

NEWTON

The Power of Ideas

As at 31 December 2011
For professional clients only

Investment objective

The objective of the Sub-Fund is to achieve capital growth from a portfolio of predominantly European securities. The Sub-Fund may also invest in collective investment schemes.

Fund aim

To outperform the FTSE Europe (ex UK) Index by over 2% p.a. over rolling five year periods.

General information

Fund type	ICVC
Fund domicile	UK
Type of shares / units	Accumulation
Base currency	GBP
Fund manager	Raj Shant
Alternate	Thomas Beevers
Fund size (million)	£ 177.41

Historical fund statistics - 3 years

12 Month turnover	103.31
3 Month turnover	13.44
Annualised Sharpe ratio	-0.01
Annualised alpha	-1.23
Annualised information ratio	-0.24
Beta	0.82
Ex ante tracking error	3.00
Ex post tracking error	6.66
Fund volatility	19.63
Index volatility	23.22
Jensen alpha	-0.12
R ²	0.93
Treynor ratio	-0.18

Key dates

Fund launch	01/06/1987
Close of financial year	30 June

Dealing and share prices

09:00 to 17:00 each business day
Valuation point: 12:00 London time
Share / unit prices daily at:
www.bnymellonam.com/pooledprices or
www.newton.co.uk/pooledprices

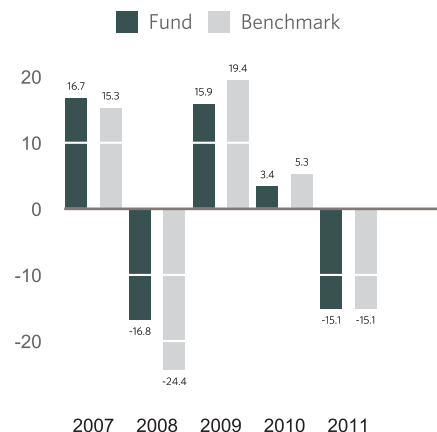
Client service

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Newton Continental European

CALENDAR PERFORMANCE (%)



PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	4.0	3.3	0.7
3 Months to Sep-11	-21.2	-24.3	3.1
3 Months to Jun-11	1.4	2.8	-1.4
3 Months to Mar-11	2.1	5.6	-3.5
12 Months	-15.1	-15.1	0.0
3 Years annualised	0.5	2.2	-1.7
5 Years annualised	-0.3	-1.4	1.1
10 Years annualised	5.6	3.9	1.7

Source: BNY Mellon Analytical Solutions CAPS where available; Newton where not available. CAPS indices are adjusted for withholding tax. Total return, gross of fees. Close of business pricing. Past performance is not a guide to future performance.

Performance factors

Stock selection within the banking sector was positive as zero weights in Santander, Credit Suisse, Societe Generale, Unicredit and Commerzbank helped overall performance. Avoiding Spain's incumbent telecoms company, Telefonica, and French utilities group GDF Suez was also positive for returns.

The Fund benefited from overweight positions in French integrated oil and gas group Total and Italian gas explorer/producer ENI. The Fund's underweight position in the utilities sector helped overall returns despite adverse performance by southern European utilities groups Enel and Red Electrica, which lagged on weaker power prices and reduced demand. The financials sector made a negative contribution to the Fund's performance as Belgian-based insurer Ageas, German financial services group Allianz and Norwegian bank DNB NOR lagged the market.

Review of activity

We established a position in Aixtron, a German supplier of equipment to the semiconductor industry, which is a world leader in a technically complex market with high barriers to entry. We believe Aixtron's light-emitting diode (LED) lighting product could become the gold standard in the vastly bigger general lighting market, and viewed the short term set-back in the share price as a good long-term entry point. We initiated a position in MTU, a German manufacturer of aircraft engine parts which plans to increase its servicing and aftermarket revenue streams. We believe this strategy will improve margins, increase return on capital and reduce sales volatility. MTU's business benefits from high barriers to entry, significant economies of scale and the relatively weak euro. We also acquired shares in Saipem, an Italian oil services company. The stock had underperformed and we felt the quality of the franchise and global nature of revenues were being overlooked amid general concerns about the Eurozone. The company recently completed a large capital expenditure programme and should benefit as new state-of-the-art assets generate future revenue. We sold the position in Amadeus, the Spain-based travel transaction processing company, following share price outperformance. We also believe the air travel market could weaken during 2012. The company charges a small fee for each transaction and fewer journeys could reduce revenues and margins. The holding in German hospitals group Rhoen Klinikum was also sold. The company buys public hospitals and clinics, upgrades the facilities and improves profitability. The shares were acquired following a capital raising to finance future investments, but the expected transactions did not materialise, and costs continue to rise.

3 MONTH RELATIVE CONTRIBUTION - TOP FIVE (%)

Stock	Contribution (%)
Bayer AG	0.30
Total SA	0.26
ENI SpA	0.20
Telefonica SA	0.18
Umicore	0.17

3 MONTH RELATIVE CONTRIBUTION - BOTTOM FIVE (%)

Stock	Contribution (%)
Ageas	-0.31
Rhoen-Klinikum AG	-0.20
Red Electrica Corporacion SA	-0.19
Enel SpA	-0.18
Telekomunikacja Polska SA	-0.17

ATTRIBUTION BY REGION (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Austria	0.00	0.71	0.00	-6.32	0.00	0.07	0.07
Belgium	6.29	2.15	4.66	2.41	0.15	-0.04	0.11
Switzerland	17.64	19.53	5.32	4.29	0.14	-0.06	0.07
Czech Republic	0.00	0.31	0.00	-1.04	0.00	0.01	0.01
Germany	27.27	17.86	2.63	4.12	-0.42	0.13	-0.29
Denmark	0.00	2.71	0.00	8.48	0.00	-0.11	-0.11
Spain	1.85	7.94	-4.08	-1.17	-0.06	0.24	0.17
Finland	0.00	1.85	0.00	-1.26	0.00	0.08	0.08
France	20.37	22.56	5.81	2.57	0.57	0.03	0.60
Greece	0.00	0.23	0.00	-24.37	0.00	0.09	0.09
Hungary	0.00	0.28	0.00	-1.04	0.00	0.01	0.01
Ireland	0.00	0.37	0.00	17.70	0.00	-0.08	-0.08
Italy	10.87	5.73	7.40	1.22	0.61	-0.11	0.50
Netherlands	4.42	5.96	0.55	7.17	-0.25	-0.07	-0.33
Norway	1.77	2.39	-2.57	9.51	-0.32	0.04	-0.29
Poland	1.70	0.89	-5.30	-6.53	-0.03	-0.07	-0.11
Portugal	0.00	0.64	0.00	-8.17	0.00	0.08	0.08
Sweden	6.93	7.05	5.50	9.83	-0.37	0.04	-0.33
Turkey	0.00	0.86	0.00	-16.00	0.00	0.21	0.21
Cash	0.88	0.00	-	0.00	-0.10	0.08	-0.03

ATTRIBUTION BY SECTOR (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	11.48	7.71	16.31	13.26	0.26	0.16	0.42
Basic Materials	13.45	7.94	8.40	9.62	-0.19	0.39	0.21
Industrials	12.68	14.22	4.30	5.44	-0.15	-0.04	-0.20
Consumer Goods	10.42	18.33	5.89	6.44	-0.08	-0.24	-0.33
Health Care	10.10	12.18	4.41	6.72	-0.26	-0.30	-0.57
Consumer Services	2.91	5.17	1.74	2.55	-0.03	0.02	-0.02
Telecommunication	4.11	5.88	-2.43	-3.52	0.03	0.09	0.12
Utilities	4.46	5.71	-5.83	-5.44	-0.02	0.11	0.09
Financials	22.62	19.38	0.14	-3.20	0.84	-0.23	0.61
Technology	6.90	3.49	3.81	0.44	0.22	-0.11	0.11
Cash	0.88	0.00	-	0.00	-0.10	0.08	-0.03

ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
Bayer AG	4.06	1.21
Allianz SE	3.64	0.99
Air Liquide SA	3.43	0.80
Intesa Sanpaolo SpA	2.78	0.44
Vinci SA	2.86	0.56
UBS AG	3.33	1.04
ENI SpA	3.39	1.28
Umicore	2.16	0.11
Volkswagen AG	2.62	0.58
Zurich Financial Services AG	2.79	0.76

ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)

Stock	Fund	B. mark
Nestle SA	2.38	4.55
Telefonica SA	0.00	1.81
BASF SE	0.00	1.47
Banco Santander SA	0.00	1.46
Novo-Nordisk A/S	0.00	1.29
Unilever NV	0.00	1.22
LVMH Moet Hennessy L-Vuitton	0.00	1.19
Daimler AG	0.00	1.06
GDF Suez SA	0.00	1.05
Banco Bilbao Vizcaya Argentari	0.00	0.97

TOP TEN HOLDINGS (%)

	Fund
Total SA	4.60
Bayer AG	4.06
Siemens AG	3.78
Allianz SE	3.64
Air Liquide SA	3.43
ENI SpA	3.39
Novartis AG	3.36
UBS AG	3.33
SAP AG	3.10
Vinci SA	2.86

All performance data is sourced from Newton Investment Management Limited (except where otherwise stated) as at 31 Dec 2011. All Fund returns are calculated on a close of business offer price. All Funds are shown on a gross of fees basis. The information shown is deemed correct at time of publication but may be subject to subsequent revision. Clients should be aware that past performance is not a guide to future performance and that the value of investments and income derived from them can go down as well as up. Clients may not get back the full amount invested. The Prospectus and/or Simplified Prospectus should be read before an investment is made. This document can be obtained from www.bnymellon.com or by calling 0500 66 00 00. To help us continually improve our service and in the interest of security, we may monitor and/or record your telephone calls with us. Portfolio holdings are subject to change at any time without notice. The information provided is for use by professional clients only. It is for illustrative purposes only and should not be construed as a recommendation to purchase or sell any security.

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Performance since 22 September 2000 is the date the Newton Exempt Continental European Fund was merged into the Newton Continental European Fund.