92.91	3.5003
2009	123.98	93.95	3.1592
2010	139.53	116.05	2.7315

*Distributions are shown in the year declared rather than paid.

Net Asset Value History by Share Class

as at	Net Asset Value (£)	Pence per share	Shares in issue
31/12/2008	32,890,360	103.46	31,791,681
31/12/2009	40,860,856	121.59	33,604,011
31/12/2010	42,984,769	137.75	31,205,026

Total Expense Ratio

Share Class	31/12/10 %	31/12/09 %
Income shares	1.10	1.11

The following shows the top ten purchases and sales for the year:

Purchases	£000's
FTSE 100 Index December 2010 Future	1,039
Parkway	678
Associated British Foods	648
L'Oreal	597
HSBC Bank PLC 0.00% FTSE AutoCall 2015	587
MTN	522
Yingde Gases	520
Reynolds American	516
Accenture Class 'A'	509
Petroleo Brasileiro ADR	506
Sales	£000's
FTSE 100 Index December 2010 Future	1,010
Parkway	946
UK Treasury Stock 2.50% Index-Linked 2016	744
ETFS Physical Gold 0.00% Secured Note (USD)	703
Total	638
Vodafone	604
Union Pacific	572
Agilent Technologies	557
DBS	517
Elders (Merrill Lynch Intl) Japan Accel Growth II 25B	493

Bridge Class (continued)

Financial Statements

Portfolio Statement as at 31 December 2010

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
Sterling Denominated Corporate Bonds 2.30% (3.86%)				Overseas Equities 56.21% (51.33%)			
Anglian Water Services 4.125% Index-Linked 2020	£100,000	162,355	0.38	United States of America 23.01% (23.59%)			
Daily Mail & General Trust 5.75% Bonds 2018	£243,000	231,297	0.54	Accenture	18,750	584,707	1.36
Daily Mail & General Trust 7.50% Bonds 2013	£70,000	73,650	0.17	Altria	32,500	514,910	1.20
Iron Mountain 7.25% Bonds 2014	£200,000	203,340	0.47	Apple	2,360	491,911	1.14
John Lewis 6.125% Bonds 2025	£140,000	142,801	0.33	Ariba	29,000	438,913	1.02
Tesco 3.322% Index-Linked 2025	£117,000	175,711	0.41	Barrick Gold	27,950	946,847	2.20
				Cisco Systems	23,200	302,271	0.70
United Kingdom 31.94% (32.53%)				eBay	29,500	534,446	1.24
Oil & Gas Producers 4.82% (5.96%)				Keefe Bruyette & Woods	27,850	505,092	1.18
BG	34,904	453,577	1.06	L3 Communications	7,600	346,006	0.80
BP	140,575	659,016	1.53	Lazard	20,231	513,886	1.20
Royal Dutch Shell	44,995	957,044	2.23	Medtronic	18,500	442,870	1.03
				Microsoft	24,360	436,933	1.02
Mining 4.85% (4.05%)				Millicom International Cellular	1,580	96,853	0.23
Anglo American	24,050	803,992	1.87	Mosaic	10,500	512,794	1.19
BHP Billiton	49,972	1,281,782	2.98	Omnicom	17,000	502,653	1.17
				Principal Financial	25,235	528,851	1.23
Aerospace & Defence 0.98% (1.27%)				Reynolds American	25,400	534,435	1.24
Cobham	206,500	421,467	0.98	Sprint Nextel	240,000	643,009	1.50
				Thermo Fisher Scientific	13,680	490,478	1.14
Food Producers 1.69% (0.00%)				Transocean	11,809	525,766	1.22
Associated British Foods	61,500	727,545	1.69	Brazil 4.33% (4.54%)			
				Hypermarcas	54,946	480,205	1.12
Tobacco 1.35% (1.50%)				Petroleo Brasileiro ADR	25,263	548,637	1.28
British American Tobacco	23,400	578,799	1.35	Rossi Residencial	86,689	494,879	1.15
				Tele Norte Leste Participacoes ADR	35,381	334,737	0.78
Pharmaceuticals & Biotechnology 2.79% (3.09%)				Canada 1.33% (0.98%)			
GlaxoSmithKline	95,860	1,197,771	2.79	Suncor Energy	23,275	572,414	1.33
Food & Drug Retailers 1.28% (1.60%)				Australia 3.44% (2.69%)			
Tesco	127,939	549,754	1.28	Newcrest Mining	35,315	934,862	2.17
				Oil Search	119,025	547,735	1.27
Fixed Line Telecommunications 0.87% (0.98%)				China 1.74% (0.50%)			
Cable & Wireless	772,800	374,808	0.87	Shenguan	364,000	307,040	0.71
				Yingde Gases	766,000	441,123	1.03
Mobile Telecommunications 1.86% (3.00%)				Hong Kong 2.99% (0.00%)			
Vodafone	481,092	800,056	1.86	Huabao International	420,000	437,104	1.02
				Man Wah	368,400	385,234	0.90
Electricity 1.56% (1.54%)				Sands China	326,400	465,184	1.07
Scottish & Southern Energy	54,590	672,549	1.56	India 0.49% (0.00%)			
				Rei Agro	551,000	209,371	0.49
Gas, Water & Multiutilities 1.59% (1.41%)				Japan 2.14% (1.26%)			
Centrica	205,425	682,833	1.59	INPEX	126	474,383	1.10
				Toyota Motor	17,500	446,172	1.04
Banks 3.04% (3.06%)				Taiwan 2.13% (0.71%)			
HSBC	109,300	717,117	1.67	HTC	23,700	470,814	1.10
Standard Chartered	33,717	589,205	1.37	Taiwan Semiconductor Manufacturing	283,000	444,003	1.03
				ADS			
Nonlife Insurance 2.40% (1.87%)				Thailand 1.18% (0.84%)			
Amlin	105,000	425,250	0.98	Bangkok Bank	159,100	506,470	1.18
Jardine Lloyd Thompson	98,280	612,284	1.42				
				South African 1.66% (0.00%)			
Life Insurance 1.13% (1.70%)				MTN	55,049	714,034	1.66
Prudential	72,636	485,208	1.13				
				France 1.51% (2.69%)			
Financial Services 0.99% (0.84%)				L'Oreal	9,000	647,086	1.51
ICAP	80,000	426,000	0.99				
				Germany 3.24% (5.14%)			
Technology Hardware & Equipment 0.74% (0.00%)				Bayer	10,300	487,903	1.14
Imagination Technologies	87,979	316,900	0.74	Deutsche Telekom	55,000	456,023	1.06
				Fresenius Medical Care	11,950	446,278	1.04
Hedge Funds 3.67% (3.37%)				Norwegian 1.15% (0.00%)			
BH Global	55,265	600,178	1.40	Statoil	32,220	492,906	1.15
Bluecrest Allblue Fund	369,101	621,197	1.45				
Dexion Trading	300,000	352,500	0.82	Switzerland 5.87% (5.70%)			
				Bank Sarasin & Cie	17,953	522,868	1.22
Structured Products 1.46% (1.66%)				Novartis	17,960	679,499	1.58
HSBC Bank 0.00% FTSE AutoCall 2015	£587,845	627,172	1.46	Roche	6,515	614,540	1.43
				Syngenta	3,753	706,467	1.64
Commodities 1.67% (2.75%)							
ETFS Physical Gold 0.00% Secured Note	8,021	718,930	1.67				

Bridge Class (continued)

Portfolio Statement (continued)

Investments	Holding	Market Value £	Total Net Assets %
Derivatives 0.01% (0.20%)			
Futures & Options 0.01% (0.20%)			
FTSE 100 Index January 2011 (Put Options)	42	5,250	0.01
Portfolio of investments		41,808,940	97.26
Net current assets		1,175,829	2.74
Total Net Assets		42,984,769	100.00
Total unapproved securities			0.00%

Comparative figures in brackets refer to 31 December 2009.

During the year ended 31 December 2010 the Share Class disposed of its holdings in the UK Government Stocks, Healthcare Equipment & Services, Investment Trusts, South Korea, Singapore and Spain portfolio categories which, as at 31 December 2009 represented 2.71%, 0.66%, 1.14%, 0.34%, 1.29% and 1.06% respectively of the Total Net Assets.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers.

All investments are ordinary shares listed on recognised stock exchanges unless otherwise stated.

ADR: American Depositary Receipt

ADS: American Depositary Shares

Bridge Class (continued)

Notes to the Financial Statements for the year ended 31 December 2010

1. Net capital gains

The net capital gains on investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	18,164,189	20,348,290
Original cost of non-derivative securities sold during the year	(15,492,879)	(20,449,849)
Gains/(losses) realised on non-derivative securities sold during the year	2,671,310	(101,559)
Net (appreciation)/depreciation thereon already recognised in earlier years	(1,497,703)	1,438,397
Net realised appreciation for the year	1,173,607	1,336,838
Net unrealised appreciation for the year	4,251,070	5,406,733
Net gains on non-derivative securities	5,424,677	6,743,571
Losses realised on derivative securities sold during the year	(53,668)	(131,987)
Net depreciation thereon already recognised in earlier years	141,881	–
Net realised appreciation/(depreciation) for the year	88,213	(131,987)
Net unrealised (depreciation) for the year	(15,413)	(141,881)
Net gains/(losses) on derivative securities	72,800	(273,868)
Overseas transaction tax	(2,137)	–
Activity charges	(5,002)	(7,154)
Net gains on investments	5,490,338	6,462,549
Other gains/(losses) – currency gains/(losses)	20,149	(47,132)
Net capital gains	£5,510,487	£6,415,417

2. Revenue

	2010 £	2009 £
UK dividends	507,388	470,572
Overseas dividends	505,158	508,892
Bank interest	2,925	5,022
Interest on debt securities	106,848	280,247
Underwriting commissions	–	1,022
Total revenue	£1,122,319	£1,265,755

3. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	410,901	360,680
Registrar's fees	1,956	2,065
	412,857	362,745
Other expenses:		
Directors' fees	5,094	5,127
Custodian fees	12,217	10,672
Custody charges	7,289	5,118
Collection charges	491	1,530
Audit fees	5,430	6,067
Other expenses	8,758	8,673
	39,279	37,187
Total expenses	£452,136	£399,932

4. Taxation

	2010 £	2009 £
Withholding tax on overseas dividends	90,332	96,219
	£90,332	£96,219

5. Finance costs

	2010 £	2009 £
Interim distribution 30 June	552,672	632,934
Final distribution 31 December	320,132	408,457
	872,804	1,041,391
Amounts deducted on cancellation of shares	32,353	66,518
Amounts received on the issue of shares	(10,341)	(63,864)
Net distribution for the year	£894,816	£1,044,045
Interest	500	1,195
Total finance costs	£895,316	£1,045,240

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

6. Movement between net revenue after taxation and distributions

	2010 £	2009 £
Net revenue after taxation	579,351	768,409
Expenses paid from capital	315,465	275,628
Undistributed revenue brought forward	24	32
Undistributed revenue carried forward	(24)	(24)
	£894,816	£1,044,045

7. Debtors

	2010 £	2009 £
Accrued revenue	89,656	120,619
Amounts receivable for issue of shares	–	398,198
Sales awaiting settlement	24,490	–
	£114,146	£518,817

8. Cash and bank balances

	2010 £	2009 £
Cash held at bank	1,851,618	213,472
	£1,851,618	£213,472

9. Creditors

	2010 £	2009 £
Accrued expenses	45,638	43,815
Amounts payable for cancellation of shares	365,851	96,014
Purchases awaiting settlement	58,314	–
	£469,803	£139,829

10. Related party transactions

Manager's periodic charge and Registrar's fees payable to Newton Fund Managers (C.I.) Limited (the Manager) are shown in note 3. Details of shares issued and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Shareholders. The total balance due to the Manager at 31 December 2010 in respect of these transactions is £402,697 (31 December 2009: £130,994 due from the Manager).

Bridge Class (continued)

Notes to the Financial Statements (continued)

11. Financial instruments

Interest rate risk

The table that follows details the interest rate risk profile of the Bridge Class assets at 31 December 2010.

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Yield (%)	Weighted Average Period for which Rate is Fixed (yrs)
Assets						
United Kingdom	1,754,130	651,088	16,012,895	18,418,113	5.72	10.16
Australia	-	-	1,482,597	1,482,597		
Brazil	-	-	975,084	975,084		
Canada	-	-	572,414	572,414		
Europe	-	-	2,037,290	2,037,290		
Hong Kong	6,645	-	2,060,174	2,066,819		
Japan	-	-	920,555	920,555		
Norway	-	-	492,906	492,906		
South Africa	-	-	714,034	714,034		
Switzerland	-	-	2,523,374	2,523,374		
Taiwan	428,910	-	914,817	1,343,727		
Thailand	-	-	506,470	506,470		
United States of America	-	-	11,721,321	11,721,321		
	<u>2,189,685</u>	<u>651,088</u>	<u>40,933,931</u>	<u>43,774,704</u>		
Liabilities						
United Kingdom	-	-	(758,801)	(758,801)		
Hong Kong	-	-	(31,134)	(31,134)		
	-	-	(789,935)	(789,935)		
Total	<u>£2,189,685</u>	<u>£651,088</u>	<u>£40,143,996</u>	<u>£42,984,769</u>		

The table that follows details the interest rate risk profile of the Bridge Class assets at 31 December 2009.

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Yield (%)	Weighted Average Period for which Rate is Fixed (yrs)
Assets						
United Kingdom	1,564,716	1,338,911	16,395,487	19,299,114	6.01	9.50
Australia	-	-	1,098,274	1,098,274		
Brazil	-	-	910,497	910,497		
Canada	-	-	401,523	401,523		
Europe	-	-	3,632,282	3,632,282		
Hong Kong	-	-	205,650	205,650		
Japan	-	-	517,303	517,303		
Singapore	-	-	528,616	528,616		
South Korea	-	-	139,580	139,580		
Switzerland	-	-	2,331,935	2,331,935		
Taiwan	-	-	288,139	288,139		
Thailand	-	-	344,432	344,432		
United States of America	-	-	11,711,797	11,711,797		
	<u>1,564,716</u>	<u>1,338,911</u>	<u>38,505,515</u>	<u>41,409,142</u>		
Liabilities						
United Kingdom	-	-	(548,286)	(548,286)		
Total	<u>£1,564,716</u>	<u>£1,338,911</u>	<u>£37,957,229</u>	<u>£40,860,856</u>		

The floating rate financial assets and liabilities comprise:

Sterling denominated bank balances and overdrafts bear interest based on the year LIBOR.

Foreign currency risk

The table that follows details the foreign currency risk profile of the Bridge Class assets at the Balance Sheet date.

	31 December 2010 Investments	31 December 2010 Net Current Assets	31 December 2010 Total	31 December 2009 Total
United Kingdom	16,928,408	730,904	17,659,312	18,750,828
Australia	1,482,597	-	1,482,597	1,098,274
Brazil	975,084	-	975,084	910,497
Canada	572,414	-	572,414	401,523
Europe	2,037,290	-	2,037,290	3,632,282
Hong Kong	2,035,685	-	2,035,685	205,650
Japan	920,555	-	920,555	517,303
Norway	492,906	-	492,906	-
Singapore	-	-	-	528,616
South Africa	714,034	-	714,034	-
South Korea	-	-	-	139,580
Switzerland	2,523,374	-	2,523,374	2,331,935
Taiwan	914,817	428,910	1,343,727	288,139
Thailand	506,470	-	506,470	344,432
United States of America	11,705,306	16,015	11,721,321	11,711,797
Total	<u>£41,808,940</u>	<u>£1,175,829</u>	<u>£42,984,769</u>	<u>£40,860,856</u>

12. Portfolio transactions costs

	2010	2009
	£	£
Analysis of total purchase costs:		
Purchases in period before transaction costs	15,045,124	24,341,286
Commissions	15,955	15,337
Taxes	11,310	21,562
Total purchase costs	<u>27,265</u>	<u>36,899</u>
Gross purchase total	<u>£15,072,389</u>	<u>£24,378,185</u>
Analysis of total sales proceeds:		
Gross sales before transaction costs	19,300,223	20,549,015
Commissions	(14,051)	(14,370)
Taxes	(2,275)	(1,037)
Total sale costs	<u>(16,326)</u>	<u>(15,407)</u>
Total sales net of transaction costs	<u>£19,283,897</u>	<u>£20,533,608</u>

13. Post Balance Sheet Events

As indicated in the Accounting Policies in Note 1 to the Aggregated Financial Statements, the investments have been valued at 12 noon on 31 December 2010. Since that date the Share Class's quoted price has decreased from 138.93p to 135.66p as at 24 February 2011 (the latest practicable date before completion of the accounts), a decrease of 2.35%.

Diversified Assets Class

Fund Report

In 2010, the Fund performed well, rising 12.6%. This means that the Fund performed better than its cash +2% benchmark, better than similar funds (as measured by the IMA Cautious Managed sector) and almost as well as UK equities (FTSE All Share +14.5%). For 9 months of the year, performance was ahead of UK equities, but the strong equity move in December saw UK equities more than double their return of the first 11 months. Importantly, the Fund's performance came with volatility much lower than equities. By way of example, UK equities fell 16.2% from peak to trough in 2010, the Fund fell 'only' 3.7%. Gilts are generally regarded as one of the most stable assets and they fell 4.8% from peak to trough.

Gilts rose in 2010, particularly in the first half. We have been concerned about gilt valuations for some time and exposure has been around 6-7% since the start of the year having been as high as 12% in earlier years. During the year, we moved our gilt exposure to slightly longer maturity, but the average maturity of the Fund's gilts is less than 10 years.

Investment grade corporate bonds were also strong. Similar to the Fund's gilt position, exposure here had been reduced sharply (from over 20% in 2008 to around 7%). In November we sold five bonds yielding less than 5% each and reinvested in three senior bank bonds and one lower rated bond with yields ranging from 5% to 8%. Banks appear to be on a path of balance sheet repair yet their bonds continue to yield appreciably more than bonds issued by other sectors. We expect this discrepancy to close over time; meanwhile they will generate extra income.

Sub investment grade bonds were very strong over the year. Exposure has been around 10% for most of the year, well above the weighting in mid 2008 of less than 4%. These bonds remain our favoured area of the bond market; they continue to generate a healthy income for the Fund. During the year, we bought Ineos Finance 9.25% 2015, Renhe 13% 2016 and LBI Escrow 8% 2017 at attractive yields.

Equities were strong, particularly so in December with the US leading the way and Europe lagging. Europe was also the laggard over the year with emerging markets leading. Across industry sectors, 'risky' basic materials did well but 'safe' utilities lagged. We sold stocks such as Deutsche Post, Principal Financial and AMP that had been lacklustre as well as selling Millicom that had doubled and Flir that had risen 40%. We also sold the Fund's only share listed in peripheral Europe (Indra) and the only Continental European bank (BNP) – both are lower now. We added to Actelion, Bangkok Bank, Filtrona and Noble as well as introducing Huabao (Chinese flavourings and tobacco), Syngenta (crop protection) and Inpex (oil). We retain our balance between defensive developed world equities and more growth oriented emerging market equities. Generally, we retained some protection through FTSE put options.

Commodities were strong with oil rising above \$95 and gold rising above \$1,400. Agricultural commodities and precious metals were the strongest performers. These are the Fund's key exposures. At the very end of the year, we trimmed the Fund's gold ETF position by 1.4% to 5% given gold's recent strength. The Fund also owns two gold mining companies within the equities portion.

Property and private equity were strong although the Fund's exposure is limited. We bought F&C Commercial Property in October at 89p and sold many of the shares in December above 105p, rather undermining the theory of efficient markets.

Hedge funds had an underwhelming year given the opportunities available to managers. We continue to focus on those funds with a good track record in 2008 and some liquidity. We added two new names; NB Distressed Debt (US distressed situations with an active approach) and CQS Diversified (credit orientated funds managed by CQS). We also trimmed Bluecrest AllBlue shares, which are valued at a premium, and voted against the continuation of FRM Credit Alpha which will now be liquidated and cash returned to investors.

Looking ahead, the Fund is well positioned to generate a return above cash with lower volatility than equities using Newton's global thematic approach. Such an approach is likely to be increasingly attractive to investors given our expectation of more volatility ahead.

Statistics

Price and Revenue Record by Share Class (Calendar Year)

Income Shares	Highest Price (p)	Lowest Price (p)	Net revenue per share* (p)
2006	116.18	109.40	3.1602
2007	120.40	113.56	3.6301
2008	117.91	85.89	3.7721
2009	103.33	85.72	3.1470
2010	112.34	101.56	3.1578

*Distributions are shown in the year declared rather than paid.

Net Asset Value History by Share Class

as at	Net Asset Value (£)	Pence per share	Shares in issue
31/12/2008	24,536,472	86.97	28,213,713
31/12/2009	27,990,793	101.76	27,507,096
31/12/2010	24,435,347	111.33	21,947,699

Total Expense Ratio

Share Class	31/12/10 %	31/12/09 %
Income shares	1.11	1.12

The following shows the top ten purchases and sales for the year.

Purchases	£000's
ETFS Physical Gold 0.00% Secured Note (USD)	578
UK Treasury Stock 6.00% 2028	401
UK Treasury Gilt 4.75% 2030	400
UK Treasury Stock 5.00% 2025	355
International Public Partnership	286
UK Commercial Property	281
Goldman Sachs International Phoenix Autocall Cert FTSE 100	255
HSBC 0.00% FTSE AutoCall 2015	254
Nationwide 5.625% Bonds 2019	252
John Laing Infrastructure	250

Sales	£000's
UK Treasury Stock 5.00% 2025	438
UK Treasury Stock 6.00% 2028	401
FTSE 100 Index September 2010 5400 (Put Options)	399
UK Treasury Gilt 5.25% 2012	393
UK Treasury Stock 8.00% 2013	386
Merrill Lynch Investment Solutions MW Tops UCITS 'B' (Inc)	375
Alternative Inv Strategies Sterling Hedged Shares	320
Firstgroup 8.125% Bonds 2018	299
Phoenix Natural Gas Finance 5.50% Bonds 2017	294
Marshall Wace	287

Diversified Assets Class (continued)

Financial Statements

Portfolio Statement as at 31 December 2010

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
UK Government Stocks 6.94% (8.10%)				Aerospace & Defence 0.33% (0.41%)			
UK Treasury Gilt 2.25% 2014	£235,000	239,873	0.98	Cobham	39,721	81,071	0.33
UK Treasury Stock 5.00% 2025	£310,000	347,512	1.42				
UK Treasury Stock 4.75% 2020	£423,594	468,294	1.92	Support Services 1.04% (0.30%)			
UK Treasury Gilt 4.75% 2030	£370,000	400,707	1.64	Bunzl	10,174	73,405	0.30
UK Treasury Gilt 1.25% Index-Linked 2017	£190,000	239,911	0.98	Filtrona	73,452	179,884	0.74
Overseas Government Bonds 0.90% (1.04%)				Beverages 0.38% (0.00%)			
USA Treasury Notes 1.875% TII 2013	USD270,000	220,717	0.90	Britvic	19,352	91,477	0.38
Floating Rate Notes 0.27% (0.53%)				Food Producer 0.26% (0.00%)			
Edcon FRN 2015	EUR93,000	66,545	0.27	Associated British Foods	5,421	64,130	0.26
Sterling Denominated Corporate Bonds 10.12% (14.13%)				Tobacco 0.63% (0.49%)			
Anglian Water Services Finance 4.125% Index-Linked Notes 2020	£148,000	240,285	0.98	British American Tobacco	6,221	153,876	0.63
Cable & Wireless 5.75% Bonds 2014	£100,000	103,550	0.42	Pharmaceutical & Biotechnology 1.21% (1.08%)			
Co-Operative Bank 5.75% Bonds 2024	£215,000	174,051	0.71	Biotech Growth Trust	48,500	81,238	0.33
Imperial Tobacco Finance 8.125% Notes 2024	£100,000	123,154	0.50	GlaxoSmithKline	17,121	213,927	0.88
Lloyds TSB 6.50% Bonds 2040	£240,000	221,930	0.91	Food & Drug Retailer 0.69% (0.90%)			
National Grid Gas 4.1875% Index-Linked 2022	£145,000	242,810	0.99	Tesco	39,269	168,739	0.69
Nationwide Building Society 5.625% Bonds 2019	£240,000	238,597	0.98	Fixed Line Telecommunications 0.54% (0.79%)			
Royal Bank of Scotland 7.50% Bonds 2024	£215,000	221,862	0.91	Cable & Wireless	270,003	130,951	0.54
Standard Chartered 8.103% Perpetual 2049	£150,000	156,057	0.64	Mobile Telecommunication 0.86% (0.69%)			
Tesco 4.00% Index Linked Notes 2016	£131,000	203,150	0.83	Vodafone	126,221	209,906	0.86
Tesco Property Finance 5.744% Bonds 2040	£103,000	106,346	0.44	Electricity 0.63% (0.58%)			
Tullett Prebon 7.04% Bonds 2016	£132,000	129,202	0.53	Scottish & Southern Energy	12,375	152,460	0.63
Unique Pub Finance 5.659% Bonds 2027	£260,000	201,002	0.82	Gas, Water & Multiutilities 0.77% (0.72%)			
Virgin Media Finance 8.875% Bonds 2019	£100,000	113,510	0.46	Centrica	56,878	189,062	0.77
Non-Sterling Denominated Corporate Bonds 7.12% (5.09%)				Banks 1.62% (1.29%)			
Abengoa 8.50% Bonds 2016	EUR100,000	81,690	0.33	HSBC	10,812	70,938	0.29
Campofrio Food 8.25% Bonds 2016	EUR150,000	132,514	0.54	Lloyds	198,518	131,617	0.54
CEDC 8.875% Bonds 2016	EUR116,000	104,477	0.43	Standard Chartered	11,020	192,575	0.79
Cemex Finance 9.625% Bonds 2017	EUR150,000	127,408	0.52	Non-life Insurance 0.42% (0.69%)			
Conti-Gummi Finance 7.125% Bonds 2018	EUR150,000	132,192	0.54	Jardine Lloyd Thompson	16,596	103,393	0.42
CRC Breeze 5.29% Bonds 2026	EUR200,000	92,670	0.38	Financial Services 1.22% (0.58%)			
HeidelbergCement 8.50% Bonds 2019	EUR130,000	123,111	0.50	ICAP	31,328	166,822	0.68
Ineos Finance 9.25% Bonds 2015	EUR110,000	101,186	0.42	Oakley Capital Investments	92,500	132,275	0.54
Interpublic Group of Companies 4.25% Bonds 2023	EUR110,000	78,448	0.32	Technology Hardware & Equipment 0.41% (0.00%)			
Lithuania (Rep of) 5.125% Bonds 2017	EUR100,000	63,451	0.26	Imagination Technologies	27,638	99,552	0.41
Phoenix PIB Finance 9.625% Bonds 2014	EUR110,000	103,112	0.42	Investment Trusts 6.97% (1.86%)			
Renhe Commercial Holdings 13.00% Bonds 2016	EUR200,000	134,346	0.55	Ashmore Global Opportunities	40,842	318,568	1.30
Smurfit Kappa Acquisition 7.25% Bonds 2017	EUR120,000	107,047	0.44	CQS Diversified Fund	180,000	179,100	0.73
Sena 6.125% Bonds 2017	EUR100,000	82,310	0.34	F&C Commercial Property Trust	95,000	98,800	0.41
UPC Germany 8.125% Bonds 2017	EUR100,000	91,345	0.37	HSBC Infrastructure	203,578	238,797	0.98
Wind Acquisition 11.75% Bonds 2017	EUR100,000	95,678	0.39	International Public Partnership	213,143	249,804	1.02
Ziggo Bond 8.00% Bonds 2018	EUR100,000	88,998	0.37	John Laing Infrastructure Fund	203,000	215,180	0.88
United Kingdom 19.75% (30.15%)				NB Distressed Debt Investment Fund	244,935	164,846	0.68
Oil & Gas Producers 1.07% (2.15%)				UK Commercial Property Trust	290,077	237,863	0.97
BG	8,150	105,909	0.43	Hedge Funds 11.99% (16.89%)			
BP	22,660	106,230	0.44	Absolute Return Trust	206,900	232,763	0.95
Valiant Petroleum	9,565	48,782	0.20	BH Global	53,127	576,959	2.36
Mining 0.70% (0.41%)				BH Macro	27,274	450,021	1.84
BHP Billiton	6,621	169,829	0.70	Bluecrest Allblue Fund	302,448	509,020	2.08
				Dexion Alpha Strategies	114,594	1,146	0.01
				Dexion Trading	420,230	493,770	2.02
				F&C Event Driven	360,000	7,308	0.03
				FRM Credit Alpha	511,080	378,199	1.55
				Signet Global Fixed Income Strategies	347,509	280,614	1.15
				Collective Investment Schemes 0.54% (0.49%)			
				Capita Financial Managers Morant			
				Wright Japan 'B'	62,445	132,678	0.54

Diversified Assets Class (continued)

Portfolio Statement (continued)

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
Commodities 5.87% (0.32%)				South Africa 0.46% (0.31%)			
Ceres Agriculture Fund Limited	114,806	0	0.00	MTN	8,733	113,275	0.46
ETFS Physical Gold 0.00% Secured Note (AUD)	6,513	572,364	2.34	South Korea 0.25% (0.31%)			
ETFS Physical Platinum 0.00% Secured Note (USD)	2,067	227,654	0.93	LG Uplus	15,004	60,964	0.25
ETFS Physical Gold 0.00% Secured Note (USD)	7,079	634,498	2.60	Taiwan 0.38% (0.52%)			
Structured Products 7.24% (4.21%)				ADS	11,708	93,350	0.38
Barclays 0.00% Protect Agric 2 2014	276,000	342,102	1.40	Thailand 0.37% (0.00%)			
Elders (Merrill Lynch Intl) Japan Capital Protected III	219,563	201,449	0.82	Bangkok Bank	28,700	91,362	0.37
Elders (Merrill Lynch Intl) 9.00% High Yield Shares	302,000	136,655	0.56	France 0.48% (1.49%)			
Elders (Merrill Lynch Intl) Floating Rate Income Shares	162,000	116,235	0.48	L'Oreal	1,621	116,547	0.48
Goldman Sachs International Phoenix Autocall Cert FTSE 100	109,369	121,837	0.50	Germany 1.93% (3.24%)			
Goldman Sachs International Quanto GBP Cert Euro Stoxx 50	106,969	125,689	0.52	Bayer	4,906	232,393	0.95
Harewood Structured Investment BNP Paribas Agrinvest Preference Shares	101,153	130,487	0.53	Bilfinger Berger	2,424	131,119	0.54
HSBC 0.00% FTSE AutoCall 2015	226,748	241,917	0.99	Fresenius Medical Care	2,867	107,069	0.44
Morgan Stanley 0.00% FTSE S/A Bonus 2016	103,633	109,727	0.45	Norway 0.72% (0.17%)			
Royal Bank of Scotland FTSE GBP Income Autocall Certificates	2,450	242,305	0.99	Opera Software	19,763	63,260	0.26
Overseas Equities 25.93% (29.75%)				Statoil	7,299	111,661	0.46
United States of America 5.82% (9.26%)				Poland 0.46% (0.00%)			
Accenture	3,745	116,786	0.48	Telekomunikacja Polska	31,452	113,282	0.46
Align Technology	5,660	72,869	0.30	Switzerland 2.46% (2.13%)			
Altria	11,113	176,067	0.72	Actelion	3,480	122,677	0.50
Ariba	7,882	119,293	0.49	Novartis	6,075	229,842	0.94
Barrick Gold	2,435	82,489	0.34	Roche	1,998	188,465	0.77
Cisco Systems	6,896	89,847	0.37	Syngenta	320	60,237	0.25
Corinthian Colleges	18,833	62,708	0.26	Derivatives -0.20% (1.02%)			
eBay	6,496	117,687	0.48	Futures and Options 0.11% (1.07%)			
Genzyme	1,588	73,023	0.30	FTSE 100 Index February 2011 (Put Option)	56	36,120	0.15
HeartWare International	1,052	59,900	0.25	FTSE 100 Index February 2011 (Put Option)	(56)	(11,200)	(0.05)
Kroger	6,025	86,066	0.35	FTSE 100 Index January 2011 (Put Option)	42	3,570	0.01
Reynolds American	6,108	128,517	0.53	EUR Forward Foreign Currency Contracts -0.30% (-0.04%)			
Sprint Nextel	46,001	123,246	0.50	Forward Foreign Currency Contracts 15/03/2011	EUR(1,866,849)	(1,609,681)	(6.59)
Transocean	2,483	110,549	0.45	Forward Foreign Currency Contracts 15/03/2011	£ 1,537,294	1,537,294	6.29
Brazil 3.83% (3.38%)				USD Forward Foreign Currency Contracts -0.01% (-0.01%)			
Anhanguera Educacional	8,300	128,521	0.53	Forward Foreign Currency Contracts 15/06/2011	USD(340,237)	(219,506)	(0.90)
Banco Santander Brasil ADR	8,687	75,921	0.31	Forward Foreign Currency Contracts 15/06/2011	£216,095	216,095	0.88
Hypermarcas	13,786	120,484	0.49	Forward Foreign Currency Contracts 15/06/2011	USD(308,064)	(198,749)	(0.81)
Multipan Empreendimentos	4,494	64,355	0.26	Forward Foreign Currency Contracts 15/06/2011	£200,000	200,000	0.82
Natura Cosméticos	6,649	122,567	0.50	Portfolio of investments			
Petroleo Brasileiro	10,760	233,675	0.96			23,573,086	96.47
Rossi Residencial	11,833	67,551	0.28	Net current assets			
Tele Norte Leste Participacoes	12,979	122,794	0.50			862,261	3.53
Australia 1.68% (1.70%)				Total Net Assets			
Newcrest Mining	9,258	245,079	1.00			£24,435,347	100.00
Oil Search	15,090	69,442	0.28	Total unapproved securities			
QBE Insurance	8,172	97,092	0.40				0.00%
China 1.77% (1.58%)				Comparative figures in brackets refer to 31 December 2009.			
Camelot Information Systems	4,218	64,871	0.27	During the year ended 31 December 2010 the Share Class disposed of its holding in Healthcare Equipment & Services, Chile and Spain portfolio categories, which, as at 31 December 2009, represented 0.32%, 0.56% and 0.56% of the Total Net Assets.			
Powerlong Real Estate	541,000	113,413	0.46	All investments are ordinary shares listed on recognised stock exchanges unless otherwise stated.			
Shenguan	162,000	136,650	0.56	ADR: American Depository Receipt.			
Yingde Gases	202,000	116,327	0.48	ADS: American Depository Share.			
Hong Kong 2.26% (0.93%)							
Belle International	48,000	52,341	0.21				
Hongkong Land	29,000	134,849	0.55				
Huabao International	65,000	67,647	0.28				
Link Real Estate	27,000	54,029	0.22				
Man Wah Holdings	114,800	120,046	0.49				
Sands China Ltd	88,000	125,417	0.51				
Japan 0.73% (0.74%)							
INPEX	22	82,829	0.34				
Otsuka	6,000	95,014	0.39				
Singapore 2.33% (2.87%)							
DBS	31,500	226,556	0.93				
Mapletree Logistics	446,070	213,958	0.88				
Noble	117,181	127,714	0.52				

Diversified Assets Class (continued)

Statement of Total Return

for the year ended 31 December 2010

	Notes	£	2010 £	£	2009 £
Income					
Net capital gains					
Net gains on investments	1	2,533,845		4,165,695	
Other (losses)/gains	1	(6,983)		8,420	
			2,526,862		4,174,115
Revenue	2	787,544		881,273	
Expenses	3	(283,196)		(281,716)	
Finance costs:					
Interest	5	(459)		(198)	
Net revenue before taxation		503,889		599,359	
Taxation	4	(22,970)		(34,771)	
Net revenue after taxation			480,919		564,588
Total return before distributions			3,007,781		4,738,703
Finance costs:					
Distributions	5	(763,608)		(845,867)	
Change in net assets attributable to Shareholders from investment activities			<u>£2,244,173</u>		<u>£3,892,836</u>

Balance Sheet

as at 31 December 2010

	Notes	£	2010 £	£	2009 £
Assets					
Investment assets*			23,660,084		27,384,609
Debtors	7	876,953		270,354	
Cash and bank balances	8	591,697		761,873	
Total other assets			1,468,650		1,032,227
Total assets			25,128,734		28,416,836
Liabilities					
Investment liabilities			(86,998)		(16,377)
Creditors	9	(473,276)		(235,821)	
Distribution payable on income shares		(133,113)		(173,845)	
Total other liabilities			(606,389)		(409,666)
Total liabilities			(693,387)		(426,043)
Net assets attributable to Shareholders			<u>£24,435,347</u>		<u>£27,990,793</u>

*Gross of investment liabilities

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2010

	£	2010 £	£	2009 £
Opening net assets attributable to Shareholders		27,990,793		24,536,472
Movement due to sales and repurchases of shares:				
Amounts receivable on issue of shares	672,330		2,858,077	
Amounts payable on cancellation of shares	(6,496,252)		(3,322,302)	
		(5,823,922)		(464,225)
Dilution Levy		24,303		25,710
Change in net assets attributable to Shareholders from investment activities (see above)		2,244,173		3,892,836
Closing net assets attributable to Shareholders		<u>£24,435,347</u>		<u>£27,990,793</u>

Diversified Assets Class (continued)

Notes to the Financial Statements for the year ended 31 December 2010

1. Net capital gains

The net capital gains on investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	18,179,481	20,443,667
Original cost of non-derivative securities sold during the year	(16,827,285)	(22,845,912)
Gains/(losses) realised on non-derivative securities sold during the year	1,352,196	(2,402,245)
Net (appreciation)/depreciation thereon already recognised in earlier years	(52,657)	2,771,610
	1,299,539	369,365
Net unrealised appreciation for the year	1,364,895	3,616,370
Net gains on non-derivative securities	2,664,434	3,985,735
Gains/(losses) realised on derivative securities sold during the year	12,145	(285,808)
Net appreciation thereon already recognised in earlier years	16,377	494,211
Net realised appreciation for the year	28,522	208,403
Net unrealised depreciation for the year	(138,511)	(16,377)
Net (losses)/gains on derivative securities	(109,989)	192,026
Overseas transaction tax	(9,610)	-
Activity charges	(10,991)	(12,066)
Net gains on investments	2,533,844	4,165,695
Other (losses)/gains – currency (losses)/gains	(6,982)	8,420
Net capital gains	£2,526,862	£4,174,115

2. Revenue

	2010 £	2009 £
UK dividends	115,117	122,354
Overseas dividends	271,395	268,655
Bank interest	558	5,392
Interest on debt securities	400,474	484,180
Underwriting commission	-	692
Total revenue	£787,544	£881,273

3. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	256,002	251,926
Registrar's fees	310	361
	256,312	252,287
Other expenses:		
Directors' fees	3,104	3,583
Custodian fees	7,711	7,547
Custody charges	4,371	2,766
Collection charges	508	430
Audit fees	5,430	6,068
Other expenses	5,760	9,035
	26,884	29,429
Total expenses	£283,196	£281,716

4. Taxation

	2010 £	2009 £
Withholding tax on overseas dividends	22,970	32,836
Withholding tax on interest on debt securities	-	1,935
Total taxation	£22,970	£34,771

5. Finance costs

	2010 £	2009 £
Interim distribution 31 March	191,379	218,230
Interim distribution 30 June	247,530	240,153
Interim distribution 30 September	173,479	212,862
Final distribution 31 December	133,113	173,845
	745,501	845,090
Amounts deducted on cancellation of shares	19,222	13,980
Amounts added on issue of shares	(1,115)	(13,203)
Net distribution for the year	£763,608	£845,867
Interest	459	198
Total finance costs	£764,067	£846,065

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

6. Movement between net revenue after taxation and distributions

	2010 £	2009 £
Net revenue after taxation	480,919	564,588
Expenses paid from capital	282,688	281,286
Undistributed revenue brought forward	21	14
Undistributed revenue carried forward	(20)	(21)
	£763,608	£845,867

7. Debtors

	2010 £	2009 £
Accrued revenue	113,795	179,377
Sales awaiting settlement	763,158	90,977
	£876,953	£270,354

8. Cash and bank balances

	2010 £	2009 £
Cash held at bank	591,697	761,873
	£591,697	£761,873

9. Creditors

	2010 £	2009 £
Accrued expenses	28,399	32,216
Amounts payable for cancellation of shares	444,877	203,605
	£473,276	£235,821

10. Related party transactions

Manager's periodic charge and Registrar's fees payable to Newton Fund Managers (C.I.) Limited (the Manager) are shown in note 3. Details of shares issued and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Shareholders. The total balance due to the Manager at 31 December 2010 in respect of these transactions is £20,679 (31 December 2009: £23,869).

Diversified Assets Class (continued)

Notes to the Financial Statements (continued)

11. Financial instruments

Interest rate risk

The table that follows details the interest rate risk profile of the Diversified Assets Class assets as 31 December 2010.

Assets	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ Liabilities Not Carrying Interest £	Total £	Average Effective Interest Rate (%)	Weighted Average Period for which Rate is Fixed (yrs)
United Kingdom	1,438,023	3,245,647	11,889,871	16,573,541	4.54	11.54
Australia	-	-	1,226,779	1,226,779		
Brazil	-	-	545,289	545,289		
Europe	66,545	1,463,738	612,127	2,142,410	8.34	7.19
Hong Kong	-	-	787,050	787,050		
Japan	-	-	177,843	177,843		
South Korea	-	-	60,964	60,964		
Norway	-	-	174,921	174,921		
Poland	-	-	113,282	113,282		
Singapore	-	-	568,228	568,228		
South Africa	-	-	113,275	113,275		
Switzerland	79,830	-	662,341	742,171		
Thailand	-	-	91,362	91,362		
United States of America	-	496,962	3,266,795	3,763,757	5.67	4.28
	<u>1,584,398</u>	<u>5,206,347</u>	<u>20,290,127</u>	<u>27,080,872</u>		
Liabilities						
United Kingdom	-	-	(233,954)	(233,954)		
Australia	-	-	(242,802)	(242,802)		
Europe	-	-	(1,609,681)	(1,609,681)		
Switzerland	-	-	(61,120)	(61,120)		
United States of America	-	-	(497,968)	(497,968)		
	-	-	<u>(2,645,525)</u>	<u>(2,645,525)</u>		
Total	<u>£1,584,398</u>	<u>£5,206,347</u>	<u>£17,644,602</u>	<u>£24,435,347</u>		

The table that follows details the interest rate risk profile of the Diversified Assets Class assets as 31 December 2009.

Assets	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ Liabilities Not Carrying Interest £	Total £	Average Effective Interest Rate (%)	Weighted Average Period for which Rate is Fixed (yrs)
United Kingdom	1,765,220	5,159,008	10,844,519	17,768,747	6.07	9.54
Australia	-	-	1,091,121	1,091,121		
Brazil	54,426	-	533,108	587,534		
Europe	149,131	1,358,723	1,507,725	3,015,579	8.72	8.80
Hong Kong	-	-	783,200	783,200		
Japan	-	-	204,894	204,894		
South Korea	-	-	90,220	90,220		
Norway	-	-	47,765	47,765		
Singapore	-	-	661,211	661,211		
South Africa	-	-	87,589	87,589		
Switzerland	-	-	597,415	597,415		
Taiwan	11,522	-	52,015	63,537		
United States of America	-	359,554	4,104,093	4,463,647	2.32	5.89
	<u>1,980,299</u>	<u>6,877,285</u>	<u>20,604,875</u>	<u>29,462,459</u>		
Liabilities						
United Kingdom	-	-	(325,461)	(325,461)		
Europe	-	-	(777,543)	(777,543)		
Hong Kong	-	-	(84,206)	(84,206)		
United States of America	-	-	(284,456)	(284,456)		
	-	-	<u>(1,471,666)</u>	<u>(1,471,666)</u>		
Total	<u>£1,980,299</u>	<u>£6,877,285</u>	<u>£19,133,209</u>	<u>£27,990,793</u>		

The floating rate financial assets and liabilities comprise:

Sterling denominated bank balances and overdrafts bear interest based on the year LIBOR.

Foreign currency risk

The table that follows details the foreign currency risk profile of Diversified Assets class assets at the Balance Sheet date.

	31 December 2010 Investments £	31 December 2010 Net Current Assets £	31 December 2010 Total £	31 December 2009 Total £
United Kingdom	15,640,723	698,864	16,339,587	17,443,286
Australia	983,977	-	983,977	1,091,121
Brazil	503,478	41,811	545,289	587,534
Europe	507,730	24,999	532,729	2,238,036
Hong Kong	785,870	1,180	787,050	698,994
Japan	177,843	-	177,843	204,894
Norway	174,921	-	174,921	47,765
Poland	113,282	-	113,282	-
Singapore	568,228	-	568,228	661,211
South Africa	113,275	-	113,275	87,589
South Korea	60,964	-	60,964	90,220
Switzerland	601,221	79,830	681,051	597,415
Thailand	91,362	-	91,362	63,537
United States of America	3,250,212	15,577	3,265,789	4,179,191
Total	<u>£23,573,086</u>	<u>£862,261</u>	<u>£24,435,347</u>	<u>£27,990,793</u>

12. Portfolio transactions costs

	2010 £	2009 £
Analysis of total purchase costs:		
Purchases in period before transaction costs	13,029,262	20,043,303
Commissions	16,469	14,169
Taxes	402	5,587
Total purchase costs	<u>16,871</u>	<u>19,756</u>
Gross purchase total	<u>£13,046,133</u>	<u>£20,063,059</u>
Analysis of total sales proceeds:		
Gross sales before transaction costs	19,280,483	20,452,476
Commissions	(11,367)	(8,423)
Taxes	(1,280)	(386)
Total sale costs	<u>(12,647)</u>	<u>(8,809)</u>
Total sales net of transaction costs	<u>£19,267,836</u>	<u>£20,443,667</u>

13. Post Balance Sheet Events

As indicated in the Accounting Policies in Note 1 to the Aggregated Financial Statements, the investments have been valued at 12 noon on 31 December 2010. Since that date the Share Class's quoted price has decreased from 112.34p to 110.58p as at 24 February 2011 (the latest practicable date before completion of the accounts), a decrease of 1.57%.

Global Balanced Class

Fund Report

The economies of the Western world are still staggering under the weight of too much debt. The aggressive and unprecedented policies put in place to alleviate the symptoms of indebtedness have, however, been successful, in the short term at least, in creating some momentum in the mature economies. This, combined with the dynamism in the rest of the world, offers the prospect of respectable economic growth, at the headline level, in the near term.

The efforts of authorities, despite being largely parochial in nature (particularly in the US), have been even more successful in energising financial markets, although we remain concerned that ultra-loose policy has led to a widespread mispricing of risk. Barring the emergence of further new crises, 2011 could follow 2010 as a volatile, but ultimately constructive, year for 'risk' assets such as equities. However, we would stress that this potential scenario is by no means certain and would represent the continuation of a cyclical bull market from the lows reached in March 2009. The structural impediments are so significant that further difficulties should not come as a surprise.

In constructing portfolios, we believe that the balance of risks favours equities over government bonds, and with foreign-exchange markets likely to be an important mechanism by which the realignment of economies occurs, active consideration of currency exposure is likely to be important. Across and within all asset classes divergence of returns may be large and a thematic approach which helps to guide investment through challenging economic and financial-market conditions remains highly beneficial. In the period ahead, three structural themes, *all change*, *fire risks* (the risk of rising inflation) and *global realignment* (essentially China spending more and the West spending less!), are likely to continue to dominate our outlook and to drive stock, sector and asset allocation.

Turning to portfolio positioning, for much of 2010, we remained cautious about Government bonds generally given the possibility of rising inflation as a result of the ultra-loose policy and maintained positions in credit, high yield and index linked at the expense of government bonds. We also purchased holdings in Canadian and Norwegian Government bonds as part of our active consideration of currency exposure; both governments are broadly financed and their respective banking systems have avoided many of the problems in other Western economies.

Turning to equities, the "all change" theme means that we retain our cautious stance to those sectors whose profitability was largely driven by access to cheap finance. In future, such finance is likely to be less available and more costly and thus we continued to shun the banks whose businesses are focussed on the North Atlantic region. They may still have considerable balance sheet risk but will in future certainly be subject to far more regulatory oversight. The regulators in many parts of the developing world have learned the lessons of previous crises as have governments and companies. Banks, such as Standard Chartered, where we took up the rights, Development Bank of Singapore and Overseas China Banking Corporation (purchased) are well placed to exploit the opportunities in Asian markets.

Throughout the year we maintained a significant position in gold related equities given our belief that foreign exchange markets are likely to form part of the process of the global realignment. Profits were taken in Newcrest Mining and Minas Buenaventura following strong performance as a result of the rise in the gold price caused in part by purchases of physical gold, not only by some central banks but also by consumers in India and China.

Whilst the developing world will benefit from the trend of gold realignment, the valuations of a number of holdings left little room for any disappointment in terms of profits and margins and as a consequence we reduced or sold Banco Santander Chile, Millicom, HTC and Yum Brands and reinvested the proceeds into companies listed in developed markets where developing world exposure could be obtained. Holdings of BHP Billiton, Associated British Foods and Japan Tobacco were acquired.

The performance for 2010 was good relative to the benchmark in what was a volatile year. Such volatility promises to be a feature for 2011.

Statistics

Price and Revenue Record by Share Class (Calendar Year)

Income Shares	Highest Price (p)	Lowest Price (p)	Net revenue per share* (p)
2006	97.65	87.94	1.9016
2007	106.41	91.10	1.9924
2008	108.97	79.16	2.2525
2009	106.50	85.00	2.2424
2010	121.45	100.99	2.6613

Price and Revenue Record by Share Class Calendar Year

Accumulation Shares†	Highest Price (p)	Lowest Price (p)	Net revenue per share* (p)
2008	102.05	79.16	0.9210
2009	109.23	85.92	2.2842
2010	127.66	104.53	2.7706

* Distributions are shown in the year declared rather than paid.

† Accumulation share class from launch date 29 July 2008.

Net Asset Value History

Income Shares	Net Asset Value (£)	Pence per share	Shares in issue
as at			
31/12/2008	5,516,899	94.48	5,839,036
31/12/2009	5,774,255	103.99	5,552,921
31/12/2010	7,548,932	120.03	6,289,143

Net Asset Value History

Accumulation Shares	Net Asset Value (£)	Pence per share	Shares in issue
as at			
31/12/2008*	668,618	95.52	700,000
31/12/2009	1,599,791	106.65	1,500,000
31/12/2010	2,132,748	127.19	1,676,838

Total Expense Ratio

Share Class	31/12/10 %	31/12/09 %
Income shares	1.13	1.18
Accumulation shares	1.13	1.18

* Accumulation share class from launch date 29 July 2008.

The following shows the top ten purchases and sales for the year.

Purchases	£000's
BHP Billiton	144
UK Treasury Gilt 4.50% 2034	124
Sunrise Communications 7.00% Bonds 2017	102
Yum Brands	102
eBay	101
Mitsubishi	99
Canada 3.50% Bonds 2013	97
Overseas Chinese Banking	96
Associated British Foods	95
Staples	95

Sales	£000's
Parkway	199
Germany 4.75% Bonds 2034	122
Banco Santander Chile ADR	114
Yum Brands	111
Anglo American	99
Millicom International Cellular	89
Deutsche Boerse	87
Tele Norte Leste Participacoes ADR	84
Minas Buenaventura ADR	79
Hypermarcas	78

Global Balanced Class (continued)

Financial Statements

Portfolio Statement as at 31 December 2010

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
UK Government Stocks 1.29% (0.00%)				Brazil 1.80% (4.21%)			
UK Treasury Gilt 4.50% 2034	£120,000	125,141	1.29	Hypermarcas	10,000	87,396	0.90
				Petroleo Brasileiro ADR	4,000	86,868	0.90
Canada Government Bonds 1.04% (0.00%)				Peru 1.77% (2.21%)			
Canada 3.50% Bonds 2013	CAD150,000	100,550	1.04	Minas Buenaventura ADR	5,500	171,266	1.77
Germany Government Bonds 3.25% (5.70%)				Canada 2.81% (2.77%)			
Germany 6.25% Bonds 2030	EUR200,000	237,953	2.46	Potash Corp of Saskatchewan	1,300	128,289	1.33
Germany 4.25% Bonds 2018	EUR80,000	76,502	0.79	Talisman Energy	10,000	143,263	1.48
Norway Government Bonds 0.93% (0.00%)				Australia 1.91% (2.66%)			
Norway 6.50% 2013	NOK750,000	90,389	0.93	Newcrest Mining	7,000	185,305	1.91
USA Government Bonds 2.63% (3.18%)				Japan 4.45% (1.20%)			
USA Treasury Notes 4.50% 2038	USD270,000	177,043	1.83	Canon	3,000	100,003	1.03
USA Treasury Notes 3.125% 2019	USD120,000	77,828	0.80	Japan Tobacco	40	95,173	0.98
				Mitsubishi	6,000	104,421	1.08
Sterling Denominated Corporate Bonds 2.38% (2.32%)				Sawai Pharmaceutical	2,500	131,437	1.36
LBG Capital No.1 7.869%				Singapore 3.96% (5.07%)			
Bonds 2020	£150,000	130,305	1.34	DBS	19,000	136,653	1.41
National Grid Gas 4.1875%				Jardine Matheson	5,200	147,356	1.52
Index-Linked 2022	£60,000	100,473	1.04	Overseas Chinese Banking	20,000	99,245	1.03
Non-Sterling Denominated Corporate Bonds 5.85% (6.02%)				South Korea 1.62% (2.01%)			
Aberdeen Asset Management 7.90%				Samsung Electronics GDR	580	156,477	1.62
Perpetual 2049	USD120,000	72,414	0.75	Taiwan 1.48% (1.04%)			
European Investment Bank 5.375%				HTC GDR	1,800	143,228	1.48
Bonds 2012	EUR130,000	120,365	1.24	Finland 1.10% (1.26%)			
Sprint Capital 7.625% Bonds 2011	USD100,000	64,684	0.67	Fortum	5,500	106,800	1.10
Standard Chartered 8.125%				France 1.26% (1.41%)			
Non-Cum Red Preference	USD200,000	133,764	1.38	Air Liquide	1,493	122,271	1.26
Sunrise Communications 7.00%				Germany 3.91% (5.40%)			
Bonds 2017	CHF150,000	108,710	1.12	Bayer	3,000	142,108	1.47
Wind Acquisition Finance 11.75%				Deutsche Telekom	15,000	124,370	1.28
Bonds 2017	EUR70,000	66,974	0.69	Fresenius Medical Care	3,000	112,036	1.16
United Kingdom 16.19% (15.11%)				Norway 1.42% (1.47%)			
Amlin	25,000	101,250	1.04	Statoil	9,000	137,683	1.42
Associated British Foods	9,000	106,470	1.10	Switzerland 4.68% (4.48%)			
BHP Billiton	7,000	179,550	1.85	Nestle	5,000	188,482	1.95
Biotech Growth Trust	50,000	83,750	0.87	Novartis	3,000	113,502	1.17
British American Tobacco	6,000	148,410	1.53	Syngenta	800	150,593	1.56
Cable & Wireless Communication	140,000	67,900	0.70	Derivatives 0.10% (0.62%)			
Cable & Wireless Worldwide	100,000	66,800	0.69	Futures and Options 0.10% (0.62%)			
GlaxoSmithKline	12,000	149,940	1.55	FTSE 100 Index March 2011 5300	18	9,360	0.10
ICAP	25,000	133,125	1.38	(Put Option)			
Jardine Lloyd Thompson	20,000	124,600	1.29	Portfolio of investments		8,407,248	86.84
Standard Chartered	5,625	98,297	1.02	Net current assets		1,274,432	13.16
Vodafone	100,000	166,300	1.72	Total Net Assets		£9,681,680	100.00
Worldwide Healthcare Trust	20,000	140,000	1.45	Total unapproved securities			0.00%
Overseas Equities 53.18% (58.10%)				Comparative figures in brackets refer to 31 December 2009.			
United States of America 21.01% (20.18%)				During the year ended 31 December 2010 the Share Class disposed of its holdings in Collective Investment Schemes, Chile, Hong Kong & Spain portfolio categories, which, as at 31 December 2009, represented 2.08%, 1.12%, 0.46% and 1.15% of the Total Net Assets.			
Anadarko Petroleum	3,000	146,049	1.51	All investments are ordinary shares listed on recognised stock exchanges unless otherwise stated.			
Archer Daniels Midland	4,500	86,540	0.89				
Ariba	5,500	83,242	0.86				
Barrick Gold	6,000	203,259	2.10				
Cisco Systems	8,000	104,231	1.08				
Corinthian Colleges	6,700	22,309	0.23				
eBay	7,000	126,818	1.31				
Emerson Electric	2,500	92,355	0.95				
Johnson & Johnson	2,500	99,730	1.03				
Keefe Bruyette & Woods	6,000	108,817	1.12				
Kroger	6,000	85,709	0.89				
L3 Communications	2,400	109,265	1.13				
Lazard	5,000	127,005	1.31				
Millicom International Cellular	1,500	91,950	0.95				
Shaw	5,000	110,968	1.15				
Sprint Nextel	76,000	203,620	2.10				
Staples	7,100	104,577	1.08				
Time Warner Cable	3,000	127,732	1.32				

Global Balanced Class (continued)

Portfolio Statement by Asset Class as at 31 December 2010

	Market Value £	Total Net Assets 2010 %	Total Net Assets 2009 %
Equities	6,156,954	63.60	64.51
Fixed Interest	1,683,095	17.37	17.22
ADR's	258,134	2.67	5.65
GDR's	299,705	3.10	3.05
Derivatives	9,360	0.10	0.62
Portfolio of investments	8,407,248	86.84	91.05
Net current assets	1,274,432	13.16	8.95
Total Net Assets	£9,681,680	100.00	100.00

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

Global Balanced Class (continued)

Statement of Total Return

for the year ended 31 December 2010

Notes	£	2010 £	£	2009 £
Income				
Net capital gains				
Net gains on investments				
1	1,162,465		754,719	
Other gains/(losses)				
1	111,304		(17,334)	
		1,273,769		737,385
Revenue				
2	248,110		196,584	
Expenses				
3	(95,381)		(77,788)	
Finance costs:				
Interest				
5	(36)		(716)	
Net revenue before taxation				
	152,693		118,080	
Taxation				
4	(20,019)		(14,404)	
Net revenue after taxation				
		132,674		103,676
Total return before distributions				
		1,406,443		841,061
Finance costs:				
Distributions				
5		(196,202)		(153,999)
Change in net assets attributable to Shareholders from investment activities				
		<u>£1,210,241</u>		<u>£687,062</u>

Balance Sheet

as at 31 December 2010

Notes	£	2010 £	£	2009 £
Assets				
Investments assets				
		8,407,248		6,713,769
Debtors				
7	45,915		33,980	
Cash and bank balances				
8	1,304,503		691,410	
Total other assets				
		1,350,418		725,390
Total assets				
		9,757,666		7,439,159
Liabilities				
Creditors				
9	(14,623)		(12,743)	
Distribution payable on income shares				
	(61,363)		(52,370)	
Total liabilities				
		(75,986)		(65,113)
Net assets attributable to Shareholders				
		<u>£9,681,680</u>		<u>£7,374,046</u>

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2010

	£	2010 £	£	2009 £
Opening net assets attributable to Shareholders		7,374,046		6,185,517
Movement due to sales and repurchases of shares:				
Amounts received on issue of shares				
	1,305,672		1,329,118	
Amounts payable on cancellation of shares				
	(256,978)		(856,328)	
Dilution levy				
		1,048,694		472,790
Retained distributions on accumulation shares				
		2,709		2,972
		45,990		25,705
Change in net assets attributable to Shareholders from investment activities (see above)				
		<u>1,210,241</u>		<u>687,062</u>
Closing net assets attributable to Shareholders		<u>£9,681,680</u>		<u>£7,374,046</u>

Global Balanced Class (continued)

Notes to the Financial Statements for the year ended 31 December 2010

1. Net capital gains

The net capital gains on investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	1,636,061	2,255,485
Original cost of non-derivative securities sold during the year	(1,149,770)	(2,010,643)
Gains realised on non-derivative securities sold during the year	486,291	244,842
Net appreciation thereon already recognised in earlier years	(314,373)	(218,673)
Net realised appreciation for the year	171,918	26,169
Net unrealised appreciation for the year	1,041,529	784,885
Net gains on non-derivative securities	1,213,447	811,054
Losses realised on derivative securities sold during the year	(69,859)	–
Net depreciation thereon already recognised in earlier years	54,723	–
Net realised depreciation for the year	(15,136)	–
Net unrealised depreciation for the year	(32,433)	(54,723)
Net losses on derivative securities	(47,569)	(54,723)
Overseas transaction tax	(2,539)	–
Activity charges	(874)	(1,612)
Net gains on investments	1,162,465	754,719
Other gains/(losses) – currency gains/(losses)	111,304	(17,334)
Net capital gains	£1,273,769	£737,385

2. Revenue

	2010 £	2009 £
UK dividends	47,330	38,238
Overseas dividends	111,574	86,319
Bank interest	1,032	2,328
Interest on debt securities	88,174	69,699
Total revenue	£248,110	£196,584

3. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	83,084	66,006
Registrar's fees	132	107
	83,216	66,113
Other expenses:		
Directors' fees	1,053	941
Custodian fees	2,452	1,967
Custody charges	1,214	818
Collection charges	190	268
Audit fees	5,430	6,071
Other expenses	1,826	1,610
	12,165	11,675
Total expenses	£95,381	£77,788

4. Taxation

	2010 £	2009 £
Withholding tax on overseas dividends	20,019	14,404
Total taxation	£20,019	£14,404

5. Finance costs

	2010 £	2009 £
Interim income distribution 30 June	94,075	78,450
Interim accumulation distribution 30 June	28,784	11,191
Final income distribution 31 December	61,363	52,370
Final accumulation distribution 31 December	17,206	14,514
	201,428	156,525
Amounts deducted on cancellation of shares	1,764	6,167
Amounts added on issue of shares	(6,990)	(8,693)
Net distribution for the year	196,202	£153,999
Interest	36	716
Total finance costs	£196,238	£154,715

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

6. Movement between net revenue after taxation and distributions

	2010 £	2009 £
Net revenue after taxation	132,674	103,676
Expenses paid from capital	63,527	50,322
Undistributed revenue brought forward	3	4
Undistributed revenue carried forward	(2)	(3)
	£196,202	£153,999

7. Debtors

	2010 £	2009 £
Accrued revenue	45,915	33,980
	£45,915	£33,980

8. Cash and bank balances

	2010 £	2009 £
Cash held at bank	1,304,503	691,410
	£1,304,503	£691,410

9. Creditors

	2010 £	2009 £
Accrued expenses	14,623	12,743
	£14,623	£12,743

10. Related party transactions

Manager's periodic charge and Registrar's fees payable to Newton Fund Managers (C.I.) Limited (the Manager) are shown in note 3. Details of shares issued and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Shareholders. The total balance due to the Manager at 31 December 2010 in respect of these transactions is £8,084 (31/12/2009: £6,319).

Global Balanced Class (continued)

Notes to the Financial Statements (continued)

11. Financial instruments

Interest rate risk

The table that follows details the interest rate risk profile of the Global Balanced Class assets at 31 December 2010.

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate (%)	Weighted Average Period for which Rate is Fixed (yrs)
Assets						
United Kingdom	708,546	255,446	1,592,513	2,556,505	6.22	16.86
Australia	–	–	185,305	185,305		
Brazil	–	–	87,396	87,396		
Canada	–	100,550	271,831	372,381	3.50	3.00
Europe	126,456	501,794	624,281	1,252,531	6.47	12.12
Japan	456,575	–	432,470	889,045		
Norway	–	90,389	141,074	231,463	6.50	3.00
Singapore	113,400	–	235,898	349,298		
Switzerland	–	108,710	454,112	562,822	7.00	7.00
United States of America	64,684	461,049	2,745,187	3,270,920	5.85	29.71
	<u>1,469,661</u>	<u>1,517,938</u>	<u>6,770,067</u>	<u>9,757,666</u>		
Liabilities						
United Kingdom	–	–	(75,986)	(75,986)		
Total	<u>£1,469,661</u>	<u>£1,517,938</u>	<u>£6,694,081</u>	<u>£9,681,680</u>		

The table that follows details the interest rate risk profile of the Global Balanced Class assets at 31 December 2009.

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Rate (%)	Weighted Average Period for which Rate is Fixed (yrs)
Assets						
United Kingdom	130,450	80,150	1,122,236	1,332,836	7.87	11.00
Australia	–	–	196,355	196,355		
Brazil	–	–	139,081	139,081		
Canada	–	–	204,257	204,257		
Europe	–	612,898	699,925	1,312,823	6.14	15.13
Hong Kong	–	–	33,574	33,574		
Japan	625,701	–	88,740	714,441		
Norway	–	–	108,616	108,616		
Singapore	–	–	277,677	277,677		
Switzerland	–	–	330,145	330,145		
United States of America	26,248	484,008	2,279,098	2,789,354	6.35	22.18
	<u>782,399</u>	<u>1,177,056</u>	<u>5,479,704</u>	<u>7,439,159</u>		
Liabilities						
United Kingdom	–	–	(65,113)	(65,113)		
Total	<u>£782,399</u>	<u>£1,177,056</u>	<u>£5,414,591</u>	<u>£7,374,046</u>		

The floating rate financial assets and liabilities comprise:

Sterling denominated bank balances and overdrafts bear interest based on the year LIBOR.

Foreign currency risk

The table that follows details the foreign currency risk profile of Global Balanced Class assets at the Balance Sheet date.

	31 December 2010 Investments	31 December 2010 Net Current Assets	31 December 2010 Total	31 December 2009 Total
United Kingdom	1,931,671	548,848	2,480,519	1,267,723
Australia	185,305	–	185,305	196,355
Brazil	87,396	–	87,396	139,081
Canada	372,102	279	372,381	204,257
Europe	1,109,379	143,152	1,252,531	1,312,823
Hong Kong	–	–	–	33,574
Japan	431,034	458,011	889,045	714,441
Norway	228,072	3,391	231,463	108,616
Singapore	235,898	113,400	349,298	277,677
Switzerland	561,287	1,535	562,822	330,145
United States of America	3,265,104	5,816	3,270,920	2,789,354
Total	<u>8,407,248</u>	<u>£1,274,432</u>	<u>£9,681,680</u>	<u>£7,374,046</u>

12. Portfolio transactions costs

	2010	2009
	£	£
Analysis of total purchase costs:		
Purchases in period before transaction costs	2,255,970	2,697,797
Commissions	1,280	2,050
Taxes	2,637	1,177
Total purchase costs	<u>3,917</u>	<u>3,277</u>
Gross purchase total	<u>£2,259,887</u>	<u>£2,701,024</u>
Analysis of total sales proceeds:		
Gross sales before transaction costs	1,738,866	2,256,380
Commissions	(1,411)	(762)
Taxes	(70)	(133)
Total sale costs	<u>(1,481)</u>	<u>(895)</u>
Total sales net of transaction costs	<u>1,737,385</u>	<u>£2,255,485</u>

13. Post Balance Sheet Events

As indicated in the Accounting Policies in Note 1 to the Aggregated Financial Statements, the investments have been valued at 12 noon on 31 December 2010. Since that date the Share Class's quoted price has decreased from 121.13p to 118.41p as at 24 February 2011 (the latest practicable date before completion of the accounts), a decrease of 2.24%.

Global Equity Class

Fund Report

Amid the cheerfulness imbued in financial markets by the deeds of benevolent central bankers were moments during 2010 which betrayed latent cracks in the global economy. Unease about government finances surfaced and resurfaced in the periphery of Europe, with Ireland forced to accept a bail-out by its eurozone partners, and borrowing costs rising markedly in Greece, Portugal, Italy and Spain. Much to investors' chagrin, European authorities failed to match their palpable concern about contagion of Ireland's ills with the political resolve to establish durable solutions to the Continent's debt-related woes.

More broadly, investors were troubled by disagreement among the G20 nations about how to resolve persistent challenges in the aftermath of the credit crisis. Currency 'wars' continued to create economic and financial-market distortions. The weakness of the US dollar had a particularly notable influence, not simply in relation to the stance of US authorities, but in the policies of an array of governments and central banks around the world, and in the pricing of a broad range of financial instruments.

However, such factors were distractions from, rather than impediments to, further gains in 'real' asset markets, with the actions of policymakers, particularly in the US, providing significant countervailing solace to investors. In the wake of the Federal Reserve's launch of 'QE2' (a second wave of quantitative easing which will entail a direct increase by the 'Fed' of the supply of money in the economy by \$600 billion), the prices of real assets rose strongly and those of government bonds fell. The Fund made strong gains in absolute terms, achieving 19.2% and outperformed its benchmark over the period, which returned 16.3%.

The sectors to which we added most significantly over the year were technology and basic materials. Within technology the major purchases included Intel, Canon, and Amadeus IT. Intel is benefiting from increasing PC penetration, improved corporate spending on servers as well as PCs, and improvements to operating efficiency that were put in place during the financial crisis. Canon has a very strong brand and product position, and its SLR cameras are selling particularly well in China. Amadeus, meanwhile, designs IT platforms for airline booking systems, and has good growth prospects as airlines increasingly look to outsource this function. The basic materials sector, which is dominated by mining and chemical companies, is benefiting from developing economy growth, supply constraints, and the effect of exceptionally loose monetary policy. Our main purchases were focussed on companies that supply yield-enhancing products to the farming industry, namely Mosaic and Syngenta.

The sectors that we reduced the most were financials and telecommunications. Within financials we sold the holding in US bank BB&T after strong performance early in the year. Likewise within telecommunications we sold Millicom, the emerging market mobile service provider, believing that the company's growth rate was likely to slow and the shares were fully-valued. Towards the end of the year we also reduced the holding in Vodafone.

The puzzle facing investors in reconciling the sway of munificent policymaking (and its scope to cause both 'improvements' and profound distortions in economies and financial markets) with the debt-related difficulties in much of the developed world is complex. Highly indebted economies are ill-equipped to withstand the higher borrowing costs that typically would complement a recovery. In employing more recuperative policies, authorities may yet sustain economic growth, but they are mostly reallocating debt burdens (essentially from private to public sector), rather than reducing them; and in so doing they are deferring the resolution of some imbalances and abetting the enlargement of others.

Those imbalances are manifest in the focus upon today's troubles rather than tomorrow's consequences, in the reliance upon government spending rather than the development of (more durable) private demand, and in the maintenance of a mercantilist economic model which has cast eastern economies broadly as 'providers' and western counterparts as 'consumers'. Most graphically, in an environment in which western liquidity is abundant, but credit is rationed, capital is moving hurriedly into higher-growth areas of the world, increasing the dangers in those areas of asset price bubbles and of fast-rising inflation and social unrest. In currency markets, the weakness of the US dollar, the world's reserve currency, threatens to destabilise the global economy and trigger retaliatory (and largely counterproductive) devaluations of currencies.

Against this backdrop, there is scope for policy errors among the world's fiscal and monetary authorities, for capricious law-making and regulation and, when money is so cheapened and the 'hunt for yield' so pervasive, potential for investment risk to be mispriced. If investors are to solve the puzzle facing them in 2011, they will have to pay careful attention to a host of developing trends in a rapidly changing world and, especially, to the exploits of policymakers. Those trends and exploits will create risks for investors, but also should fashion plentiful opportunities.

Statistics

Price and Revenue Record by Share Class (Calendar Year)

	Highest Price (p)	Lowest Price (p)	Net Revenue per share* (p)
2006	136.15	112.42	1.7692
2007	144.54	120.11	2.1140
2008	149.14	92.50	2.6548
2009	130.47	95.83	2.8020
2010	150.22	121.73	2.6797

*Distributions are shown in the year declared rather than paid.

Net Asset Value History by Share Class

as at	Net Asset Value (£)	Pence per share	Shares in issue
31/12/2008	22,618,519	108.37	20,871,906
31/12/2009	29,443,387	127.20	23,146,973
31/12/2010	32,422,413	148.58	21,821,896

Total Expense Ratio

Share Class	31/12/10 %	31/12/09 %
Income shares	1.11	1.12

The following shows the top ten purchases and sales for the year:

Purchases	£000's
Intel	791
GlaxoSmithKline	751
Accenture	725
Medtronic	653
Canon	649
BHP Billiton	634
Associated British Foods	628
L'Oreal	607
PTT	542
Lilly (Eli)	535
Sales	£000's
ETFS Physical Gold 0.00% Secured Note (USD)	1,059
BHP Billiton	672
BB&T	668
Millicom International Cellular	643
GlaxoSmithKline ADR	625
Air Liquide	594
Denbury Resources	555
HTC GDR	555
Union Pacific	527
Lilly (Eli)	524

Global Equity Class (continued)

Financial Statements

Portfolio Statement as at 31 December 2010

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
United Kingdom 12.92% (11.59%)				Spain 1.47% (0.00%)			
Associated British Foods	58,300	689,689	2.13	Amadeus IT	35,267	475,851	1.47
BHP Billiton	25,400	651,510	2.01				
British American Tobacco	27,351	676,527	2.09	France 2.79% (4.65%)			
Cable & Wireless Communications	268,043	130,001	0.40	L'Oreal	9,222	663,047	2.05
Cable & Wireless Worldwide	268,043	179,053	0.55	Thales	10,623	240,431	0.74
GlaxoSmithKline	58,400	729,708	2.25				
ICAP	107,522	572,555	1.77	Germany 5.48% (6.24%)			
Standard Chartered	14,931	260,919	0.80	Bayer	17,634	835,308	2.58
Vodafone	179,000	297,677	0.92	Deutsche Telekom	60,677	503,093	1.55
				Fresenius Medical Care	11,680	436,195	1.35
Commodities 1.83% (2.99%)				Switzerland 10.03% (8.98%)			
Source Physical Markets Gold Linked Note (USD)	6,538	591,776	1.83	Bank Sarasin & Cie	9,701	282,535	0.87
				Nestle	15,090	568,838	1.75
Overseas Equities 84.99% (84.60%)				Novartis	13,288	502,739	1.55
United States of America 35.92% (36.01%)				Roche	5,985	564,546	1.74
Accenture	25,680	800,815	2.47	Syngenta	4,484	844,071	2.60
Altria	42,022	665,770	2.05	Zurich Financial Services	2,934	489,271	1.52
Applied Materials	69,164	629,412	1.94				
Cisco Systems	45,373	591,161	1.82	Derivatives -0.05% (-0.03%)			
Consol Energy	20,678	649,891	2.00	BRL Forward Foreign Currency Contracts -0.05% (-0.04%)			
Dollar General	16,270	320,014	0.99	Forward Foreign Currency Contracts			
Flir Systems	26,955	519,934	1.60	15/06/11	BRL(2,170,667)	(811,391)	(2.50)
Genzyme	9,737	447,750	1.38	Forward Foreign Currency Contracts			
GeoEye	6,100	167,321	0.52	15/06/11	USD1,235,439	795,672	2.45
Intel	55,827	755,051	2.33				
ITT Educational Services	6,200	262,223	0.81	Portfolio of investments		32,321,383	99.69
Keefe Bruyette & Woods	12,365	224,253	0.69	Net current assets		101,030	0.31
Kroger	30,391	434,129	1.34				
Lazard	15,929	404,611	1.25	Total Net Assets		32,422,413	100.00
Medtronic	28,300	677,472	2.09				
Merck	23,579	546,841	1.69	Total unapproved securities			0.00%
Microsoft	17,007	305,046	0.94				
Mosaic	10,000	488,375	1.51	Comparative figures in brackets refer to 31 December 2009.			
Petrohawk Energy	30,000	350,486	1.08	During the year ended 31 December 2010 the Share Class disposed of its holdings in Gas, Water & Multiutilities, Nonlife Insurance, Netherlands, Singapore, EUR Forward Foreign Currency Contracts and USD Forward Foreign Currency Contracts portfolio categories, which, as at 31 December 2009, represented 1.47%, 1.41%, 1.68%, 1.60%, (0.02%) and 0.03% respectively of the Total Net Assets.			
Principal Financial	37,764	791,422	2.44	All investments are ordinary shares listed on recognised stock exchanges unless otherwise stated.			
Procter & Gamble	8,980	371,704	1.15				
Sprint Nextel	227,804	610,333	1.88				
Transocean	14,229	633,510	1.95				
Brazil 6.71% (6.70%)							
Cia Saneamento de Minas Gerais	45,300	501,911	1.55				
Hypermarcas	35,552	310,710	0.96				
Petroleo Brasileiro ADR	33,537	728,323	2.25				
Rossi Residencial	39,298	224,339	0.69				
Tele Norte Leste Participacoes ADR	43,244	409,129	1.26				
Canada 1.67% (2.27%)							
Potash Corp of Saskatchewan	5,527	542,911	1.67				
Australia 2.32% (3.26%)							
Newcrest Mining	28,436	752,760	2.32				
China 1.40% (1.80%)							
Camelot Information Systems ADR	10,139	155,934	0.48				
Powerlong Real Estate	723,000	151,567	0.47				
Yingde Gases	256,000	147,425	0.45				
Hong Kong 1.14% (0.00%)							
Sands China	260,200	370,836	1.14				
Japan 4.89% (5.87%)							
Canon	23,000	766,687	2.36				
INPEX	218	820,758	2.53				
South Africa 2.67% (1.26%)							
MTN	66,827	866,805	2.67				
Taiwan 2.24% (1.48%)							
HTC GDR	9,133	726,723	2.24				
Thailand 4.23% (2.80%)							
Bangkok Bank	151,400	481,958	1.49				
PTT	88,800	607,100	1.87				
Siam Commercial Bank	128,000	281,672	0.87				
Denmark 2.03% (0.00%)							
Pandora	16,923	656,690	2.03				

Portfolio Statement by asset class as at 31 December 2010

	Market Value £	Total Net Assets 2010 %	Total Net Assets 31 December 2009 %
Equities	29,725,217	91.68	90.08
ADR's	1,293,386	3.99	4.63
GDR's	726,723	2.24	1.48
Commodities	591,776	1.83	2.99
Derivatives	(15,719)	(0.05)	(0.03)
Portfolio of investments	32,321,383	99.69	99.15
Net current assets	101,030	0.31	0.85
Total Net Assets	32,422,413	100.00	100.00

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

Global Equity Class (continued)

Notes to the Financial Statements for the year ended 31 December 2010

1. Net capital gains

The net capital gains on investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	15,912,346	13,057,056
Original cost of non-derivative securities sold during the year	(12,498,336)	(13,738,425)
Gains/(losses) realised on non-derivative securities sold during the year	3,414,010	(681,369)
Net (appreciation)/depreciation thereon already recognised in earlier years	(1,900,510)	1,593,579
Net realised appreciation for the year	1,513,500	912,210
Net unrealised appreciation for the year	3,538,142	4,217,345
Net gains on non-derivative securities	5,051,642	5,129,555
Gains/(losses) realised on derivative securities sold during the year	7,343	(425,234)
Net depreciation thereon already recognised in earlier years	8,698	–
Net realised appreciation/(depreciation) for the year	16,041	(425,234)
Net unrealised depreciation for the year	(15,719)	(8,698)
Net gains/(losses) on derivative securities	322	(433,932)
Overseas transaction tax	(26,257)	–
Activity charges	(8,442)	(7,196)
Net gains on investments	5,017,265	4,688,427
Other losses – currency losses	(10,560)	(3,654)
Net capital gains	£5,006,705	£4,684,773

2. Revenue

	2010 £	2009 £
UK dividends	120,183	109,385
Overseas dividends	725,952	676,802
Bank interest	2,231	9,907
Interest on securities	–	20,508
Underwriting commission	–	1,029
Total revenue	£848,366	£817,631

3. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	302,306	247,252
Registrar's fees	310	312
	302,616	247,564
Other expenses:		
Directors' fees	3,784	3,582
Custodian fees	8,972	7,316
Custody charges	7,439	5,184
Collection charges	648	1,385
Audit fees	5,430	6,069
Other expenses	6,560	6,028
	32,833	29,564
Total expenses	£335,449	£277,128

4. Taxation

	2010 £	2009 £
Withholding tax on overseas dividends	137,844	112,778
Total taxation	£137,844	£112,778

5. Finance costs

	2010 £	2009 £
Interim distribution 30 June	396,660	410,326
Final distribution 31 December	204,297	232,511
Amounts deducted on cancellation of shares	600,957	642,837
Amounts added on issue of shares	36,809	12,817
	(28,563)	(37,339)
Net distribution for the year	£609,203	£618,315
Interest	43	12
Total finance costs	£609,246	£618,327

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellations of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

6. Movement between net revenue after taxation and distributions

	2010 £	2009 £
Net revenue after taxation	375,030	427,713
Expenses paid from capital	234,168	190,623
Undistributed revenue brought forward	22	1
Undistributed revenue carried forward	(17)	(22)
	£609,203	£618,315

7. Debtors

	2010 £	2009 £
Accrued revenue	67,494	47,263
Amounts receivable for issue of shares	26,579	9,000
Sales awaiting settlement	276,075	–
Dilution levy	1,969	–
	£372,117	£56,263

8. Cash and bank balances

	2010 £	2009 £
Cash held at bank	1,092,238	460,873
	£1,092,238	£460,873

9. Creditors

	2010 £	2009 £
Accrued expenses	36,520	33,054
Amounts payable for cancellation of shares	984,524	–
Purchases awaiting settlement	137,984	–
	£1,159,028	£33,054

10. Related party transactions

Manager's periodic charge and Registrar's fees payable to Newton Fund Managers (C.I.) Limited (the Manager) are shown in note 3. Details of shares issued and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Shareholders. The total balance due to the Manager at 31 December 2010 in respect of these transactions is £985,635 (31 December 2009: £15,728).

Global Equity Class (continued)

Notes to the Financial Statements (continued)

11. Financial instruments

Interest rate risk

The Share Class does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Foreign currency risk

The table that follows details the foreign currency risk profile of the Global Equity Class assets at the Balance Sheet date.

	31 December		31 December	
	2010	2010	2010	2009
	Investments	Net Current Assets	Total	Total
	£	£	£	£
United Kingdom	4,187,639	65,321	4,252,960	2,027,740
Australia	752,760	–	752,760	960,987
Brazil	225,569	–	225,569	137,281
Canada	–	–	–	343,794
Denmark	656,690	–	656,690	–
Europe	3,153,925	–	3,153,925	3,705,723
Hong Kong	669,828	–	669,828	530,857
Japan	1,587,445	11,011	1,598,456	1,728,164
Singapore	–	2	2	470,671
South Africa	866,805	–	866,805	370,473
Switzerland	3,252,000	–	3,252,000	2,641,982
Thailand	1,370,730	–	1,370,730	823,387
United States of America	15,597,992	24,696	15,622,688	15,702,788
Total	£32,321,383	£101,030	£32,422,413	£29,443,847

12. Portfolio transactions costs

	2010		2009	
	£	£	£	£
Analysis of total purchase costs:				
Purchases in period before transaction costs		13,970,167		18,047,637
Commissions	14,633		17,774	
Taxes	12,033		12,146	
Total purchase costs		26,666		29,920
Gross purchase total		£13,996,833		£18,077,557
Analysis of total sales proceeds:				
Gross sales before transaction costs		15,930,558		13,070,272
Commissions	(17,662)		(12,067)	
Taxes	(550)		(1,149)	
Total sale costs		(18,212)		(13,216)
Total sales net of transaction costs		£15,912,346		£13,057,056

13. Post Balance Sheet Events

As indicated in the Accounting Policies in Note 1 to the Aggregated Financial Statements, the investments have been valued at 12 noon on 31 December 2010. Since that date the Share Class's quoted price has decreased from 149.60p to 144.40p as at 24 February 2011 (the latest practicable date before completion of the accounts), a decrease of 3.47%.

Global Fixed Interest Class

Fund Report

Background

Risk assets were well-supported during 2010, as the liquidity support provided by key central banks flowed into all assets and improved the prospects of an economic recovery. Lingering fears about the possibility of an economic double dip in key economies such as the US were with the markets until the fourth quarter providing support for safe-haven bonds in the first 9 months of the year. By the end of the year these concerns had dissipated and stronger US employment and retail sales data, together with President Obama's negotiated extension of the Bush administration's expiring tax breaks, helped to offset 'risk aversion' coming from peripheral European solvency concerns and Chinese monetary policy tightening. Despite continued uncertainty over the eurozone's future, with its survival possibly requiring burdens to be shared by the core, the European Central Bank (ECB) maintained its resistance to quantitative easing (QE), and instead confined itself to intermittent and reactionary purchases of ailing peripheral European governments' debt. In contrast, the Federal Reserve ("the Fed") responded to the down-side risk to both pillars of its mandate (price stability and employment) with a \$600billion extension of its asset purchasing programme, while a series of unexpectedly resilient economic data from the UK persuaded the Bank of England (BoE) to postpone any extension of its own unconventional monetary policy stimulus until the New Year.

The cocktail of an improving US economy (and perhaps declining fiscal credibility), rising European solvency risks and soaring Asian inflation proved to be an unpalatable one for the global bond markets towards the end of the year, as developed governments' borrowing costs moved notably higher in the fourth quarter. Although the ECB announced an extension of its provision of unlimited one-month and three-month loans until the end of the first quarter of 2011, the absence of any bolder longer-term solutions to the region's sovereign debt crisis raised investors' expectations of burden-sharing by the region's core. Meanwhile, stubbornly high inflation and the unexpected resilience of the UK economy prompted an upwards revision of UK investors' short-term interest rate expectations. However, the government's aggressive fiscal austerity programme and intermittent safe-haven support from eurozone investors helped to minimise the decline of gilt prices.

After 9 months of strong returns, the fourth quarter saw a reversal of fortunes for the high-quality corporate bonds. Although much of the weakness was in sympathy with rising gilt yields, sterling credit spreads also widened slightly, led by banks. The improved outlook for the global economy (particularly the US), and the continued decline in default rates helped headline global high-yield corporate bond spreads to narrow by a further 1.10%.

Intermittent talk of a possible currency (or trade) war with China and the Fed's extension of its QE programme helped to undermine the US dollar, which declined against all of the world's major pro-growth and commodity-linked currencies. Sterling also fell during the year against those currencies with better economic growth prospects and less debt over-hang but managed a small gain against the embattled Euro. The uncertainty over the Euro's future unsurprisingly ensured its status as the world's weakest currency in the fourth quarter reversing some of its earlier gains.

Performance and activity

The overall performance of the Fund was up strongly during the year helped by strong performance from its high yield bond positions and the weakness of the base currency. Of the four areas of fixed income investment high yield corporate bonds came out on top closely followed by EM sovereigns (the riskier parts of the fixed income universe) both benefiting from the improving economic environment and loose monetary policy. The Fund's exposure to high yield asset class was maintained at around 30%. We rotated out of credits that had significantly out-performed such as Consol Energy 8% 4/17 and into new issues that came at a premium – e.g. Taylor Wimpey 8.425% 5/19.

Exposure to the Swiss franc, a 'safe-haven' currency for investors amid concerns about the indebtedness of the European periphery, as well exposure to some commodity influenced currencies such as the Canadian Dollar and the Norwegian Kroner helped performance.

The Fund's non Sterling currency exposure was reduced towards the end of the year as some currencies had moved to price in the stronger growth environment and higher commodity price levels.

We reduced the Fund's duration (interest rate risk) over the course of the fourth quarter, from 4.70 years to 3.04 years to limit the negative effects of rising government bond yields. A realisation that the quantitative easing measures of the Federal Reserve would prompt a move into risk assets at the expense of higher-quality sovereign bond markets undermined the safe-haven markets but also, due to tight spreads, the EM sovereign markets. The biggest reductions in bond exposure were, therefore, targeted at traditional government and emerging market sovereign bonds. Longer dated EM sovereigns such as Brazil 5.625% 1/41 and Indonesia 11.625% 3/19 were sold as their premium over government bonds had reached a limit and they were vulnerable to rising government bond yields. Other more traditional government bonds that were sold to reduce interest rate risk included UK Gilt 4.25% 12/40 and US Treasury 4.5% 8/39. We also introduced some European duration protection by buying put options on the German government market. Finally the proceeds of these sales were re-invested into shorter dated sovereign bonds where higher interest rate expectations were priced in, these included Norway 6.5% 5/13 and New Zealand 6% 4/15.

Outlook

Global economic growth continues to appear positive, while a 'double-dip scenario' in the US looks increasingly unlikely, given the generally encouraging recent economic data and the US authorities' continued monetary policy support. However, with employment and inflation remaining stubbornly below trend, official interest rates can be expected to remain at their extreme lows, with the steep nature of the US yield curve meaning that US duration will retain value for the time being. We nevertheless remain mindful of the fact that any increase in wages or the velocity of money through a rise in bank lending would prompt a reversal of this strategy, and so US duration remains low and we continue to add interest rate protection when the opportunity arises. This position should be supplemented with exposure to selective government bond markets where rates have started to rise and where bond yields have risen to reflect this. Meanwhile, the likelihood of ongoing volatility and contagion among the European peripheral economies, and the rising political discord between respective political leaders, justifies using German government bond options to hedge some of the duration risk in our Euro corporate bond positions.

Choice floating rate note (FRN) issuance in those countries where monetary policy tightening has begun in earnest (e.g. Australia) also represents an attractive investment opportunity. The rise in global commodity prices is likely to lead to higher headline inflation (although underlying deleveraging will keep core inflation in the developed economies low), thus providing a good backdrop for inflation-linked securities.

Corporate confidence continues to be tempered by economic uncertainty (particularly in Europe), thereby prolonging the current deleveraging phase, and reducing the possibility of shareholder-friendly actions, such as share buybacks. This will help extend the positive environment for credit, which is already underpinned by Western governments' broad moves towards fiscal austerity. However, on account of the extended period of spread compression and the risks of contagion (particularly for the financial sector) from the peripheral eurozone markets, opportunities for any significant upside within the investment-grade universe have now passed. In the high-yield space, meanwhile, a bias towards good-quality high-grade companies should be maintained in order to take advantage of their attractiveness as targets of mergers and acquisitions, once these actions fully resume, while additionally providing a degree of protection from any waning of investors' appetite for risk.

The environment of 'competitive currency devaluation' looks set to continue, as the authorities of the major developed economies grapple with slow economic growth amid a largely exhausted set of policy options. Currency strategy should, therefore, favour those countries such as Sweden, Canada, Norway and a selection of Asian economies, which have best weathered the global financial crisis and are now looking to raise interest rates, at the expense of the 'big three' currencies (the US dollar, the Euro and the Japanese yen).

Global Fixed Interest Class (continued)

Statistics

Price and Revenue Record by Share Class

Calendar Year	Highest Price (p)	Lowest Price (p)	Net Revenue per share* (p)
2006	101.41	91.36	4.8344
2007	93.11	88.87	5.5932
2008	90.56	78.95	5.9580
2009	99.68	78.92	6.3853
2010	106.02	97.61	6.6369

*Distributions are shown in the year declared rather than paid.

Net Asset Value History by Share Class

as at	Net Asset Value (£)	Pence per share	Shares in issue
31/12/2008	45,832,899	84.58	54,190,384
31/12/2009	45,833,401	96.94	47,279,762
31/12/2010	83,984,661	102.42	82,001,003

Total Expense Ratio

Share Class	31/12/10 %	31/12/09 %
Income shares	1.09	1.10

The following shows the top ten purchases and sales for the year.

Purchases	£000's
USA Treasury Bonds 4.50% 2039	4,603
USA Treasury Notes 3.75% 2018	4,449
UK Treasury Bill 0.00% 2011	4,046
Poland 6.25% Bonds 2015	3,153
Sweden 4.50% Bonds 2015	2,530
UK Treasury Bill 0.00% 2010	2,450
Canada 3.00% Bonds 2014	2,391
Poland 5.25% Bonds 2013	2,267
iShares II JPMorgan \$ Emerging Markets Bond	2,145
Norway 6.50% 2013	2,126
Sales	£000's
USA Treasury Bonds 4.50% 2039	4,815
USA Treasury Notes 3.75% 2018	4,555
Poland 6.25% Bonds 2015	3,240
USA Treasury Bonds 6.25% 2023	2,694
USA Treasury Bonds 4.25% 2039	2,550
USA Treasury Notes 2.75% 2016	2,309
Canada 3.00% Bonds 2014	2,300
iShares Trust iBoxx \$ High Yield Corporation Bond	2,098
Germany 3.25% Bonds 2015	1,584
Sweden 6.75% Bonds 2014	1,573

Financial Statements

Portfolio Statement as at 31 December 2010

Investments	Holding	Market Value £	Total Net Assets %
UK Government Stocks 5.74% (0.00%)			
UK Treasury Bill 0.00% 2011	£4,050,000	4,048,380	4.82
UK Treasury Gilt 1.25% Index-Linked 2032	£660,000	773,728	0.92
Australia Government Bonds 3.59% (0.00%)			
Australia (Commonwealth) 5.75% Bonds 2012	AUD2,610,000	1,724,450	2.05
New South Wales Treasury 2.75% Index-Linked Bonds 2025	AUD1,940,000	1,290,868	1.54
Belarus Government Bonds 0.59% (0.00%)			
Belarus 8.75% Bonds 2015	USD750,000	494,622	0.59
Canada Government Bonds 1.82% (0.00%)			
Canada 2.50% Bonds 2015	CAD2,360,000	1,532,619	1.82
Colombia Government Bonds 0.49% (0.00%)			
Colombia 7.375% Bonds 2019	USD535,000	413,301	0.49
Croatia Government Bonds 0.71% (0.00%)			
Croatia 6.625% Bonds 2020	USD900,000	596,966	0.71
Georgia Government Bonds 0.24% (0.00%)			
Georgia 7.50% Bonds 2013	USD310,000	205,165	0.24
Greece Government Bonds 0.41% (0.00%)			
Greece 4.30% Bonds 2017	EUR650,000	345,546	0.41
Iceland Government Bonds 0.19% (0.00%)			
Iceland 3.75% EMTN 2011	EUR187,000	157,788	0.19
Indonesia Government Bonds 0.31% (0.00%)			
Indonesia 7.75% Bonds 2038	USD330,000	258,227	0.31
Latvia Government Bonds 0.29% (0.00%)			
Latvia 4.25% Bonds 2014	EUR280,000	242,124	0.29
Lebanon Government Bonds 0.47% (0.00%)			
Lebanon 7.875% Bonds 2011	USD600,000	395,620	0.47
Lithuania Government Bonds 0.77% (0.00%)			
Lithuania 7.375% Bonds 2020	USD420,000	299,575	0.36
Lithuania 5.125% Bonds 2017	USD540,000	342,634	0.41
Mexico Government Bonds 1.87% (0.00%)			
Mexico 7.75% Bonds 2017	MXN7,220,000	397,947	0.47
Mexico 9.00% Bonds 2012	MXN21,100,000	1,177,664	1.40
New Zealand Government Bonds 2.34% (0.00%)			
New Zealand 6.00% Bonds 2015	NZD3,750,000	1,964,426	2.34
Norway Government Bonds 2.56% (0.00%)			
Norway 6.50% Bonds 2013	NOK17,870,000	2,153,688	2.56
Poland Government Bonds 2.80% (0.00%)			
Poland 5.25% Bonds 2013	PLN10,120,000	2,218,259	2.64
Poland 5.25% Bonds 2025	EUR150,000	130,744	0.16
Sri Lanka Government Bonds 0.24% (0.00%)			
Sri Lanka 8.25% Bonds 2012	USD290,000	200,780	0.24
Sweden Government Bonds 1.55% (0.00%)			
Sweden 4.50% Bonds 2015	SEK12,550,000	1,298,293	1.55
Venezuela Government Bonds 0.46% (0.00%)			
Venezuela 10.75% Bonds 2013	USD630,000	389,515	0.46
Vietnam Government Bonds 0.48% (0.00%)			
Vietnam 6.875% Bonds 2016	USD600,000	404,618	0.48
Floating Rate Notes 14.91% (5.68%)			
AfriSam Investment FRN 2012	EUR250,000	161,604	0.19
Alcatel-Lucent 4.75% Convertible Bonds 2011	EUR21,500	309,566	0.37
Alliance Bank FRN 2020	USD109,385	49,353	0.06
Bank Nederlandse Gemeenten FRN 2013	USD1,290,000	829,408	0.99
Barclays Bank FRN 2015	AUD800,000	522,529	0.62
BNP Paribas Australia FRN 2015	AUD560,000	363,677	0.43

Global Fixed Interest Class (continued)

Portfolio Statement (continued)

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
Floating Rate Notes (continued)							
Boats Investment Netherlands FRN PIK 2015	EUR480,000	269,107	0.32	Clearwire Comm/Finance 12.00% Bonds 2015	USD550,000	382,560	0.46
Breeze Finance 6.708% Bonds 2027	EUR600,000	303,685	0.36	Codere Finance 8.25% Notes 2015	EUR250,000	214,394	0.26
Citigroup FRN 2011	£275,000	273,732	0.33	Consol Energy 8.00% Bonds 2017	USD600,000	411,541	0.49
Clydesdale Bank 4.875% FRN 2016	£673,000	669,097	0.80	Continental Airlines 9.00% Bonds 2016	USD270,000	191,061	0.23
Commonwealth Bank of Australia FRN 2013	AUD1,620,000	1,084,920	1.29	Crown Euro 7.125% Bonds 2018	EUR362,000	326,100	0.39
Edcon Proprietary FRN 2015	EUR277,000	198,204	0.24	Enercoal Resources 9.25% Convertible Bonds 2014	USD400,000	299,236	0.36
Edcon Proprietary FRN 2014	EUR450,000	328,740	0.39	EN Germany 10.75% Bonds 2015	EUR450,000	389,787	0.46
ERC Ireland Finance FRN 2016	EUR250,000	96,984	0.12	FCE Bank 7.125% Bonds 2013	EUR350,000	315,265	0.38
ERC Ireland Preferred FRN 2017	EUR711,766	42,942	0.05	FCE Bank 7.25% Bonds 2013	EUR150,000	135,023	0.16
HBOS 6.75% FRN 2017	AUD1,190,000	642,655	0.77	FMC Finance III 6.875% Bonds 2017	USD350,000	238,939	0.28
Hellas Telecom Finance FRN PIK 2015	EUR614,863	2,968	0.00	GE Capital European Funding 4.375% Bonds 2011	EUR940,000	816,054	0.97
Hellas Telecom II FRN 2015	EUR300,000	672	0.00	GeoEye 9.625% Bonds 2015	USD350,000	254,718	0.30
Impress FRN 2013	EUR680,000	585,201	0.70	Glencore Finance Europe 8.00% Bonds 2049	USD1,870,000	1,207,365	1.44
Intesa Sanpaolo FRN 2016	EUR600,000	505,591	0.60	Gold Fields Orogen 4.875% Bonds 2020	USD500,000	303,996	0.36
Lecta FRN SNR 2014	EUR500,000	394,313	0.47	HeidelbergCement 8.50% Bonds 2019	EUR300,000	284,102	0.34
Lehman Brothers 7.875% Bonds 2018	£600,000	124,500	0.15	HTM Sport & Freizeitgerate 8.50% Notes 2014	EUR495,000	388,236	0.46
Magyar Telecom FRN 2013	EUR510,000	397,803	0.47	ICAP 7.50% Bonds 2014	EUR420,000	384,724	0.46
Motors Liquidation 7.125% Bonds 2013	USD950,000	204,231	0.24	Ineos 7.875% Bonds 2016	EUR500,000	393,774	0.47
National Wealth Management FRN 2026	AUD720,000	398,894	0.47	Ineos Finance 9.25% Bonds 2015	EUR300,000	275,962	0.33
Old Mutual 5.00% FRN 2016	£790,000	788,025	0.94	ING Bank 2.625% Bonds 2012	USD1,260,000	827,458	0.99
Prudential 11.75% FRN 2049	USD580,000	432,376	0.51	International Personal Finance 11.50% Notes 2015	EUR297,000	273,284	0.34
Silverstone Master Issuer FRN 2055	USD1,090,000	700,999	0.83	Interpublic Group of Companies 10.00% Bonds 2017	USD418,000	313,226	0.37
Royal Bank of Scotland FRN 2012	USD1,300,000	842,631	1.00	ISS Financing 11.00% Bonds 2014	EUR400,000	379,848	0.45
US Bank 4.375% Bonds 2017	EUR500,000	422,238	0.50	Kabel Deutschland 10.625% Notes 2014	USD115,000	76,871	0.09
Wachovia Bank FRN 2017	AUD1,040,000	588,608	0.70	Kabel Deutschland 10.75% Bonds 2014	EUR550,000	444,642	0.53
Sterling Denominated Corporate Bonds 12.17% (21.16%)							
Allied Irish Banks 12.50% Bonds 2019	£1,700,000	457,470	0.54	Koninklijke 4.50% Bonds 2011	EUR950,000	832,065	0.99
Anglo American Capital 6.875 Bonds 2018	£470,000	527,219	0.63	Kronos International 6.50% Bonds 2013	EUR300,000	258,796	0.31
Arsenal Securities 5.1418% Bonds 2029	£570,000	446,590	0.53	Lottomatica 8.25% Bonds 2066	EUR400,000	334,411	0.40
BNP Paribas 5.945% 2049	£500,000	431,546	0.51	Lumena Resources 12.00% Bonds 2014	USD350,000	210,406	0.25
Carlsberg Finance 6.625% MTN 2011	£500,000	520,420	0.62	Nationwide Building Society 6.75% Bonds 2020	EUR750,000	610,563	0.73
Co-Operative Bank 5.75% Bonds 2024	£280,000	226,672	0.27	New World Resources 7.375% Bonds 2015	EUR400,000	347,495	0.41
Co-Operative Bank 5.625% EMTN 2021	£300,000	264,510	0.31	Nextel Communications 6.875% Bonds 2013	USD766,000	493,469	0.59
Coventry Building Society 5.875% Bonds 2022	£625,000	595,851	0.71	Offshore Group Investment 11.50% Bonds 2015	USD13,000	9,084	0.01
Deutsche Telekom 5.625% Bonds 2013	£800,000	858,788	1.02	Offshore Group Investment 11.50% Bonds 2015	USD500,000	346,424	0.41
Dubai 6.00% EMTN 2017	£450,000	334,710	0.40	OI European 6.75% Bonds 2020	EUR615,000	535,778	0.64
Enterprise Inns 6.875% Bonds 2025	£350,000	269,427	0.32	OTE 5.375% Bonds 2011	EUR500,000	431,304	0.51
France Telecom 7.50% (9%) Bond 2011	£790,000	799,599	0.95	Owens-Brockway Glass 6.75% Bonds 2014	EUR200,000	176,232	0.21
John Lewis 8.375% Bonds 2019	£390,000	466,249	0.56	PeerMont Global 7.75% Bonds 2014	EUR200,000	149,124	0.18
Juneau Investments 5.90% EMTN 2021	£450,000	375,075	0.45	Petroleos de Venezuela 8.00% Bonds 2013	USD405,000	213,802	0.25
Lloyds TSB Bank 6.50% Bonds 2040	£540,000	499,343	0.59	Phoenix PIB Finance 9.625% Bonds 2014	EUR520,000	487,441	0.58
Matalan Finance 9.625% Bonds 2017	£450,000	479,241	0.57	PTS Acquisition 9.75% Bonds 2017	EUR500,000	424,478	0.51
Scottish & Southern Energy 5.453% Bonds 2049	£680,000	655,792	0.78	Renhe Commercial 13.00% Bonds 2016	USD550,000	369,453	0.44
SLM Student Loan Trust 5.15% EMTN (2015/39)	£639,000	610,245	0.73	Rexel 8.25% Bonds 2016	EUR400,000	377,575	0.45
Taylor Wimpey 10.375% Bonds 2015	£261,000	272,742	0.32	Reynolds American 7.625% Bonds 2016	USD800,000	576,789	0.69
Thomas Cook 7.75% Bonds 2017	£425,000	421,813	0.50	Royal Bank of Scotland 4.50% Bonds 2016	EUR730,000	528,508	0.63
TUI Travel 6.00% Convertible Bonds 2014	£200,000	204,340	0.24	Santos Finance 8.25% Bonds 2070	EUR900,000	762,012	0.91
Tullett Prebon 7.04% Bonds 2016	£350,000	342,580	0.41	Sazka 8.50% Bonds 2021	EUR300,000	122,043	0.15
Virgin Media Finance 7.00% Bonds 2018	£170,000	180,200	0.21	Smiths 7.20% Bonds 2019	USD318,000	228,824	0.27
Non-sterling Denominated Corporate Bonds 35.53% (51.51%)							
Abengoa 8.50% Bonds 2016	EUR450,000	367,607	0.44	Smurfit Kappa Acquisition 7.25% Bonds 2017	EUR290,000	258,695	0.31
Akzo Nobel 4.25% Bonds 2011	EUR950,000	828,658	0.99	Statoil 7.50% Bonds 2016	USD1,500,000	1,179,519	1.40
Altria 9.95% Bonds 2038	USD600,000	534,673	0.64	Stena 6.125% Bonds 2017	EUR475,000	390,973	0.47
ASML 5.75% Bonds 2017	EUR700,000	634,257	0.76	Sunrise Communications 7.00% Bonds 2017	CHF323,000	234,089	0.28
Beverage Packaging 8.00% Bonds 2016	EUR500,000	431,302	0.51	Telemovil Finance 8.00% Bonds 2017	USD708,000	469,096	0.56
Boardriders 8.875% Bonds 2017	EUR305,000	276,715	0.33				
BP Capital Markets 6.375% Bonds 2014	AUD600,000	391,057	0.47				
Breeze Finance 4.524% Bonds 2027	EUR1,000,000	552,228	0.66				
Campofrio Food 8.25% Bonds 2016	EUR360,000	318,035	0.38				
CEDC Finance 8.875% Bonds 2016	EUR258,000	232,371	0.28				
Cemex Finance 9.50% Bonds 2016	USD200,000	133,220	0.16				
Cemex Finance 9.625% Bonds 2017	EUR300,000	254,816	0.30				
Chesapeake Energy 6.25% Bonds 2017	EUR450,000	390,918	0.47				

Global Fixed Interest Class (continued)

Portfolio Statement (continued)

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
Non-sterling Denominated Corporate Bonds (continued)							
UBS Jersey 0.00% EMTN 2011	USD900,000	858,324	1.02	NZD Forward Foreign Currency Contracts -0.12% (0.00%)			
UPC Germany 8.125% Bonds 2017	EUR400,000	365,376	0.44	Forward Currency Contracts			
Vale Overseas 6.875% Bonds 2039	USD942,000	658,145	0.78	17/03/2011	NZD(4,000,000)	(1,988,873)	(2.37)
Wind Acquisition Finance 11.75% Bonds 2017	EUR500,000	478,389	0.57	Forward Currency Contracts			
Woodside Finance 8.75% Bonds 2019	USD700,000	557,894	0.66	17/03/2011	£1,889,690	1,889,690	2.25
Ziggo Bond 8.00% Bonds 2018	EUR460,000	409,392	0.49	PLN Forward Foreign Currency Contracts -0.14% (0.00%)			
Zlomrex International Finance 8.50% Bonds 2014	EUR350,000	223,228	0.27	Forward Currency Contracts			
				17/03/2011	PLN(10,495,000)	(2,272,412)	(2.71)
United States of America Preference Shares 2.63% (0.13%)				Forward Currency Contracts			
American International 8.50% Preference	91,930	516,873	0.62	17/03/2011	£2,158,399	2,158,399	2.57
iShares II PLC JPMorgan \$ Emerging Markets Bond	24,762	1,685,990	2.01	SEK Forward Foreign Currency Contracts -0.01% (-0.02%)			
Kazakhstan 0.00% (0.00%)				Forward Currency Contracts			
Alliance Bank GDR (Rep 1/40 Prf Shs)	80	0	0.00	17/03/2011	SEK(14,150,000)	(1,355,295)	(1.61)
Alliance Bank GDR (Rep 1/4 Ord KZT10000)	144	0	0.00	Forward Currency Contracts			
				17/03/2011	£1,341,268	1,341,268	1.60
Derivatives -1.73% (0.61%)				SGD Forward Foreign Currency Contracts 0.06% (-0.01%)			
Futures & Options 0.02% (0.18%)				Forward Currency Contracts			
Euro - Bund Future March 2011 123 (Put Option)	40	19,306	0.02	17/03/2011	SGD2,540,839	1,277,123	1.52
				Forward Currency Contracts			
				17/03/2011	£(1,224,558)	(1,224,558)	(1.46)
AUD Forward Foreign Currency Contracts -0.38% (-0.01%)				USD Forward Foreign Currency Contracts -0.52% (-0.14%)			
Forward Currency Contracts				Forward Currency Contracts			
17/03/2011	AUD(10,645,000)	(6,894,832)	(8.21)	17/03/2011	USD(40,503,000)	(26,104,493)	(31.08)
Forward Currency Contracts				Forward Currency Contracts			
17/03/2011	£6541133	6,541,133	7.79	17/03/2011	£25,668,737	25,668,737	30.56
Forward Currency Contracts				Forward Currency Contracts			
17/03/2011	AUD1,330,000	861,449	1.03	17/03/2011	USD1,440,000	928,091	1.11
Forward Currency Contracts				Forward Currency Contracts			
17/03/2011	£(829630)	(829,630)	(0.99)	17/03/2011	£(930,975)	(930,975)	(1.11)
CAD Forward Foreign Currency Contracts 0.00% (0.00%)				Portfolio of investments			
Forward Currency Contracts					76,786,124	91.43	
17/03/2011	CAD276,541	178,221	0.21	Net current assets			
Forward Currency Contracts					7,198,537	8.57	
17/03/2011	£(172,988)	(172,988)	(0.21)	Total Net Assets			
					£83,984,661	100.00	
CHF Forward Foreign Currency Contracts -0.02% (0.00%)				Total unapproved securities			
Forward Currency Contracts							0.00%
17/03/2011	CHF(350,000)	(241,427)	(0.29)	Comparative figures in brackets refer to 31 December 2009.			
Forward Currency Contracts				During the year ended 31 December 2010 the Share Class disposed of its holdings in the United States of America Government Bonds, Brazil Government Bonds, Czech Republic Government Bonds, Hungary Government Bonds and Uruguay Government Bonds portfolio categories, which, as at 31 December 2009, represented 10.80%, 2.58%, 0.43%, 1.93% and 0.76% respectively of the Total Net Assets.			
17/03/2011	£224,856	224,856	0.27	All investments are ordinary shares listed on recognised stock exchanges unless otherwise stated.			
CNY Forward Foreign Currency Contracts 0.13% (0.01%)							
Forward Currency Contracts							
17/03/2011	CNY61,000,000	5,960,425	7.10				
Forward Currency Contracts							
17/03/2011	£(5,848,827)	(5,848,827)	(6.97)				
EUR Forward Foreign Currency Contracts -0.78% (0.60%)							
Forward Currency Contracts							
17/03/2011	EUR(29,208,787)	(25,153,407)	(29.95)				
Forward Currency Contracts							
17/03/2011	£24,501,140	24,501,140	29.17				
IDR Forward Foreign Currency Contracts 0.00% (0.00%)							
Forward Currency Contracts							
17/03/2011	IDR(15,100,000,000)	(1,039,344)	(1.24)				
Forward Currency Contracts							
17/03/2011	£1,052,265	1,052,265	1.25				
Forward Currency Contracts							
17/03/2011	IDR2,654,860,000	187,279	0.22				
Forward Currency Contracts							
17/03/2011	£(189,167)	(189,167)	(0.23)				
NOK Forward Foreign Currency Contracts 0.03% (0.00%)							
Forward Currency Contracts							
17/03/2011	NOK11,486,716	1,263,013	1.50				
Forward Currency Contracts							
17/03/2011	£(1,203,284)	(1,203,284)	(1.43)				
Forward Currency Contracts							
17/03/2011	NOK(16,250,000)	(2,408,649)	(2.87)				
Forward Currency Contracts							
17/03/2011	£2,515,193	2,372,586	2.83				

Global Fixed Interest Class (continued)

Portfolio Statement by Credit Rating as at 31 December 2010

	Market Value £	Total Net Assets 2010 %	Total Net Assets 2009 %
Standard & Poor's Ratings			
AAA	13,909,283	16.56	1.92
AA	2,584,181	3.08	5.88
A	8,248,744	9.82	12.67
BBB	10,696,921	12.74	18.28
BB	9,450,733	11.25	14.26
B	8,686,502	10.34	10.49
CCC	2,357,973	2.81	4.88
CC	223,228	0.27	0.82
C	303,685	0.36	-
D	122,043	0.15	-
Derivatives	(1,433,180)	(1.71)	0.61
Not rated (by S&P)	21,636,011	25.76	25.78
Portfolio of investments	76,786,124	91.43	95.59
Net current assets	7,198,537	8.57	4.41
Total Net Assets	£83,984,661	100.00	100.00

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

S&P's ratings range is as follows:

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C

Statement of Total Return

for the year ended 31 December 2010

	Notes	£	2010 £	2009 £
Income				
Net capital gains				
Net gains on investments	1	3,743,992		5,239,643
Other (losses)/gains	1	(439,898)		26,115
			3,304,094	5,265,758
Revenue	2	4,107,528		2,854,614
Expenses	3	(697,369)		(436,170)
Finance costs:				
Interest	5	(1,237)		(2,079)
Net revenue before taxation		3,408,922		2,416,365
Taxation	4	(8,081)		(9,625)
Net revenue after taxation			3,400,841	2,406,740
Total return before distributions			6,704,935	7,672,498
Finance costs:				
Distributions	5	(4,098,218)		(2,842,916)
Change in net assets attributable to Shareholders from investment activities			£2,606,717	£4,829,582

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2010

	£	2010 £	2009 £
Opening net assets attributable to Shareholders		45,833,401	45,832,899
Movement due to sales and repurchases of shares:			
Amounts receivable on issue of shares	37,671,793		10,041,723
Amounts payable on cancellation of shares	(2,170,933)		(14,883,332)
		35,500,860	(4,841,609)
Dilution Levy		43,683	12,529
Change in net assets attributable to Shareholders from investment activities (see above)		2,606,717	4,829,582
Closing net assets attributable to Shareholders		£83,984,661	£45,833,401

Balance Sheet

as at 31 December 2010

	Notes	£	2010 £	2009 £
Assets				
investment assets*			78,512,475	43,902,996
Debtors	7	4,849,941		1,956,428
Cash and bank balances	8	7,148,136		1,793,159
Total other assets			11,998,077	3,749,587
Total assets			90,510,552	47,652,583
Liabilities				
Investment liabilities			(1,726,351)	(89,542)
Creditors	9	(3,518,766)		(892,079)
Distribution payable on income shares		(1,280,774)		(837,561)
Total other liabilities			(4,799,540)	(1,729,640)
Total liabilities			(6,525,891)	(1,819,182)
Net assets attributable to shareholders			£83,984,661	£45,833,401

*Gross of investment liabilities.

Global Fixed Interest Class (continued)

Notes to the Financial Statements for the year ended 31 December 2010

1. Net capital gains

The net capital gains on investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	88,496,563	57,622,039
Original cost of non-derivative securities sold during the year	<u>(85,032,577)</u>	<u>(55,473,098)</u>
Gains realised on non-derivative securities sold during the year	3,463,986	2,148,941
Net appreciation thereon already recognised in earlier years	<u>(829,488)</u>	<u>(1,450,171)</u>
Net realised appreciation for the year	2,634,498	698,770
Net unrealised appreciation for the year	<u>847,369</u>	<u>3,017,061</u>
Net gains on non-derivative securities	<u>3,481,867</u>	<u>3,715,831</u>
Gains realised on derivative securities sold during the year	1,950,179	963,535
Net (appreciation)/depreciation thereon already recognised in earlier years	<u>(214,270)</u>	<u>357,928</u>
Net realised appreciation for the year	1,735,909	1,321,463
Net unrealised (depreciation)/appreciation for the year	<u>(1,464,492)</u>	<u>214,270</u>
Net gains on derivative securities	271,417	1,535,733
Activity charges	<u>(9,292)</u>	<u>(11,921)</u>
Net gains on investments	<u>3,743,992</u>	<u>5,239,643</u>
Other (losses)/gains – currency (losses)/gains	<u>(439,898)</u>	<u>26,115</u>
Net capital gains	<u>£3,304,094</u>	<u>£5,265,758</u>

2. Revenue

	2010 £	2009 £
Overseas dividends	262,932	34,503
Bank interest	12,339	11,077
Interest on debt securities	<u>3,832,257</u>	<u>2,809,034</u>
Total revenue	<u>£4,107,528</u>	<u>£2,854,614</u>

3. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	642,680	397,261
Registrar's fees	<u>386</u>	<u>299</u>
	<u>643,066</u>	<u>397,560</u>
Other expenses:		
Directors' fees	8,474	5,630
Custodian fees	12,556	7,998
Custody charges	13,799	5,794
Audit fees	5,430	6,067
Other expenses	<u>14,044</u>	<u>13,121</u>
	<u>54,303</u>	<u>38,610</u>
Total expenses	<u>£697,369</u>	<u>£436,170</u>

4. Taxation

	2010 £	2009 £
Withholding tax on interest on debt securities	6,265	9,625
Withholding tax on overseas dividends	<u>1,816</u>	<u>–</u>
Total taxation	<u>£8,081</u>	<u>£9,625</u>

5. Finance costs

	2010 £	2009 £
Interim distribution 31 March	957,755	638,483
Interim distribution 30 June	977,621	556,094
Interim distribution 30 September	1,212,894	800,068
Final distribution 31 December	<u>1,280,774</u>	<u>837,561</u>
	4,429,044	2,832,206
Amounts deducted on cancellation of shares	16,608	117,138
Amounts added on issue of shares	<u>(347,434)</u>	<u>(106,428)</u>
Net distribution for the year	<u>£4,098,218</u>	<u>£2,842,916</u>
Interest	1,237	2,079
Total finance costs	<u>£4,099,455</u>	<u>£2,844,995</u>

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellations of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

6. Movement between net revenue after taxation and distributions

	2010 £	2009 £
Net revenue after taxation	3,400,841	2,406,740
Expenses paid from capital	697,369	436,170
Undistributed revenue brought forward	15	21
Undistributed revenue carried forward	<u>(7)</u>	<u>(15)</u>
	<u>£4,098,218</u>	<u>£2,842,916</u>

7. Debtors

	2010 £	2009 £
Accrued revenue	1,620,670	928,205
Amounts receivable for issue of shares	212,885	610,778
Sales awaiting settlement	<u>3,016,386</u>	<u>417,445</u>
	<u>£4,849,941</u>	<u>£1,956,428</u>

8. Cash and bank balances

	2010 £	2009 £
Cash held at bank	7,148,136	1,793,159
	<u>£7,148,136</u>	<u>£1,793,159</u>

9. Creditors

	2010 £	2009 £
Accrued expenses	82,789	47,873
Purchases awaiting settlement	<u>3,435,977</u>	<u>844,206</u>
	<u>£3,518,766</u>	<u>£892,079</u>

10. Related party transactions

Manager's periodic charge and Registrar's fees payable to Newton Fund Managers (C.I.) Limited (the Manager) are shown in note 3. Details of shares created and cancelled by the Manager are shown in the Statement of Change in Shareholders' Net Assets. The total balance due from the Manager at 31 December 2010 in respect of these transactions is £137,638 (31/12/2009: £572,085).

Global Fixed Interest Class (continued)

Notes to the Financial Statements (continued)

11. Financial instruments

Interest rate risk

The table that follows details the interest rate risk profile of the Global Fixed Interest Class assets at 31 December 2010.

Assets	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Yield (%)	Weighted Average Period for which Rate is Fixed (yrs)
United Kingdom	11,198,326	10,240,422	66,367,059	87,805,807	6.87	13.25
Australia	4,892,151	2,115,507	919,570	7,927,228	5.87	2.37
Canada	-	1,532,619	181,350	1,713,969	2.50	5.00
China	-	-	5,960,425	5,960,425	-	-
Europe	4,305,478	19,110,420	636,705	24,052,603	7.24	8.23
India	-	-	187,279	187,279	-	-
Mexico	90	1,575,611	2,483	1,578,184	8.68	3.26
New Zealand	-	1,964,426	23,819	1,988,245	6.00	5.00
Norway	-	2,153,688	1,970,632	4,124,320	6.50	3.00
Poland	-	2,218,259	79,196	2,297,455	5.25	3.00
Singapore	-	-	1,277,123	1,277,123	-	-
Sweden	-	1,298,293	1,005,437	2,303,730	4.50	5.00
Switzerland	-	234,089	3,299	237,388	7.00	7.00
United States of America	5,836,406	14,488,792	4,863,407	25,188,605	7.97	10.83
Total	26,232,451	56,932,126	83,477,784	166,642,361		
Liabilities						
United Kingdom	-	-	(13,377,617)	(13,377,617)		
Australia	-	-	(6,894,832)	(6,894,832)		
Europe	-	-	(25,153,407)	(25,153,407)		
India	-	-	(1,039,344)	(1,039,344)		
New Zealand	-	-	(1,988,873)	(1,988,873)		
Norway	-	-	(3,035,480)	(3,035,480)		
Poland	-	-	(2,272,412)	(2,272,412)		
Sweden	-	-	(2,339,489)	(2,339,489)		
Switzerland	-	-	(241,427)	(241,427)		
United States of America	-	-	(26,314,819)	(26,314,819)		
Total	£26,232,451	£56,932,126	£820,084	£83,984,661		

The table that follows details the interest rate risk profile of the Global Fixed Interest Class assets at 31 December 2009.

Assets	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Yield (%)	Weighted Average Period for which Rate is Fixed (yrs)
United Kingdom	2,359,192	8,712,588	35,609,869	46,681,649	6.44	12.23
Australia	-	-	726,711	726,711	-	-
Brazil	146,694	-	-	146,694	-	-
China	-	-	1,302,076	1,302,076	-	-
Europe	2,935,471	11,303,977	343,163	14,582,611	7.62	7.68
Hungary	-	883,961	46,044	930,005	5.50	5.00
Japan	-	290,255	1,157	291,412	1.40	3.00
Mexico	-	-	819,756	819,756	-	-
Norway	-	-	801,617	801,617	-	-
Singapore	-	-	840,397	840,397	-	-
South Korea	-	-	910,022	910,022	-	-
Sweden	-	-	503,105	503,105	-	-
United States of America	370,751	18,272,193	1,252,457	19,895,401	6.42	12.81
Total	5,812,108	39,462,974	43,156,374	88,431,456		
Liabilities						
United Kingdom	-	-	(8,103,686)	(8,103,686)		
Europe	-	-	(14,636,834)	(14,636,834)		
Hungary	-	-	(281,184)	(281,184)		
Japan	-	-	(189,472)	(189,472)		
Mexico	-	-	(376,643)	(376,643)		
Sweden	-	-	(503,105)	(503,105)		
United States of America	-	-	(18,507,131)	(18,507,131)		
Total	£5,812,108	£39,462,974	£558,319	£45,833,401		

The floating rate financial assets and liabilities comprise:

Sterling denominated bank balances and overdrafts bear interest based on the year LIBOR.

Foreign currency risk

The table that follows details the foreign currency risk profile of the Global Fixed Interest Class assets at the Balance Sheet date.

	31 December 2010 Investments £	31 December 2010 Net Current Assets £	31 December 2010 Total £	31 December 2009 Total £
United Kingdom	72,268,528	2,159,662	74,428,190	38,577,963
Australia	974,275	58,121	1,032,396	726,711
Brazil	-	-	-	146,694
Canada	1,710,840	3,129	1,713,969	-
China	5,960,425	-	5,960,425	1,302,076
Europe	(2,426,301)	1,325,497	(1,100,804)	(54,223)
Hungary	-	-	-	648,821
India	(852,065)	-	(852,065)	-
Japan	-	-	-	101,940
Mexico	1,575,611	2,573	1,578,184	443,113
New Zealand	(24,447)	23,819	(628)	-
Norway	1,008,052	80,788	1,088,840	801,617
Poland	(54,153)	79,196	25,043	-
Singapore	1,277,123	-	1,277,123	840,397
South Korea	-	-	-	910,022
Sweden	(57,002)	21,243	(35,759)	-
Switzerland	(7,338)	3,299	(4,039)	-
United States of America	(4,567,424)	3,441,210	(1,126,214)	1,388,270
Total	£76,786,124	£7,198,537	£83,984,661	£45,833,401

12. Portfolio transactions costs

	2010 £	2009 £
Analysis of total purchase costs:		
Purchases in period before transaction costs	119,862,230	51,552,899
Commissions	3,018	481
Total purchase costs	3,018	481
Gross purchase total	£119,865,248	£51,553,380
Analysis of total sales proceeds:		
Gross sales before transaction costs	88,527,347	57,622,122
Commissions	(5,743)	(83)
Total sale costs	(5,743)	(83)
Total sales net of transaction costs	£88,521,604	£57,622,039

13. Post Balance Sheet Events

As indicated in the Accounting Policies in Note 1 to the Aggregated Financial Statements, the investments have been valued at 12 noon on 31 December 2010. Since that date the Share Class's quoted price has decreased from 104.30p to 103.25p as at 24 February 2011 (the latest practicable date before completion of the accounts), a decrease of 1.01%.

Special Situations Class

Fund Report

Over the year, on a midday-price basis, the Fund has exceeded by 3.5% (18.0% against 14.5%) its benchmark index.

The Fund seeks to derive the majority of its returns over time from stock selection rather than 'simple' sector allocation. The Fund has the ability also to invest overseas, but the criteria remains the same. Given the fishing area for the Fund is in sectors and stocks which are unfashionable, the timing of the achievement of returns may be arbitrary. The essential challenges are to identify undervalued stocks, both on a short and longer-term basis and, to a certain extent, to time purchases/sales with some sensitivity. Opportunism plays the part in selection but the desire remains to buy and hold, and 'top and tail', where necessary, rather than to engage in significant volumes of transactions to consolidate returns.

The portfolio in previous years has derived significant returns from its flexibility to invest wherever it so chooses, regardless of its FTSE All-Share Index benchmark. In 2010 we have made use of such flexibility to raise basic materials' exposure to 12.4% from 7.2% via purchases of Rio Tinto and Consol Energy (a coal and natural gas extractor in the US) and via additions to Anglo American and Newcrest Mining, to reflect both economic recovery and Newton's belief that global realignment, between developed and developing worlds, remains immature. The portfolio's industrial holdings, at 14%/15% are relatively unchanged although small reductions have taken place in the holdings of Gooch & Housego, up 210% over the year and Domino Printing Sciences, up 97% over the same period, whilst VT Group and Marshalls were sold in their entirety.

Early in the year, as investors appeared to be more convinced of the healing of the global economy, industrial stocks were in vogue with helpful returns from BBA Aviation, Domino Printing Sciences and a revitalised Morgan Crucible, which was introduced after it convinced investors that the refocussing of activities into aerospace, defence and protection, and medical areas was paying dividends. Reshaping of the portfolio was also achieved through the sales of Catlin, J. Sainsbury and Vallourec. There were additional reductions in previous outperformers such as International Power, Halfords, Unilever, Millicom and Bayer. Other disposals included a potential value trap or two; ENI and Telefonica. Morgan Crucible was also sold after a 20% return in under two months as well as Cable & Wireless Worldwide. The proceeds of the latter sale were reinvested in its sister company, the rather more unloved Cable & Wireless Communications and profits were also taken in PZ Cussons and Diploma to fund purchases.

Introductions of an emerging market flavour consisted of Natura Cosmetics (a Brazilian melange of Avon Products and Unilever) and Thailand-located telephone company Advanced Info Service. Funding was found from the sale of Deutsche Telekom and the reduction of the Telstra holding. Other purchases were opportunistic rather than sector led. De La Rue recommended itself once more by its relative economic insensitivity, foreign currency exposure and above-average yield. Britvic's gain in market share and efficiency as well as its first overseas acquisition (outwith Ireland) offers scope for earnings and dividend enhancement. Deutsche Post and Samsung Electronics should profit

disproportionately from any improvement in world trade and capital expenditure, having cut costs heavily during the downturn. Tate & Lyle, under new management since October 2009, looks well placed to surprise with its intention to "change its spots". Perhaps the most opportunistic activity related to Potash Corporation of Saskatchewan, sold within a fortnight of purchase thanks to an obliging bid by BHP Billiton.

The UK now accounts for just over 58% of the portfolio only some 2.5% higher than in December, 2009. The UK's contribution to the overall returns for the year, however, was disproportionate to its weighting, with a return of 27.9%. In addition to the performances mentioned supra, the oil sector made a useful contribution via Dana Petroleum, taken over by KNOC, John Wood Group and Hunting added in August. Recovery by the Macondo 'villains', BP and Anadarko Petroleum, also assisted performance in the final quarter of the year.

Overseas, the story was different, with a return of 9.7% for the year. Unfashionable stocks in unpopular areas acted as a drag on performance. The European area, at index level, produced an overall return of 5.8%, far below its regional peers. The portfolio was invested heavily there: 18% of assets at the start of 2010; 13.6% at the close of the year. Stocks such as Bayer (despite the approval of Xeralta, the 'new' warfarin), Sanofi-Aventis, involved still in a 'phony bidding war' for Genzyme, Vinci and Banco Santander were dull at best, and overall detractors from performance.

More surprisingly, the emerging market element of the portfolio performed also in a lacklustre manner, despite the momentum sustained in that area: Pacific Basin Shipping, an original holding of the portfolio, appeared unable to capitalise except in a marginal way on the upturn in trade and only Natura Cosmetics in Brazil added significant value. The latest introduction to capitalise on Newton's 'Earth Matters' theme is Rei Agro, India's largest packager and distributor of basmati rice, of which there is – and remains – a worldwide shortage. A poor balance sheet has been strengthened by a recent rights issue and the opportunity presented itself to purchase the company in a relatively 'depressed' period for the share price.

Transactions elsewhere in the portfolio comprised the introduction of Easyjet, ahead/at the time of its 'settlement' with its leading shareholder, Smith & Nephew (where the outlook appears clouded by past performance) and Daily Mail and General Trust. Overseas, Vale underperformed its rivals (BHP, Rio, Xstrata) significantly and was derated simultaneously; hence its reintroduction into the portfolio. ENI was reintroduced on a similar basis, funded by the sale of Total. Eli Lilly and Banco Santander have proven to be value traps (more of which below) and also provided funds towards the purchases.

Our expectation for market volatility in 2011 is little different from the start of 2010. Volatility should provide opportunity, even if the valuation of stocks within markets is not as attractive as it was twelve months ago. We remain keen to avoid the 'value traps', where stocks are inexpensive (and unpopular) compared to history, but where the long-term trends/terms of trade have moved adversely.

Special Situations Class (continued)

Statistics

Price and Revenue Record by Share Class

Calendar Year	Highest price (p)	Lowest price (p)	Net Revenue per share* (p)
2006	113.34	99.74	0.7088
2007	128.52	109.23	3.8123
2008	125.97	68.60	4.3430
2009	98.92	67.66	3.5576
2010	112.24	91.38	3.5738

*Distributions are shown in the year declared rather than paid.

Net Asset Value History by Share Class

as at	Net Asset Value (£)	Pence per share	Shares in issue
31/12/2008	67,571,608	80.22	84,237,346
31/12/2009	79,271,631	97.62	81,205,920
31/12/2010	78,061,853	111.16	70,223,164

Total Expense Ratio

	31/12/10 %	31/12/09 %
Income shares	1.13	1.09

The following shows the top ten purchases and sales for the year.

Purchases	£000's
Potash Corp of Saskatchewan	1,632
Telefonica	1,578
Daily Mail & General Trust	1,500
Rio Tinto	1,209
Consol Energy	1,030
Advanced Info Service	959
ITT Educational Services	931
Tate & Lyle	931
De La Rue	926
MTN	880
Sales	£000's
Millicom International Cellular	2,006
Potash Corp of Saskatchewan	1,802
VT	1,351
Halfords	1,340
Total	1,213
Dana Petroleum	1,169
Vallourec	1,162
Telstra	1,161
ENI	1,096
Morgan Crucible	1,049

Financial Statements

Portfolio Statement as at 31 December 2010

Investments	Holding	Market Value £	Total Net Assets %
Sterling Denominated Corporate Bonds 1.48% (3.70%)			
Daily Mail & General Trust 7.50%			
Bonds 2013	£1,100,000	1,157,354	1.48
United Kingdom 56.79% (54.67%)			
Oil & Gas Producers 3.60% (5.31%)			
BP	600,000	2,812,800	3.60
Equipment Services & Distribution 2.49% (1.17%)			
Hunting	100,000	728,500	0.93
Wood (John)	220,000	1,219,900	1.56
Mining 4.59% (1.29%)			
Anglo American	60,000	2,005,800	2.57
Rio Tinto	35,000	1,579,900	2.02
Construction & Materials 1.46% (2.14%)			
James Halstead	155,044	1,139,573	1.46
Aerospace & Defence 0.95% (1.25%)			
Cobham	365,000	744,965	0.95
Electronic & Electrical Equipment 1.93% (0.74%)			
Gooch & Housego	325,000	1,511,250	1.93
Industrial Engineering 2.46% (1.55%)			
Domino Printing Sciences	300,000	1,921,500	2.46
Industrial Transportation 2.48% (2.84%)			
BBA Aviation	360,000	793,440	1.02
Fisher	230,000	1,138,500	1.46
Support Services 4.43% (2.80%)			
De La Rue	100,000	819,500	1.05
Diploma	560,000	1,535,520	1.97
Hargreaves	134,899	1,102,125	1.41
Food Producers 2.59% (1.88%)			
Tate & Lyle	200,000	1,038,000	1.33
Unilever	50,000	985,500	1.26
Personal Goods 3.09% (3.05%)			
PZ Cussons	600,000	2,409,000	3.09
Health Care Equipment & Services 0.88% (0.00%)			
Smith & Nephew	100,000	684,500	0.88
Pharmaceuticals & Biotechnology 1.63% (1.81%)			
Dechra Pharmaceuticals	250,000	1,271,250	1.63
Food & Drug Retailers 1.51% (2.55%)			
Greggs	250,000	1,175,500	1.51
Media 2.58% (1.19%)			
Daily Mail & General Trust	135,000	771,525	0.99
United Business Media	180,000	1,242,000	1.59
Travel & Leisure 2.38% (2.75%)			
Easyjet	150,000	660,150	0.85
Greene King	250,000	1,194,750	1.53
Mobile telecommunications 3.20% (3.52%)			
Vodafone	1,500,000	2,494,500	3.20
Electricity 1.02% (1.28%)			
International Power	180,000	793,800	1.02
Gas, Water & Multiutilities 1.53% (1.27%)			
Centrica	360,000	1,196,640	1.53
Banks 5.21% (5.59%)			
HSBC	350,000	2,296,350	2.94
Standard Chartered	101,250	1,769,344	2.27

Special Situations Class (continued)

Portfolio Statement (continued)

Investments	Holding	Market Value £	Total Net Assets %
Non-Life Insurance 1.04% (2.15%)			
RSA Insurance	650,000	817,700	1.04
Life Insurance 1.42% (1.24%)			
Aviva	280,000	1,106,000	1.42
Real Estate Investment Trust 1.14% (1.11%)			
Great Portland Estates	250,000	894,000	1.14
Financial Services 3.18% (2.19%)			
Close Brothers	141,000	1,205,550	1.54
ICAP	240,000	1,278,000	1.64
Investment Trusts 3.48% (2.54%)			
JPMorgan Fleming	150,000	1,311,000	1.68
Montanaro UK Smaller	395,000	1,408,175	1.80
Overseas Equities 34.73% (36.47%)			
United States of America 3.86% (5.51%)			
Anadarko Petroleum	25,000	1,217,073	1.56
Consol Energy	35,000	1,100,019	1.41
Sprint Nextel	260,000	696,593	0.89
Brazil 5.50% (5.48%)			
Banco Santander Brasil ADR	100,000	873,961	1.12
Natura Cosmetics	60,000	1,106,030	1.42
Petroleo Brasileiro ADR	40,000	868,680	1.11
Tele Norte Leste Participacoes ADR	80,000	756,875	0.97
Vale ADR	31,000	683,410	0.88
Canada 0.96% (0.00%)			
Research In Motion	20,000	749,228	0.96
Australia 3.14% (2.69%)			
Newcrest Mining	55,000	1,455,965	1.87
Santos	115,000	988,416	1.27
Hong Kong 1.19% (1.76%)			
Belle International	850,000	926,875	1.19
India 1.00% (0.00%)			
Rei Agro	2,058,000	782,006	1.00
Singapore 2.92% (2.86%)			
Noble	1,390,909	1,515,938	1.94
Singapore Airlines	100,000	768,448	0.98
Taiwan 1.81% (1.55%)			
Taiwan Semiconductor Manufacturing ADS	176,761	1,409,352	1.81
Thailand 1.16% (0.00%)			
Advanced Info Service	500,000	908,000	1.16
South Africa 1.32% (0.00%)			
MTN	80,000	1,037,670	1.32
Finland 1.37% (1.17%)			
Fortum	55,000	1,068,005	1.37
France 1.33% (5.03%)			
Sanofi-Aventis	25,000	1,035,555	1.33
Germany 3.76% (3.99%)			
Bayer	27,500	1,302,653	1.67
Deutsche Post	75,000	818,360	1.04
Volkswagen	9,000	820,687	1.05
Italy 1.08% (1.43%)			
ENI	60,000	841,889	1.08
Norway 1.57% (2.36%)			
Statoil	80,000	1,223,851	1.57

Investments	Holding	Market Value £	Total Net Assets %
Spain 0.94% (1.17%)			
Telefonica	50,000	731,094	0.94
Switzerland 1.82% (1.46%)			
Zurich Financial Services	8,500	1,417,451	1.82
Portfolio of investments		75,317,945	96.48
Net current assets		2,743,908	3.52
Total Net Assets		78,061,853	100.00
Total unapproved securities			0.00%

Comparative figures in brackets refer to 31 December 2009.

During the year ended 31 December 2010 the Share Class disposed of its holdings in the General Retailers, Fixed Line Telecommunications and Home Construction portfolio categories, which, as at 31 December 2009 represented 1.52%, 1.42% and 1.06% respectively of the Total Net Assets.

All investments are ordinary shares listed on recognised stock exchanges unless otherwise stated.

ADR: American Depositary Receipt
ADS: American Depositary Share

Portfolio Statement by Asset Class as at 31 December 2010

	Market Value £	Total Net Assets 2010 %	Total Net Assets 2009 %
Equities	69,568,313	89.11	86.64
ADR's	3,182,926	4.08	5.48
ADS's	1,409,352	1.81	1.55
Fixed Interest	1,157,354	1.48	3.70
Portfolio of investments	75,317,945	96.48	97.37
Net current assets	2,743,908	3.52	2.63
Total Net Assets	£78,061,853	100.00	100.00

ADR: American Depositary Receipt
ADS: American Depositary Share

Special Situations Class (continued)

Statement of Total Return

for the year ended 31 December 2010

Notes	£	2010 £	£	2009 £
Income				
Net capital gains				
Net gains on investments	1	10,793,859	14,797,903	
Other losses	1	(65,481)	(19,450)	
		10,728,378		14,778,453
Revenue	2	3,003,376	3,117,683	
Expenses	3	(849,745)	(764,356)	
Finance costs: Interest	5	–	–	
Net revenue before taxation		2,153,631	2,353,327	
Taxation	4	(205,613)	(193,255)	
Net revenue after taxation		1,948,018		2,160,072
Total return before distributions		12,676,396		16,938,525
Finance costs: Distributions	5	(2,794,092)		(2,921,870)
Change in net assets attributable to Shareholders from investment activities		£9,882,304		£14,016,655

Balance Sheet

as at 31 December 2010

Notes	£	2010 £	£	2009 £
Assets				
Investments assets		75,317,945		77,183,152
Debtors	7	2,287,652		426,204
Cash and bank balances	8	1,045,424		2,367,408
Total other assets		3,333,076		2,793,612
Total assets		78,651,021		79,976,764
Liabilities				
Bank Overdraft	8	–		(2)
Creditors	9	(76,118)		(77,734)
Distribution payable on income shares		(513,050)		(627,397)
Total liabilities		(589,168)		(705,133)
Closing net assets attributable to Shareholders		£78,061,853		£79,271,631

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2010

	£	2010 £	£	2009 £
Opening net assets attributable to Shareholders		79,271,631		67,571,608
Movement due to sales and repurchases of shares:				
Amounts receivable on issue of shares		1,830,822	3,354,828	
Amounts payable on cancellation of shares		(12,944,755)	(5,679,801)	
		(11,113,933)		(2,324,973)
Dilution Levy		21,851		8,341
Change in net assets attributable to Shareholders from investment activities (see above)		9,882,304		14,016,655
Closing net assets attributable to Shareholders		£78,061,853		£79,271,631

Special Situations Class (continued)

Notes to the Financial Statements for the year ended 31 December 2010

1. Net capital gains

The net capital gains on investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	42,249,821	27,576,463
Original cost of non-derivative securities sold during the year	<u>(38,597,935)</u>	<u>(35,955,323)</u>
Gains/(losses) realised on non-derivative securities sold during the year	3,651,886	(8,378,860)
Net (appreciation)/depreciation thereon already recognised in earlier years	<u>(2,685,589)</u>	<u>8,181,552</u>
Net realised appreciation/(depreciation) for the year	966,297	(197,308)
Net unrealised appreciation for the year	<u>9,846,070</u>	<u>15,001,087</u>
Net gains on non-derivative securities	<u>10,812,367</u>	<u>14,803,779</u>
Overseas transaction tax	(14,715)	–
Activity charges	<u>(3,793)</u>	<u>(5,876)</u>
Net gains on investments	<u>10,793,859</u>	<u>14,797,903</u>
Other losses – currency losses	<u>(65,481)</u>	<u>(19,450)</u>
Net capital gains	<u><u>£10,728,378</u></u>	<u><u>£14,778,453</u></u>

2. Revenue

	2010 £	2009 £
UK dividends	1,492,009	1,633,434
Overseas dividends	1,369,322	1,214,807
Bank interest	6,703	19,260
Interest on debt securities	135,342	250,182
Total revenue	<u><u>£3,003,376</u></u>	<u><u>£3,117,683</u></u>

3. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	780,317	698,407
Registrar's fees	204	208
	<u>780,521</u>	<u>698,615</u>
Other expenses:		
Directors' fees	9,547	9,934
Custodian fees	23,268	20,818
Custody charges	9,984	6,572
Collection charges	3,644	2,580
Audit fees	5,430	6,064
Other expenses	17,351	19,773
	<u>69,224</u>	<u>65,741</u>
Total expenses	<u><u>£849,745</u></u>	<u><u>£764,356</u></u>

4. Taxation

	2010 £	2009 £
Withholding tax on overseas dividends	205,613	193,255
Total taxation	<u><u>£205,613</u></u>	<u><u>£193,255</u></u>

5. Finance costs

	2010 £	2009 £
Interim distribution – 31 March	638,611	518,210
Interim distribution – 30 June	1,042,555	1,050,938
Interim distribution – 30 September	543,695	720,275
Final distribution – 31 December	<u>513,050</u>	<u>627,397</u>
	2,737,911	2,916,820
Revenue deducted on cancellation of shares	65,472	23,099
Revenue added on the issue of shares	<u>(9,291)</u>	<u>(18,049)</u>
Net distribution for the year	<u><u>£2,794,092</u></u>	<u><u>£2,921,870</u></u>
Interest	–	–
Total finance costs	<u><u>£2,794,092</u></u>	<u><u>£2,921,870</u></u>

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellations of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

6. Movement between net revenue after taxation and distributions

	2010 £	2009 £
Net revenue after taxation	1,948,018	2,160,072
Expenses paid from capital	846,101	761,757
Undistributed revenue brought forward	34	75
Undistributed revenue carried forward	<u>(61)</u>	<u>(34)</u>
	<u><u>£2,794,092</u></u>	<u><u>£2,921,870</u></u>

7. Debtors

	2010 £	2009 £
Accrued revenue	293,772	426,204
Amounts receivable for issue of shares	502,110	–
Sales awaiting settlement	<u>1,491,770</u>	<u>–</u>
	<u><u>£2,287,652</u></u>	<u><u>£426,204</u></u>

8. Cash and bank balances

	2010 £	2009 £
Cash held at bank	1,045,424	2,367,408
Bank overdraft	–	(2)
	<u><u>£1,045,424</u></u>	<u><u>£2,367,406</u></u>

9. Creditors

	2010 £	2009 £
Accrued expenses	76,118	77,734
	<u><u>£76,118</u></u>	<u><u>£77,734</u></u>

10. Related party transactions

Manager's periodic charge and Registrar's fees payable to Newton Fund Managers (C.I.) Limited (the Manager) are shown in note 3. Details of shares issued and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Shareholders. The total balance due from the Manager at 31 December 2010 in respect of these transactions is £436,167 (31 December 2009: £67,076).

Special Situations Class (continued)

Notes to the Financial Statements (continued)

11. Financial instruments

Interest rate risk

The table that follows details the interest rate risk profile of the Special Situations Class assets at 31 December 2010.

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Yield (%)	Weighted Average Period for which Rate is Fixed (yrs)
Assets						
United Kingdom	1,045,424	1,157,354	49,316,964	51,519,742	7.50	3.00
Australia	-	-	2,444,381	2,444,381		
Brazil	-	-	1,106,030	1,106,030		
Canada	-	-	749,228	749,228		
Europe	-	-	6,618,243	6,618,243		
Hong Kong	-	-	926,875	926,875		
Norway	-	-	1,223,851	1,223,851		
Singapore	-	-	2,284,386	2,284,386		
South Africa	-	-	1,037,670	1,037,670		
Switzerland	-	-	1,417,451	1,417,451		
Thailand	-	-	908,000	908,000		
United States of America	-	-	8,415,162	8,415,162		
	<u>1,045,424</u>	<u>1,157,354</u>	<u>76,448,241</u>	<u>78,651,019</u>		
Liabilities						
United Kingdom	-	-	(589,166)	(589,166)		
	-	-	(589,166)	(589,166)		
Total	<u>£1,045,424</u>	<u>£1,157,354</u>	<u>£75,859,075</u>	<u>£78,061,853</u>		

The table that follows details the interest rate risk profile of the Special Situations Class assets at 31 December 2009.

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets/ (Liabilities) Not Carrying Interest	Total	Average Effective Interest Yield (%)	Weighted Average Period for which Rate is Fixed (yrs)
Assets						
United Kingdom	2,367,407	2,926,760	45,745,265	51,039,432	7.32	5.52
Australia	-	-	2,138,096	2,138,096		
Europe	-	-	10,127,615	10,127,615		
Hong Kong	-	-	1,391,549	1,391,549		
Norway	-	-	1,861,996	1,861,996		
Singapore	-	-	2,269,766	2,269,766		
Switzerland	-	-	1,154,020	1,154,020		
United States of America	-	-	9,994,290	9,994,290		
	<u>2,367,407</u>	<u>2,926,760</u>	<u>74,682,597</u>	<u>79,976,764</u>		
Liabilities						
United Kingdom	-	-	(705,131)	(705,131)		
Europe	(2)	-	-	(2)		
	(2)	-	(705,131)	(705,133)		
Total	<u>£2,367,405</u>	<u>£2,926,760</u>	<u>£73,977,466</u>	<u>£79,271,631</u>		

The floating rate financial assets and liabilities comprise:

Sterling denominated bank balances and overdrafts bear interest based on the year LIBOR.

Foreign currency risk

The table that follows details the foreign currency risk profile of Special Situations Class assets at the Balance Sheet date.

	31 December 2010 Investments	31 December 2010 Net Current Assets	31 December 2010 Total	31 December 2009 Total
United Kingdom	48,213,861	2,716,715	50,930,576	50,334,301
Australia	2,444,381	-	2,444,381	2,138,096
Brazil	1,106,030	-	1,106,030	-
Canada	749,228	-	749,228	-
Europe	6,618,243	-	6,618,243	10,127,613
Hong Kong	926,875	-	926,875	1,391,549
Norway	1,223,851	-	1,223,851	1,861,996
Singapore	2,284,386	-	2,284,386	2,269,766
South Africa	1,037,670	-	1,037,670	-
Switzerland	1,417,451	-	1,417,451	1,154,020
Thailand	908,000	-	908,000	-
United States of America	8,387,969	27,193	8,415,162	9,994,290
Total	<u>£75,317,945</u>	<u>£2,743,908</u>	<u>£78,061,853</u>	<u>£79,271,631</u>

12. Portfolio transactions costs

	2010	2009
	£	£
Analysis of total purchase costs:		
Purchases in period before transaction costs	29,487,983	29,058,254
Commissions	29,577	22,445
Taxes	60,729	66,474
Total purchase costs	<u>90,306</u>	<u>88,919</u>
Gross purchase total	<u>£29,578,289</u>	<u>£29,147,173</u>
Analysis of total sales proceeds:		
Gross sales before transaction costs	42,284,485	27,598,944
Commissions	(33,469)	(21,072)
Taxes	(1,195)	(1,409)
Total sale costs	<u>(34,664)</u>	<u>(22,481)</u>
Total sales net of transaction costs	<u>£42,249,821</u>	<u>£27,576,463</u>

13. Post Balance Sheet Events

As indicated in the Accounting Policies in Note 1 to the Aggregated Financial Statements, the investments have been valued at 12 noon on 31 December 2010. Since that date the Share Class's quoted price has decreased from 112.12p to 109.97p as at 24 February 2011 (the latest practicable date before completion of the accounts), a decrease of 1.92%.

Sterling Fixed Interest Class

Fund Report

Although some commentators were concerned that gilt and non-gilt yields at the start of 2010 may be unsustainably low (at 3.47% and 5.22% respectively) in light of massive government borrowing requirements and escalating fiscal problems in peripheral Europe, in fact both gilts and non-gilts delivered good returns over the year (7.6% and 8.41% respectively). For investment grade credit, the year started off well, as spreads tightened as financial conditions continued to normalise, while gilts had a particularly strong middle of the year, once the election uncertainty was out of the way and the coalition government embarked on its austerity drive to restore the public finances to some sort of health, and corporate bonds also reacted favourably to the removal of uncertainty. Non-financial corporate bonds experienced a bout of weakness in the late Spring, as the Greek drama unfolded, but rallied strongly in the subsequent quarter. Financial bonds were worse affected by the sovereign concerns in the Spring, and despite a rally in the third quarter (following the release of stress tests on major EU banks), they weakened again in the final months as investors focussed on their exposure to Ireland (which required an EU/IMF bail-out) and Portugal and Spain (which investors speculated may go down the same path), and also bank bondholders were unsettled by proposals for bank resolution regimes to deal with future crises.

The Fund's generally lower risk stance than the benchmark (consistent with its capital preservation objective), reflected in a shorter duration and higher average credit quality, caused it to slightly underperform net of fees, but the return for the year was well ahead of cash, and slightly ahead of gilts.

The Fund has remained predominantly invested in investment grade corporate bonds throughout the year. However, relatively there was greater turnover in gilts, given their greater liquidity and lower trading costs, as a tool to manage duration (interest rate exposure). Over the course of the year we increased exposure to the 2030 gilt, and reduced holdings of the 2019 gilt. Several of the other largest purchases were of very short dated bonds (both gilt and corporate) where we invested in preference to earning minimal returns on cash. Amongst the largest non-gilt purchases were quasi-government Temasek (Singapore government agency) and Suncorp-Metway (Australian government guaranteed). Significant corporate sales included Canary Wharf, TCNZ Finance (Telecom New Zealand), and Phoenix Natural Gas.

Near term inflationary pressures have picked up, with rising food and energy prices and an impending VAT increase. However, we continue to believe that over the medium term, in this "All Change" world, growth and inflation in the heavily indebted western nations will be below trend for an extended period, and that the fiscal tightening (public spending cuts and tax increases) that is just beginning will re-ignite this theme. As a necessary offset, monetary policy will need to remain loose (i.e. low interest rates, and probably, eventually, further quantitative easing). In this environment the more certain income from good quality corporate bonds will retain its appeal, although mid single digit returns over the next year would be a more reasonable expectation.

Statistics

Price and Revenue Record by Share Class

(Calendar Year)

	Highest price (p)	Lowest price (p)	Net Revenue per share* (p)
2006	101.00	94.36	5.3968
2007	95.27	87.92	5.1946
2008	88.97	72.08	5.2531
2009	77.95	68.77	4.0082
2010	82.09	76.24	3.4306

*Distributions are shown in the year declared rather than paid.

Net Asset Value History by Share Class

as at	Net Asset Value (£)	Pence per share	Shares in issue
31/12/2008	41,812,179	72.85	57,398,419
31/12/2009	76,840,277	75.78	101,397,302
31/12/2010	81,613,341	78.35	104,168,792

Total Expense Ratio

Share Class	31/12/10 %	31/12/09 %
Income shares	1.08	1.08

The following shows the top ten purchases and sales for the year.

Purchases	£000's
UK Treasury Gilt 4.75% 2030	4,119
Treasury 6.25% Stock 2010	3,032
Ekspportfinans 6.00% Bonds 2010	2,727
UK Treasury Bill 0.00% 2010	2,328
UK Treasury Gilt 4.50% 2019	2,254
UK Treasury Stock 6.00% 2028	2,114
UK Treasury Gilt 0.625% Index-Linked 2040	1,907
UK Treasury Gilt 3.75% 2019	1,901
UK Treasury Gilt 4.50% 2042	1,877
LCR Finance 4.75% Bonds 2010	1,855
Sales	£000's
UK Treasury Gilt 4.75% 2030	4,221
UK Treasury Gilt 3.75% 2019	3,861
UK Treasury Stock 5.00% 2025	2,353
UK Treasury Stock 6.00% 2028	2,132
Network Rail Infra Finance 4.375% MTN 2030	1,888
European Investment Bank 5.375% Gilted Bonds 2021	1,786
UK Treasury Gilt 4.50% 2019	1,487
Kreditanstalt Fur Wiederaufbau 5.00% Bonds 2024	1,125
Kreditanstalt Fur Wiederaufbau 5.50% Bonds 2015	1,078
UK Treasury Gilt 4.50% 2042	1,058

Sterling Fixed Interest Class (continued)

Financial Statements

Portfolio Statement as at 31 December 2010

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
UK Government Stocks 8.97% (6.62%)				Sterling Denominated Corporate Bonds (continued)			
UK Treasury Bill 0.00% 2011	£280,000	279,944	0.34	Intercontinental Hotels 6.00% Bonds 2016	£793,000	825,778	1.01
UK Treasury Bill 0.00% 2011	£1,300,000	1,298,830	1.59	John Lewis 6.125% Bonds 2025	£800,000	816,008	1.00
UK Treasury Stock 4.75% 2020	£1,000,000	1,105,526	1.35	Juturna 5.0636% Bonds 2033	£800,000	782,980	0.96
UK Treasury Gilt 4.50% 2042	£780,000	823,120	1.01	Kensington 9.00% Bonds 2015	£94,000	75,200	0.09
UK Treasury Gilt 4.50% 2019	£750,000	818,961	1.00	KFW International Finance 5.125% Bonds 2011	£1,000,000	1,000,130	1.23
UK Treasury Gilt 4.50% 2034	£1,000,000	1,042,845	1.28	Kreditanstalt Fur Wiederaufbau 4.75% Bonds 2012	£750,000	800,050	0.98
UK Treasury Gilt 0.625% Index-Linked 2040	£1,880,000	1,952,958	2.40	Kreditanstalt Fur Wiederaufbau 3.00% Bonds 2013	£800,000	828,026	1.01
Sterling Denominated Corporate Bonds 79.19% (78.31%)				Lehman Brothers 7.875% Bonds 2018	£400,000	83,000	0.10
Abbey National Treasury Services 7.125% Bonds 2011	£250,000	256,050	0.31	Lloyds TSB Bank 6.50% Bonds 2040	£725,000	670,415	0.82
Allstate Life Funding 6.375% EMTN 2011	£1,550,000	1,552,139	1.90	Lloyds TSB Bank 6.375% Bonds 2014	£600,000	631,979	0.77
AMP Finance Services 6.875% Bonds 2022	£1,050,000	997,920	1.22	London & Quadrant Housing 5.50% Bonds 2040	£700,000	727,771	0.89
Anglian Water Services Finance 5.837% Bonds 2022	£759,000	802,969	0.98	Motability Operations 5.25% Bonds 2016	£691,000	737,850	0.90
Anglo American Capital 6.875% Bonds 2018	£800,000	897,394	1.10	National Grid 6.125% Bonds 2014	£700,000	762,513	0.93
Annington Finance 7.75% Bonds 2011	£3,530,000	726,545	0.89	Network Rail 4.75% Bonds 2024	£750,000	791,362	0.97
Arsenal Securities 5.1418% Bonds 2029	£960,000	752,151	0.92	New South Wales Treasury 5.00% Bonds 2039	£600,000	631,966	0.77
Aspire Defence Finance 4.674% Bonds 2040	£900,000	788,769	0.97	Old Mutual 5.00% FRN 2016	£600,000	598,500	0.73
Bank of Ireland 9.25% FRN 2020	£800,000	400,000	0.49	Principal Financial Global Funding 6.00% Bonds 2014	£780,000	831,002	1.02
Bank Nederlandse Gemeenten 5.375% Bonds 2021	£700,000	772,461	0.95	QBE Insurance 6.125% Bonds 2015	£702,000	740,853	0.91
Bank Nederlandse Gemeenten 5.625% MTN 2011	£800,000	803,664	0.99	Roche 5.50% Bonds 2015	£1,000,000	1,099,320	1.35
Barclays Bank 2.875% Bonds 2011	£1,700,000	1,729,985	2.12	Royal Bank of Scotland 6.00% Bonds 2017	£688,000	692,613	0.85
BG Energy Capital 5.125% Bonds 2017	£990,000	1,055,530	1.29	Sceptre Funding 5.253% Bonds 2027	£900,000	937,577	1.15
British Sugar 10.75% Redeemable Debenture 2013	£703,000	820,035	1.00	Scottish Power 6.75% Bonds 2023	£800,000	883,578	1.08
BUPA Finance 6.125% Perpetual 2049	£450,000	383,091	0.47	Scottish & Southern Energy 6.25% Notes 2038	£700,000	783,821	0.96
BUPA Finance 7.50% Bonds 2016	£800,000	884,832	1.09	Scottish & Southern Energy 5.453% Bonds 2049	£680,000	655,792	0.80
Carlsberg Finance 6.625% MTN 2011	£950,000	988,798	1.21	Silverstone Master 5.063% Bonds 2055	£860,000	889,584	1.09
Centrica 6.375% Bonds 2022	£700,000	778,061	0.95	SLM Student Loan Trust 5.15% EMTN 2015/2039	£900,000	859,500	1.05
Clydesdale Bank 4.875% FRN 2016	£670,000	666,114	0.82	Standard Chartered Bank 5.375% Perpetual 2049	£700,000	629,445	0.77
Co-Operative Bank 5.625% EMTN 2021	£850,000	749,446	0.92	Suncorp-Metway 4.00% Bonds 2014	£1,550,000	1,634,762	2.00
Coventry Building Society 5.875% Bonds 2022	£830,000	791,290	0.97	Telecom Italia 5.625% Notes 2015	£800,000	806,833	0.99
Coventry Building Society 2.00% Bonds 2012	£800,000	807,638	0.99	Telefonica Emisiones 5.289% Bonds 2022	£900,000	856,213	1.05
Deutsche Telekom International Finance 5.625% Bonds 2013	£800,000	858,788	1.05	Temasek Financial 5.125% Bonds 2040	£1,550,000	1,597,481	1.96
DNB Nor Bank 4.875% FRN 2049	£1,000,000	992,500	1.22	Tesco Property Finance 3 5.744% Bonds 2040	£800,000	825,985	1.01
Electricite de France 6.125% Bonds 2034	£700,000	770,710	0.95	Thames Water Utilities Finance 3.375% Index Linked Notes 2021	£400,000	584,440	0.72
European Investment Bank 6.00% Bonds 2028	£1,000,000	1,196,734	1.47	Tullett Prebon 7.04% Bonds 2016	£850,000	831,980	1.02
European Investment Bank 6.25% Bonds 2014	£1,100,000	1,241,965	1.52	UBS London 6.625% EMTN 2018	£900,000	1,000,222	1.23
Export Development Canada 3.625% Bonds 2015	£1,312,000	1,387,257	1.70	Unique Pub Finance 5.659% Bonds 2027	£450,000	347,888	0.43
F&C Commercial Property 5.23% FRN 2017	£1,022,000	1,037,299	1.27	United Utilities Water 5.75% Bonds 2022	£750,000	789,977	0.97
France Telecom 5.00% Bonds 2016	£880,000	937,239	1.15	Vodafone 4.625% EMTN 2014	£1,000,000	1,057,719	1.30
G4S 7.75% Bonds 2019	£650,000	737,587	0.90	Non-Sterling Denominated Corporate Bonds 6.27% (8.18%)			
GDF Suez 6.125% Bonds 2021	£700,000	778,459	0.95	Abu Dhabi National Energy 4.375% Bonds 2013	EUR850,000	747,255	0.92
General Electric Capital 6.44% Bonds 2022	£1,560,000	828,879	1.02	ASML 5.75% Bonds 2017	EUR1,000,000	906,082	1.11
GlaxoSmithKline Capital 6.375% Bonds 2039	£800,000	935,398	1.15	Breeze Finance 6.708% Bonds 2027	EUR100,000	50,614	0.06
Granite Master Issuer 5.60% FRN 2054	£1,200,000	616,080	0.75	Carlsberg Breweries 3.375% Bonds 2017	EUR950,000	791,984	0.97
GUS 5.625% EMTN 2013	£700,000	754,281	0.92	CRC Breeze Finance 5.29% Bonds 2026	EUR300,000	139,005	0.17
Harbour Funding 5.28% Bonds 2044	£770,000	776,931	0.95	ICAP 7.50% Bonds 2014	EUR860,000	787,769	0.97
HSBC Bank 5.375% MTN 2033	£500,000	453,618	0.56	Metro 4.25% Bonds 2017	EUR940,000	835,327	1.02
Imperial Tobacco Finance 8.125% Notes 2024	£665,000	818,976	1.00	Nationwide Building Society 6.75% Bonds 2020	EUR1,050,000	854,789	1.05
Inter-American Development Bank 0.50% EMTN 2015	£1,118,000	1,012,585	1.24				

Sterling Fixed Interest Class (continued)

Portfolio Statement (continued)

Investments	Holding	Market Value £	Total Net Assets %
Derivatives 0.05% (0.08%)			
Euro Forward Currency Contracts 0.05% (0.08%)			
Forward Foreign Currency Contracts 10/02/11	EUR(6,106,000)	(5,263,698)	(6.45)
Forward Foreign Currency Contracts 10/02/11	£5,300,481	5,300,481	6.50
Portfolio of investments		77,112,073	94.48
Net current assets		4,501,268	5.52
Total Net Assets		£81,613,341	100.00
Total unapproved securities			0.00%

Comparative figures in brackets refer to 31 December 2009.

All investments are ordinary shares listed on recognised stock exchanges unless otherwise stated.

Portfolio Statement by Credit Rating

as at 31 December 2010

	Market Value £	Total Net Assets 31 December 2010 %	Total Net Assets 31 December 2009 %
AAA	20,481,442	25.10	28.42
AA	4,471,931	5.48	14.70
A	18,704,400	22.92	15.81
BBB	12,766,320	15.63	13.41
BB	–	–	1.10
B	139,005	0.17	0.19
CC	–	–	0.06
C	50,614	0.06	–
D	400,000	0.49	–
Derivatives	36,783	0.05	0.08
Not rated (by S&P)	20,061,578	24.58	19.42
Portfolio of investments	77,112,073	94.48	93.19
Net current assets	4,501,268	5.52	6.81
Total Net Assets	£81,613,341	100.00	100.00

Standard & Poor's (S&P) are one of the best-known and most influential credit rating agencies. Their role is to assess the risk of certain bonds through the study of all information provided to the public and to assign to the issue and issuing company grades that accurately reflect the company's ability to meet the promised principal and interest payments.

While S&P warns investors that a credit rating is not a recommendation to purchase, sell or hold a particular security, their initial ratings and revised downgrades and upgrades greatly affect the attractiveness of the issuance in the eyes of both issuers and holders. Bonds with higher ratings offer lower yields and easier money for the issuer. A lower rating usually results in a lower price on the bond – a less expensive purchase for the investor, but a riskier investment.

S&P's ratings range is as follows:

Highest quality	AAA
High quality	AA
Upper medium quality	A
Medium grade	BBB
Somewhat speculative	BB
Low grade, speculative	B
Low grade, default possible	CCC
Low grade, partial recovery possible	CC
Default, recovery unlikely	C
In default	D

Sterling Fixed Interest Class (continued)

Statement of Total Return

for the year ended 31 December 2010

	Notes	£	2010 £	£	2009 £
Income					
Net capital gains					
Net gains on investments	1	3,260,749		3,179,389	
Other gains	1	80,249		49,481	
			3,340,998		3,228,870
Revenue	2	3,462,790		3,125,068	
Expenses	3	(860,446)		(631,005)	
Finance costs:					
Interest	5	–		(63)	
Net revenue before taxation		2,602,344		2,494,000	
Taxation	4	(3,316)		(11,482)	
Net revenue after taxation			2,599,028		2,482,518
Total return before distributions			5,940,026		5,711,388
Finance costs:					
Distributions	5	(3,459,539)		(3,113,460)	
Change in net assets attributable to Shareholders from investment activities			<u>£2,480,487</u>		<u>£2,597,928</u>

Balance Sheet

as at 31 December 2010

	Notes	£	2010 £	£	2009 £
Assets					
Investment assets*					
Debtors	7	1,728,365		1,926,805	
Cash and bank balances	8	3,755,539		4,276,676	
Total other assets			5,483,904		6,203,481
Total assets			82,595,977		77,809,313
Liabilities					
Investment liabilities					
Creditors	9	(133,139)		(77,000)	(348)
Distribution payable on income shares		(849,497)		(891,688)	
Total other liabilities			(982,636)		(968,688)
Total liabilities			(982,636)		(969,036)
Net assets attributable to Shareholders			<u>£81,613,341</u>		<u>£76,840,277</u>

*Gross of investment liabilities

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2010

	£	2010 £	£	2009 £
Opening net assets attributable to Shareholders		76,840,277		41,812,179
Movement due to sales and repurchases of shares:				
Amounts receivable on issue of shares	13,734,976		38,214,679	
Amounts payable on cancellation of shares	(11,467,925)		(5,837,970)	
		2,267,051		32,376,709
Dilution Levy		25,526		53,461
Change in net assets attributable to Shareholders from investment activities (see above)		2,480,487		2,597,928
Closing net assets attributable to Shareholders		<u>£81,613,341</u>		<u>£76,840,277</u>

Sterling Fixed Interest Class (continued)

Notes to the Financial Statements for the year ended 31 December 2010

1. Net capital gains

The net capital gains on investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	94,412,126	61,864,562
Original cost of non-derivative securities sold during the year	(93,461,139)	(63,475,238)
Gains/(losses) realised on non-derivative securities sold during the year	950,987	(1,610,676)
Net depreciation thereon already recognised in earlier years	2,845,638	4,821,895
Net realised appreciation for the year	3,796,625	3,211,219
Net unrealised depreciation for the year	(645,550)	(236,989)
Net gains on non-derivative securities	3,151,075	2,974,230
Gains/(losses) realised on derivative securities sold during the year	133,218	(248,537)
Net (appreciation)/depreciation thereon already recognised in earlier years	(57,329)	401,778
Net realised appreciation for the year	75,889	153,241
Net unrealised appreciation for the year	36,783	57,329
Net gains on derivative securities	112,672	210,570
Activity charges	(2,998)	(5,411)
Net gains on investments	3,260,749	3,179,389
Other gains – currency gains	80,249	49,481
Net capital gains	£3,340,998	£3,228,870

2. Revenue

	2010 £	2009 £
Bank interest	19,888	20,796
Interest on debt securities	3,442,902	3,104,272
Total revenue	£3,462,790	£3,125,068

3. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	800,242	583,010
Registrar's fees	673	693
	800,915	583,703
Other expenses:		
Directors' fees	9,831	8,812
Custodian fees	16,005	11,389
Custody charges	10,816	7,389
Audit fees	5,430	6,068
Other expenses	17,449	13,644
	59,531	47,302
Total expenses	£860,446	£631,005

4. Taxation

	2010 £	2009 £
Withholding tax on interest on debt securities	3,316	11,482
Total taxation	£3,316	£11,482

5. Finance costs

	2010 £	2009 £
Interim distribution 31 March	865,747	750,323
Interim distribution 30 June	874,789	801,750
Interim distribution 30 September	879,227	888,957
Final distribution 31 December	849,497	891,688
	3,469,260	3,332,718
Amounts deducted on cancellation of shares	62,745	38,820
Amounts added on issue of shares	(72,466)	(258,078)
Net distribution for the year	£3,459,539	£3,113,460
Interest	–	63
Total finance costs	£3,459,539	£3,113,523

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellations of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

6. Movement between net revenue after taxation and distributions

	2010 £	2009 £
Net revenue after taxation	2,599,028	2,482,518
Expenses paid from capital	860,446	631,005
Undistributed revenue brought forward	69	6
Undistributed revenue carried forward	(4)	(69)
	£3,459,539	£3,113,460

7. Debtors

	2010 £	2009 £
Accrued revenue	1,728,365	1,589,003
Amounts receivable for issue of shares	–	337,802
	£1,728,365	£1,926,805

8. Cash and bank balances

	2010 £	2009 £
Cash held at bank	3,755,539	4,276,676
	£3,755,539	£4,276,676

9. Creditors

	2010 £	2009 £
Accrued expenses	80,804	77,000
Amounts payable for cancellation of shares	52,335	–
	£133,139	£77,000

10. Related party transactions

Manager's periodic charge and Registrar's fees payable to Newton Fund Managers (C.I.) Limited (the Manager) are shown in note 3. Details of shares issued and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Shareholders. The total balance due to the Manager at 31 December 2010 in respect of these transactions is £122,088 (31 December 2009: £271,433 due from the Manager).

Sterling Fixed Interest Class (continued)

Notes to the Financial Statements (continued)

11. Financial instruments

Interest rate risk

The table that follows details the interest rate risk profile of the Sterling Fixed Interest Class assets at 31 December 2010.

Assets	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate (%)	Weighted Average Period for which Rate is Fixed (yrs)
United Kingdom	20,659,710	55,058,293	6,907,957	82,625,960	5.55%	12.77
Europe	50,614	5,062,211	120,889	5,233,714	5.36%	6.70
	<u>20,710,324</u>	<u>60,120,504</u>	<u>7,028,846</u>	<u>87,859,674</u>		
Liabilities						
United Kingdom	–	–	(982,635)	(982,635)		
Europe	–	–	(5,263,698)	(5,263,698)		
	<u>–</u>	<u>–</u>	<u>(6,246,333)</u>	<u>(6,246,333)</u>		
Total	<u>£20,710,324</u>	<u>£60,120,504</u>	<u>£782,513</u>	<u>£81,613,341</u>		

The table that follows details the interest rate risk profile of the Sterling Fixed Interest Class assets at 31 December 2009.

Assets	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets/ (Liabilities) Not Carrying Interest £	Total £	Average Effective Interest Rate (%)	Weighted Average Period for which Rate is Fixed (yrs)
United Kingdom	8,621,999	59,155,949	10,106,525	77,884,473	5.57	12.70
Europe	1,750,091	6,296,791	210,402	8,257,284	4.72	8.67
	<u>10,372,090</u>	<u>65,452,740</u>	<u>10,316,927</u>	<u>86,141,757</u>		
Liabilities						
United Kingdom	–	–	(1,047,317)	(1,047,317)		
Europe	–	–	(8,254,163)	(8,254,163)		
	<u>–</u>	<u>–</u>	<u>(9,301,480)</u>	<u>(9,301,480)</u>		
Total	<u>£10,372,090</u>	<u>£65,452,740</u>	<u>£1,015,447</u>	<u>£76,840,277</u>		

The floating rate financial assets and liabilities comprise:

Sterling denominated bank balances and overdrafts bear interest based on the year LIBOR.

Foreign currency risk

The table that follows details the foreign currency risk profile of Sterling Fixed Interest class assets at the Balance Sheet date.

	31 December 2010 Investments £	31 December 2010 Net Current Assets £	31 December 2010 Total £	31 December 2009 Total £
United Kingdom	77,262,946	4,380,379	81,643,325	76,837,156
Europe	(150,873)	120,889	(29,984)	3,121
Total	<u>£77,112,073</u>	<u>£4,501,268</u>	<u>£81,613,341</u>	<u>£76,840,277</u>

12. Portfolio transactions costs

There were no transaction costs in the period (31/12/09: Nil).

13. Post Balance Sheet Events

As indicated in the Accounting Policies in Note 1 to the Aggregated Financial Statements, the investments have been valued at 12 noon on 31 December 2010. Since that date the Share Class's quoted price has decreased from 79.44p to 78.51p as at 24 February 2011 (the latest practicable date before completion of the accounts), a decrease of 1.17%.

UK Equity Class

Fund Report

Equities performed strongly in the period as it became clear that developed-world interest rates would remain at ultra low levels for a prolonged period and investors, seeking some return on their capital and looking to a recovery, drove equity markets higher. Furthermore, companies generally reported strong earnings, as cost cutting measures offset declines in business levels. Although the Bank of England's Monetary Policy Committee kept interest rates unchanged throughout the period, speculation continued that a second round of quantitative easing would be implemented. Inflation (driven by rising food and commodity prices) remained stubbornly high and posed a challenge to the Bank of England's ultra-loose monetary policy. Late in the period Ireland became the second country on the European periphery to accept a bailout by the Eurozone and the IMF. Ireland had been overwhelmed by the debts incurred by its super sized banking sector and investor worries quickly moved to Portugal and Spain.

At times of market weakness the manager took the opportunity to refocus the Fund on delivering capital growth to unit holders. The Fund outperformed its benchmark and its peer group over the period. The oil & gas and healthcare sectors were the greatest positive contributors to the Fund's performance, whilst the telecommunication sector detracted from its overall performance.

Our overweight positions in cyclical stocks BP, Bowleven, and Wood Group were positive, as inflationary expectations continued to cause commodities to rise. In contrast our underweight holding in Vodafone held the Fund back as the stock performed strongly following a flurry of positive news, including the sale of its 3.2% stake in China Mobile, the likely resumption of dividend payments from Verizon Wireless and the introduction of tiered pricing for data usage. Our overweight position in Cobham was also negative, as investor sentiment for the overall aerospace & defence sector fell after it became a victim of a reduction in government investment at the Comprehensive Spending Review.

During the year the manager diversified the Fund holdings to gain exposure to a number of themes about which we are optimistic. We bought Xstrata as we believe that the underlying demand for copper is likely to remain strong given supply side tightness. Furthermore the rumoured merger with commodity trader Glencore, which holds a c.37% stake in the miner, is likely to enhance value. We also bought JD Wetherspoon, because of its attractive valuation and an ability to gain market share due to its relative capital strength versus its peers.

Over the course of the year we reduced our holding in Vodafone, sold GlaxoSmithKline to zero to divest away from large cap pharmaceutical companies, which on aggregate, are exposed to a pending patent cliff and increasing competition from generic firms. With relatively few drugs in the pipeline, there is a risk that organic growth will be difficult, resulting in our preference for smaller, less mature, healthcare companies that have the potential to grow their top lines via increased investment in R&D, making them attractive bid targets for big Pharma.

We believe volatility is likely to continue at elevated levels in the period ahead. Market sentiment may change very quickly, especially given the disproportionate effect policymakers are at present having on markets. It is likely to be some time before uncertainty recedes and the results of the experiments that are currently taking place with fiscal and monetary policy become a little clearer. This high degree of uncertainty presents excellent opportunities.

Statistics

Price and Revenue Record by Share Class

(Calendar Year)

Income Shares	Highest price (p)	Lowest price (p)	Net Revenue per share* (p)
2006	150.51	133.01	4.0987
2007	164.67	142.54	4.6174
2008	161.71	104.00	5.2087
2009	145.57	104.35	4.8208
2010	169.49	131.34	3.8361

*Distributions are shown in the year declared rather than paid.

Net Asset Value History by Share Class

as at	Net Asset Value (£)	Pence per share	Shares in issue
31/12/2008	16,119,380	123.05	13,099,513
31/12/2009	19,382,855	142.57	13,595,758
31/12/2010	23,671,676	167.17	14,160,424

Total Expense Ratio

Share Class	31/12/10 %	31/12/09 %
Income shares	1.09	1.10

The following shows the top ten purchases and sales for the year:

Purchases	£000's
BP	968
HSBC	933
Vodafone	931
Royal Dutch Shell	682
Xstrata	622
Rio Tinto	589
Lloyds	540
Wetherspoon (JD)	389
Rolls-Royce	382
Standard Life	378
Sales	£000's
Vodafone	1,829
BP	1,703
GlaxoSmithKline	1,009
Royal Dutch Shell	982
British American Tobacco	801
BAE	689
HSBC	552
AstraZeneca	542
Wood (John)	513
Scottish & Southern Energy	503

UK Equity Class (continued)

Financial Statements

Portfolio Statement as at 31 December 2010

Investments	Holding	Market Value £	Total Net Assets %	Investments	Holding	Market Value £	Total Net Assets %
United Kingdom 99.75% (99.03%)				Food & Drug Retailers 5.65% (4.40%)			
Oil & Gas Producers 11.97% (18.35%)				Booker	168,366	101,020	0.43
BG	51,942	674,986	2.85	Greggs	19,592	92,122	0.39
BP	123,735	580,070	2.45	Morrison (WM) Supermarkets	105,165	281,001	1.19
Bowleven	43,794	166,855	0.70	Ocado	62,868	108,133	0.46
Circle Oil	201,830	69,631	0.29	Sainsbury (J)	44,956	170,383	0.72
Premier Oil	13,006	253,357	1.07	Tesco	135,645	582,867	2.46
Royal Dutch Shell	51,350	1,092,215	4.61				
				General Retailers 2.25% (0.00%)			
Equipment, Services & Distribution 0.70% (1.07%)				ASOS	7,276	114,670	0.48
Wood (John)	30,042	166,583	0.70	Carphone Warehouse	29,228	115,451	0.49
				Mothercare	16,594	101,472	0.43
Chemicals 0.84% (0.00%)				Next	6,821	136,011	0.57
Johnson Matthey	9,663	198,478	0.84	eXpansys	1,087,457	65,247	0.28
				Media 3.99% (0.62%)			
Mining 15.02% (7.50%)				Daily Mail & General Trust	17,549	100,293	0.42
Anglo American	21,423	716,171	3.03	ITV	215,897	152,855	0.65
BHP Billiton	33,805	867,098	3.66	Infoma	34,432	140,310	0.59
Bellzone Mining	132,774	110,866	0.47	Reed Elsevier	56,848	306,695	1.30
Eurasian Natural Resources	25,250	266,893	1.13	United Business Media	35,306	243,611	1.03
Rio Tinto	22,737	1,026,348	4.33				
Xstrata	37,490	568,911	2.40	Travel & Leisure 6.55% (3.14%)			
				AVIS Europe	49,435	114,739	0.48
Aerospace & Defence 3.18% (4.62%)				Belfair	6,113	59,296	0.25
Cobham	129,006	263,301	1.11	Carnival	7,076	210,653	0.89
Rolls Royce	63,749	400,662	1.69	Easyjet	27,854	122,585	0.52
Rolls Royce 'C' Shares Entitlement (Jan 2011)	2,073,344	2,073	0.01	Millennium & Copthorne Hotels	36,018	208,364	0.88
Ultra Electronics	5,205	88,589	0.37	Restaurant	42,406	116,701	0.49
				Thomas Cook	69,453	132,794	0.56
General Industries 0.72% (1.43%)				Wetherspoon (J D)	89,401	401,500	1.70
Smiths	13,492	169,325	0.72	Whitbread	10,274	185,137	0.78
				Fixed Line Communications 0.42% (2.24%)			
Electronic and Electrical Equipment 0.68% (0.00%)				Cable & Wireless	205,460	99,648	0.42
Morgan Crucible	36,813	90,118	0.38				
Xaar	30,197	71,567	0.30	Mobile Telecommunications 1.10% (5.95%)			
				Vodafone	156,384	260,067	1.10
Industrial Engineering 0.83% (0.00%)							
Rotork	5,301	96,160	0.41	Gas, Water & Multiutilities 1.93% (4.63%)			
Spirax-Sarco Engineering	5,096	98,608	0.42	Centrica	65,926	219,138	0.93
				Pennon	37,089	236,442	1.00
Support Services 7.60% (3.87%)							
Aggreko	9,502	141,390	0.60	Banks 13.00% (9.49%)			
Bunzl	32,410	233,838	0.99	Barclays	126,882	337,633	1.43
Digital Barriers	107,060	203,414	0.86	HSBC	231,205	1,516,936	6.41
Electrocomponents	44,710	118,526	0.50	Lloyds	834,342	553,169	2.34
Experian	25,111	199,632	0.84	Standard Chartered	38,175	667,108	2.82
Filltrona	42,570	104,254	0.44				
Homeserve	27,784	123,806	0.52	Nonlife Insurance 0.46% (1.69%)			
Intertek	6,615	118,210	0.50	Admiral	7,174	108,830	0.46
Michael Page International	22,965	126,882	0.54				
Premier Farnell	39,632	113,308	0.48	Life Insurance 2.42% (2.01%)			
SIG	116,910	149,294	0.63	Prudential	51,888	346,612	1.46
Travis Perkins	15,900	166,632	0.70	Standard Life	105,142	227,317	0.96
Beverages 0.79% (1.76%)				Real Estate Investment & Services 0.99% (0.00%)			
Barr	9,112	99,594	0.42	Capital & Counties Properties	88,418	132,715	0.56
Britvic	18,307	86,537	0.37	Hansteen	126,439	101,151	0.43
Food Producers 1.88% (4.11%)				Real Estate Investment Trusts 2.67% (0.00%)			
Associated British Foods	37,573	444,489	1.88	Derwent London	8,255	127,375	0.54
				Hammerson	37,567	157,293	0.66
Household Goods & Home Construction 0.44% (0.00%)				Land Securities	32,516	219,483	0.93
Berkeley	11,794	105,202	0.44	Shaftesbury	29,100	127,982	0.54
Health Care Equipment & Services 3.66% (1.58%)				Financial Services 4.00% (1.75%)			
Immunodiagnostic Systems	10,426	91,228	0.39	Aberdeen Asset Management	51,564	104,520	0.44
Smith & Nephew	74,341	508,864	2.15	Hargreaves Lansdown	26,599	155,604	0.66
Synergy Health	30,014	265,924	1.12	ICAP	39,206	208,772	0.88
				IG	23,230	117,544	0.50
Pharmaceuticals & Biotechnology 1.55% (8.28%)				Investec	29,455	154,344	0.65
Abcam	25,595	82,467	0.35	London Stock Exchange	24,546	206,186	0.87
Dechra Pharmaceuticals	21,473	109,190	0.46				
Genus	13,050	110,990	0.47				
Hikma Pharmaceuticals	7,954	64,348	0.27				

UK Equity Class (continued)

Portfolio Statement (continued)

Investments	Holding	Market Value £	Total Net Assets %
Software & Computer Services 2.62% (1.12%)			
Autonomy	5,873	89,211	0.38
Aveva	8,096	130,022	0.55
Fidessa	6,965	107,191	0.45
Sage	76,913	211,126	0.89
Telecity	17,606	83,188	0.35
Technology Hardware & Equipment 1.84% (0.00%)			
ARM	37,441	159,499	0.67
CSR	23,047	82,600	0.35
Imagination Technologies	28,729	103,482	0.44
Spirent Communications	60,180	89,006	0.38
Portfolio of investments		23,611,988	99.75
Net current assets		59,688	0.25
Total Net Assets		23,671,676	100.00
Total unapproved securities			0.00%

Comparative figures in brackets refer to 31 December 2009.

During the year ended 31 December 2010 the Share Class disposed of its holdings in the Electricity, Equity Investments Instruments and Tobacco portfolio categories, which, as at 31 December 2009, represented 2.62%, 1.10% and 5.70% respectively of the Total Net Assets.

All investments are ordinary shares listed on recognised stock exchanges unless otherwise stated.

Statement of Total Return

as at 31 December 2010

Notes	£	2010 £	2009 £
Income			
Net capital gains			
Net gains on investments			
1		3,724,214	2,910,459
Revenue			
2	605,225		721,722
Expenses			
3	(227,420)		(189,828)
Finance costs:			
Interest			
5	(16)		–
Net revenue before taxation			
	377,789		531,894
Taxation			
4	(2,010)		(538)
Net revenue after taxation			
		375,779	531,356
Total return before distributions			
		4,099,993	3,441,815
Finance costs:			
Distributions			
5		(532,713)	(660,713)
Change in net assets attributable to Shareholders from investment activities			
		£3,567,280	£2,781,102

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2010

	£	2010 £	2009 £
Opening net assets attributable to Shareholders		19,382,855	16,119,380
Movement due to sales and repurchases of shares:			
Amounts receivable on issue of shares			
	2,463,869		2,606,244
Amounts payable on cancellation of shares			
	(1,744,850)		(2,127,016)
Dilution Levy			
		719,019	479,228
Change in net assets attributable to Shareholders from investment activities (see above)			
		3,567,280	2,781,102
Closing net assets attributable to Shareholders		£23,671,676	£19,382,855

Balance Sheet

as at 31 December 2010

Notes	£	2010 £	2009 £
Assets			
Investments assets			
7	44,689	23,611,988	19,201,353
Debtors			
			80,908
Cash and bank balances			
8	219,472		396,919
Total other assets			
		264,161	477,827
Total assets			
		23,876,149	19,679,180
Liabilities			
Investment liabilities			
Creditors			
9	(26,986)		(22,806)
Distribution payable on income shares			
	(177,487)		(273,519)
Total other liabilities			
		(204,473)	(296,325)
Net assets attributable to Shareholders			
		£23,671,676	£19,382,855

UK Equity Class (continued)

Notes to the Financial Statements for the year ended 31 December 2010

1. Net capital gains

The net capital gains on investments during the year comprise:

	2010 £	2009 £
Proceeds from sales of non-derivative securities during the year	21,111,748	3,692,555
Original cost of non-derivative securities sold during the year	(19,462,976)	(3,998,874)
Gains/(losses) realised on non-derivative securities sold during the year	1,648,772	(306,319)
Net (appreciation)/depreciation thereon already recognised in earlier years	(528,452)	500,305
Net realised appreciation for the year	1,120,320	193,986
Net unrealised appreciation for the year	2,609,796	2,718,215
Net gains on non-derivative securities	3,730,116	2,912,201
Activity charges	(5,902)	(1,742)
Net capital gains	£3,724,214	£2,910,459

2. Revenue

	2010 £	2009 £
UK dividends	585,345	698,826
Overseas dividends	16,980	18,171
Bank interest	1,546	4,725
Underwriting Commission	1,354	-
Total revenue	£605,225	£721,722

3. Expenses

	2010 £	2009 £
Payable to the Manager or Associate of the Manager:		
Manager's periodic charge	208,552	171,943
Registrar's fees	349	327
	208,901	172,270
Other expenses:		
Directors' fees	2,599	2,473
Custodian fees	6,145	5,131
Custody charges	508	400
Audit fees	4,795	5,402
Other expenses	4,472	4,152
	18,519	17,558
Total expenses	£227,420	£189,828

4. Taxation

	2010 £	2009 £
Withholding tax on overseas dividends	2,010	538
Total taxation	£2,010	£538

5. Finance costs

	2010 £	2009 £
Interim distribution 30 June	363,902	401,032
Final distribution 31 December	177,487	273,519
	541,389	674,551
Amounts deducted on cancellation of shares	9,641	15,858
Amounts added on issue of shares	(18,317)	(29,696)
Net distribution for the year	£532,713	£660,713
Interest	16	-
Total finance costs	£532,729	£660,713

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellations of shares.

Details of the distribution per share are set out in the tables on pages 73 and 74.

6. Movement between net revenue after taxation and distributions

	2010 £	2009 £
Net revenue after taxation	375,779	531,356
Expenses paid from capital	156,922	129,357
Undistributed revenue brought forward	13	13
Undistributed revenue carried forward	(1)	(13)
	£532,713	£660,713

7. Debtors

	2010 £	2009 £
Accrued revenue	44,689	69,908
Amounts receivable for issue of shares	-	11,000
	£44,689	£80,908

8. Cash and bank balances

	2010 £	2009 £
Cash held at bank	219,472	396,919
	£219,472	£396,919

9. Creditors

	2010 £	2009 £
Accrued expenses	26,986	22,806
	£26,986	£22,806

10. Related party transactions

Manager's periodic charge and Registrar's fees payable to Newton Fund Managers (C.I.) Limited (the Manager) are shown in note 3. Details of shares issued and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Shareholders. The total balance due to the Manager at 31 December 2010 in respect of these transactions is £20,073 (31/12/09: £5,411 due from the Manager).

11. Portfolio transactions costs

	2010 £	2009 £
Analysis of total purchase costs:		
Purchases in period before transaction costs	21,673,780	4,698,270
Commissions	16,505	2,687
Taxes	101,983	22,672
Total purchase costs	118,488	25,359
Gross purchase total	£21,792,268	£4,723,629
Analysis of total sales proceeds:		
Gross sales before transaction costs	21,126,767	3,695,153
Commissions	(14,830)	(2,546)
Taxes	(189)	(52)
Total sale costs	(15,019)	(2,598)
Total sales net of transaction costs	£21,111,748	£3,692,555

12. Post Balance Sheet Events

As indicated in the Accounting Policies in Note 1 to the Aggregated Financial Statements, the investments have been valued at 12 noon on 31 December 2010. Since that date the Share Class's quoted price has decreased from 168.64p to 166.09p as at 24 February 2011 (the latest practicable date before completion of the accounts), a decrease of 1.51%.

Distribution Statement and Reporting Status

Distribution Statement (in pence per share)

Final Distribution

(for the six months ended 31 December 2010)

Group 1: Shares purchased prior to 1 July 2010

Group 2: Shares purchased between 1 July 2010 to 31 December 2010

	Net Revenue	Equalisation*	Distribution Paid
UK Equity			
(pence per share)			
Group 1	1.2534	0.0000	1.2534
Group 2	0.8387	0.4147	1.2534

The final distribution for the period ended 31 December 2009 was 2.0118p per share.

Global Equity

(pence per share)

Group 1	0.9362	0.0000	0.9362
Group 2	0.2932	0.6430	0.9362

The final distribution for the period ended 31 December 2009 was 1.0045p per share.

Bridge

(pence per share)

Group 1	1.0259	0.0000	1.0259
Group 2	0.3522	0.6737	1.0259

The final distribution for the period ended 31 December 2009 was 1.2155p per share.

Global Balanced (Income)

(pence per share)

Group 1	0.9757	0.0000	0.9757
Group 2	0.7610	0.2147	0.9757

The final distribution for the period ended 31 December 2009 was 0.9431p per share.

Global Balanced (Accumulation)

(pence per share)

Group 1	1.0261	0.0000	1.0261
Group 2	0.7764	0.2497	1.0261

The final distribution for the period ended 31 December 2009 was 0.9679p per share.

Alternative Assets

(pence per share)

Group 1	0.2182	0.0000	0.2182
Group 2	0.1069	0.1113	0.2182

The final distribution for the period ended 31 December 2009 was 0.2130p per share.

Distribution Statement (in pence per share)

4th Quarter Distribution

(for the three months ended 31 December 2010)

Group 1 : Shares purchased prior to 1 October 2010

Group 2 : Shares purchased between 1 October 2010 to 31 December 2010

	Net Revenue	Equalisation*	Distribution Paid
Sterling Fixed Interest			
(pence per share)			
Group 1	0.8155	0.0000	0.8155
Group 2	0.4936	0.3219	0.8155

The interim distribution for the period ended 31 December 2009 was 0.8794p per share.

Global Fixed Interest

(pence per share)

Group 1	1.5619	0.0000	1.5619
Group 2	0.6982	0.8637	1.5619

The interim distribution for the period ended 31 December 2009 was 1.7715p per share.

Diversified Assets

(pence per share)

Group 1	0.6065	0.0000	0.6065
Group 2	0.1612	0.4453	0.6065

The interim distribution for the period ended 31 December 2009 was 0.6320p per share.

Special Situations

(pence per share)

Group 1	0.7306	0.0000	0.7306
Group 2	0.2402	0.4904	0.7306

The interim distribution for the period ended 31 December 2009 was 0.7726p per share.

Distribution Statement (in pence per share)

3rd Quarter Distribution

(for the three months ended 30 September 2010)

Group 1: Shares purchased prior to 1 July 2010

Group 2: Shares purchased between 1 July 2010 to 30 September 2010

	Net Revenue	Equalisation*	Distribution Paid
Sterling Fixed Interest			
(pence per share)			
Group 1	0.8564	0.0000	0.8564
Group 2	0.4304	0.4260	0.8564

The interim distribution for the period ended 30 September 2009 was 1.0005p per share.

Global Fixed Interest

(pence per share)

Group 1	1.6961	0.0000	1.6961
Group 2	0.7975	0.8986	1.6961

The interim distribution for the period ended 30 September 2009 was 1.8449p per share.

Diversified Assets

(pence per share)

Group 1	0.7752	0.0000	0.7752
Group 2	0.6711	0.1041	0.7752

The interim distribution for the period ended 30 September 2009 was 0.7834p per share.

Special Situations

(pence per share)

Group 1	0.7381	0.0000	0.7381
Group 2	0.5497	0.1884	0.7381

The interim distribution for the period ended 30 September 2009 was 0.8791p per share.

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

Distribution Statement and Reporting Status (continued)

Distribution Statement (in pence per share)

Interim Distribution

(for the six months ended 30 June 2010)

Group 1: Shares purchased prior to 1 January 2010

Group 2: Shares purchased between 1 January 2010 to 30 June 2010

	Net Revenue	Equalisation*	Distribution Paid
UK Equity			
(pence per share)			
Group 1	2.5827	0.0000	2.5827
Group 2	1.0682	1.5145	2.5827

The interim distribution for the period ended 30 June 2009 was 2.8090p per share.

Global Equity

(pence per share)

Group 1	1.7435	0.0000	1.7435
Group 2	0.5712	1.1723	1.7435

The interim distribution for the period ended 30 June 2009 was 1.7975p per share.

Bridge

(pence per share)

Group 1	1.7056	0.0000	1.7056
Group 2	1.2214	0.4842	1.7056

The interim distribution for the period ended 30 June 2009 was 1.9437p per share.

Global Balanced (Income)

(pence per share)

Group 1	1.6856	0.0000	1.6856
Group 2	0.7682	0.9174	1.6856

The interim distribution for the period ended 30 June 2009 was 1.2993p per share.

Global Balanced (Accumulation)

(pence per share)

Group 1	1.7445	0.0000	1.7445
Group 2	0.6058	1.1387	1.7445

The interim distribution for the period ended 30 June 2009 was 1.3166p per share.

Alternative Assets

(pence per share)

Group 1	0.4505	0.0000	0.4505
Group 2	0.1059	0.3446	0.4505

The interim distribution for the period ended 30 June 2009 was 0.2123p per share.

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

Distribution Statement (in pence per share)

2nd Quarter Distribution

(for the three months ended 30 June 2010)

Group 1: Shares purchased prior to 1 April 2010

Group 2: Shares purchased between 1 April 2010 to 30 June 2010

	Net Revenue	Equalisation*	Distribution Paid
Sterling Fixed Interest			
(pence per share)			
Group 1	0.8825	0.0000	0.8825
Group 2	0.3948	0.4877	0.8825

The interim distribution for the period ended 30 June 2009 was 1.0456p per share.

Global Fixed Interest

(pence per share)

Group 1	1.6544	0.0000	1.6544
Group 2	0.7987	0.8557	1.6544

The interim distribution for the period ended 30 June 2009 was 1.3181p per share.

Diversified Assets

(pence per share)

Group 1	1.0271	0.0000	1.0271
Group 2	0.2445	0.7826	1.0271

The interim distribution for the period ended 30 June 2009 was 0.9215p per share.

Special Situations

(pence per share)

Group 1	1.3125	0.0000	1.3125
Group 2	0.3452	0.9673	1.3125

The interim distribution for the period ended 30 June 2009 was 0.7726p per share.

Distribution Statement (in pence per share)

1st Quarter Distribution

(for the three months ended 31 March 2010)

Group 1: Shares purchased prior to 1 January 2010

Group 2: Shares purchased between 1 January 2010 to 31 March 2010

	Net Revenue	Equalisation*	Distribution Paid
Sterling Fixed Interest			
(pence per share)			
Group 1	0.8762	0.0000	0.8762
Group 2	0.3377	0.5385	0.8762

The interim distribution for the period ended 31 March 2009 was 1.0827p per share.

Global Fixed Interest

(pence per share)

Group 1	1.7245	0.0000	1.7245
Group 2	0.6145	1.1100	1.7245

The interim distribution for the period ended 31 March 2009 was 1.4508p per share.

Diversified Assets

(pence per share)

Group 1	0.7490	0.0000	0.7490
Group 2	0.5475	0.2015	0.7490

The interim distribution for the period ended 31 March 2009 was 0.8101p per share.

Special Situations

(pence per share)

Group 1	0.7926	0.0000	0.7926
Group 2	0.6739	0.1187	0.7926

The interim distribution for the period ended 31 March 2009 was 0.6274p per share.

Distribution Statement and Reporting Status (continued)

UK Reporting Status

The share classes of NOSF are registered with HM Revenue & Customs in the UK as a “reporting fund”. As such the Fund is required to report to investors the excess of reported income per unit of interest which exceeds the amount actually distributed. There may be a requirement for you to pay tax whether or not you actually received a distribution from the Fund.

If you are not subject to UK taxation, you may ignore the contents of this part of the Distribution statement. If you are subject to UK taxation (unless you are a non-domiciled individual paying tax on the remittance basis), you will be required to pay tax on the share of income reported to you in this notice. If you are uncertain you should seek advice from your tax advisor.

For UK tax purposes, you are treated as receiving further income on the “Fund distribution date” as set out below. You should therefore include this income in your tax return for the tax year which includes that date.

The amount of income treated as received by you will be the amount distributed plus the excess reported below, multiplied by the number of shares you held at 31 December 2010.

Reported figures are in the table below:

	Amount actually distributed to shareholders Pence per share	Excess of reported income per share over amount actually distributed Pence per share	Dates of Distributions
Semiannual distributions			
UK Equity	3.8361	0.00	} 31-Aug-10 28-Feb-11
Global Equity	2.6797	0.00	
Bridge	2.7315	0.00	
Global Balanced (Income)	2.6613	0.00	
Global Balanced (Accumulation)	2.7706	0.00	
Alternative Assets	0.6687	0.00	
Quarterly distributions			
Sterling Fixed Interest	3.4306	0.00	} 28-May-10 31-Aug-10 30-Nov-10 28-Feb-11
Global Fixed Interest	6.6369	0.00	
Diversified Assets	3.1578	0.00	
Special Situations	3.5738	0.00	

The Fund distribution date is 8 April 2011.

The Fund remains a reporting fund as the date of this report.

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