

# NEWTON

The Power of Ideas

As at 31 December 2011  
For professional clients only

## Investment objective

To produce in the long term a total return in excess of the rate of salary inflation by investing in an international diversified portfolio of securities, selected to match the long-term nature of pension fund liabilities.

## Fund aim

To exceed wage and salary inflation and to provide upper quartile returns over rolling five year periods. Where benchmark shown, this is the CAPS Pooled Survey Balanced Fund Median.

## General information

Fund type	Unauthorised Unit Trust
Fund domicile	UK
Type of shares / units	Income
Base currency	GBP
Fund manager	Iain Stewart
Alternate	Matthew Brown
Fund size (million)	£ 896.99

## Historical fund statistics - 3 years

12 Month turnover	25.84
3 Month turnover	6.00
Annualised Sharpe ratio	0.65
Annualised alpha	0.21
Annualised information ratio	-0.31
Beta	0.83
Ex ante tracking error	3.40
Ex post tracking error	4.68
Fund volatility	11.69
Index volatility	13.19
Jensen alpha	0.02
R <sup>2</sup>	0.88
Treynor ratio	9.13

## Key dates

Fund launch	01/02/1971
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.bnymellon.com/pooledprices](http://www.bnymellon.com/pooledprices)  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

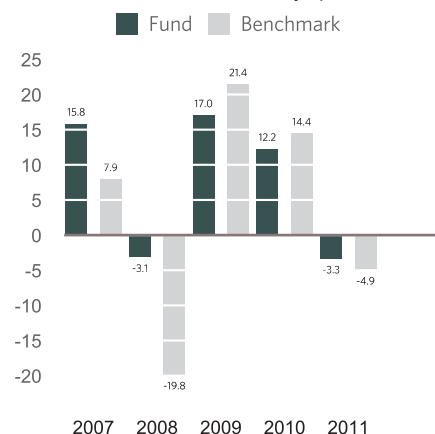
## Client service

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# Newton Exempt

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	4.3	6.3	-2.0
3 Months to Sep-11	-9.3	-11.9	2.6
3 Months to Jun-11	1.4	1.4	0.0
3 Months to Mar-11	0.7	0.9	-0.2
12 Months	-3.3	-4.9	1.6
3 Years annualised	8.3	10.1	-1.8
5 Years annualised	7.3	2.9	4.4
10 Years annualised	8.7	5.5	3.2

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 calculation adjusted for retrospective correction of tax rates for 2008, 2009 and 2010. This did not affect the daily price of the Fund at any point during the periods noted.

## Performance factors

The final quarter of 2011 proved to be another eventful period, and one in which the ongoing focus on the European sovereign debt crisis meant that financial markets were highly politicised. Against this backdrop, the Fund generated a positive return, albeit one that lagged its peer group.

Gilts were one of the major beneficiaries of persistent sovereign debt concerns, as investors perceived them to be a "safe haven" in relation to continuing eurozone issues. Our view is somewhat different. We see limited upside and, indeed, considerable downside risk in this asset class, given the negative real yields that now prevail across the UK yield curve. Nevertheless, during the review period, the portfolio's void stance in gilts weighed negatively upon performance, and thus, despite positive contributions from holdings in Australian government bonds and high-yield credit, fixed income holdings generated a negative relative return.

The other major disappointment was gold, where investors booked profits towards the end of the quarter, as the comprehensive programme of eurozone quantitative easing that some had envisaged failed to materialise. Consequently, the portfolio's positions in Source Physical Gold and gold mining companies such as Newcrest Mining and Barrick Gold detracted from performance.

Among equities, the strategic underweighting of poorly performing financials, allied to our focus on companies generating stable growth such as GlaxoSmithKline, Pfizer and Altria, contributed positively to performance. Of particular note was Bayer, a holding which had been increased significantly during the previous quarter, and was beneficial as its new anticoagulant treatment Xarelto gained a series of key regulatory approvals.

## Review of activity

In recent months we have grown increasingly cautious regarding the outlook for the Chinese economy. These concerns were the motivation behind a number of portfolio changes. For instance, we sold Yingde Gases as we felt that its considerable end-market exposure to steel manufacturing will render it vulnerable to a slowdown in construction activity. The portfolio also exited the position in Noble Group, as the company's focus on the mining, trading and distribution of commodities means that it will also be significantly impacted by a moderation in Chinese demand.

Finally, in the telecommunications sector, Cable & Wireless Worldwide and Turkcell were sold as irrational behaviour from the major competitors within their respective markets threatened to diminish returns going forward. In their place, a new holding in TDC of Denmark was introduced, where the main attraction is the management's firm commitment to cost cutting and shareholder returns.

## 3 MONTH RELATIVE CONTRIBUTION - TOP FIVE (%)

Stock	Contribution (%)
Bayer AG	0.17
GlaxoSmithKline PLC	0.12
HSBC Holdings PLC	0.12
Statoil ASA	0.11
Total SA	0.09

## 3 MONTH RELATIVE CONTRIBUTION - BOTTOM FIVE (%)

Stock	Contribution (%)
Newcrest Mining Ltd	-0.34
Royal Dutch Shell PLC	-0.24
Sprint Nextel Corp	-0.18
Huabao Intl Holdings Ltd	-0.13
Newmont Mining Corp	-0.12

## ATTRIBUTION BY ASSET CLASS (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
UK Equities	26.91	39.09	8.84	8.39	0.09	-0.31	-0.21
North American Equities	11.66	13.13	4.54	11.31	-0.73	-0.11	-0.84
Europe ex UK Equities	17.00	10.26	5.54	3.63	0.30	-0.11	0.20
Japanese Equities	3.90	4.25	-3.03	-3.58	0.03	0.03	0.06
Pacific ex. Japan Equities	3.58	5.00	-7.50	5.57	-0.54	0.01	-0.53
Other International Equities	4.56	5.04	4.66	2.00	0.10	0.04	0.14
UK Government	0.00	4.94	0.00	5.01	0.00	0.04	0.04
Overseas Government	6.66	4.06	1.25	0.03	-0.01	0.03	0.02
UK Index Linked	1.55	0.91	4.01	8.38	-0.06	0.01	-0.05
Overseas Index Linked	1.34	0.00	5.02	0.00	0.06	-0.07	-0.01
UK Corporate	2.85	4.57	3.78	3.49	0.01	0.04	0.05
Overseas Corporate	7.47	0.00	3.52	0.00	0.28	-0.44	-0.16
Other Investments	0.00	1.09	0.00	-4.49	0.00	0.11	0.11
Property	0.00	0.80	0.00	1.66	0.00	0.03	0.03
Cash	8.80	6.84	0.00	0.02	0.00	-0.11	-0.11
Forward FX	-0.25	0.00	-	0.00	-0.10	0.00	-0.10
Index Derivative Instruments	0.03	0.00	-	0.00	0.16	-0.01	0.15
Other/Non Region Specific	1.07	0.00	1.64	0.00	0.02	-0.06	-0.04
Commodities	2.88	0.00	-3.08	0.00	-0.09	-0.17	-0.26

## ATTRIBUTION BY SECTOR (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	14.23	14.60	16.63	15.44	0.10	-0.11	0.00
Basic Materials	21.47	9.29	1.62	6.34	-0.70	0.08	-0.63
Industrials	4.87	10.30	1.09	7.98	-0.27	-0.06	-0.33
Consumer Goods	8.61	13.54	6.23	6.70	-0.02	-0.04	-0.07
Health Care	16.08	8.12	9.66	7.84	0.17	0.09	0.26
Consumer Services	8.79	8.92	5.47	7.10	-0.09	-0.01	-0.10
Telecommunication	10.09	5.86	-0.04	6.05	-0.39	0.00	-0.38
Utilities	3.53	4.01	-2.41	-0.01	-0.06	0.04	-0.03
Financials	6.92	19.97	2.20	2.61	-0.03	0.31	0.28
Technology	4.30	5.33	2.77	5.97	-0.08	-0.01	-0.09
Unitised / Structured Investments (Equities)	1.12	0.07	-4.16	1.25	-0.04	-0.03	-0.07

## ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
Newcrest Mining Ltd	2.45	0.04
GlaxoSmithKline PLC	4.06	1.74
Bayer AG	2.36	0.13
Roche Hldgs AG	1.68	0.29
Barrick Gold Corp	1.39	0.00
Altria Group Inc	1.32	0.06
Newmont Mining Corp	1.26	0.03
Yamana Gold Inc	1.07	0.01
Statoil ASA	1.09	0.08
Syngenta AG	1.02	0.07

## ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)

Stock	Fund	B. mark
HSBC Holdings PLC	0.00	2.04
Royal Dutch Shell PLC	0.00	1.99
Rio Tinto PLC	0.00	1.07
AstraZeneca PLC	0.00	0.93
Vodafone Group PLC	1.20	2.11
Diageo PLC	0.00	0.83
Unilever PLC	0.00	0.66
SABMiller PLC	0.00	0.63
Imperial Tobacco Group PLC	0.00	0.58
Reckitt Benckiser Group PLC	0.00	0.54

## TOP TEN HOLDINGS (%)

	Fund
GlaxoSmithKline PLC	4.06
Source Physical Markets PLC	2.88
Norway (Kingdom of).3.75% Bds 25/05/2021	2.78
BP PLC	2.78
Newcrest Mining Ltd	2.45
Bayer AG	2.36
Norway (Kingdom of).4.5% Bds 22/05/2019	2.25
Roche Hldgs AG	1.68
Tesco PLC	1.63
Royal Dutch Shell PLC	1.56

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 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. It should not be published in hard copy, electronic format, via the web or in any other medium accessible to the public. BNY Mellon Asset Management International Limited (BNYMAMI) is not responsible for any subsequent investment advice given based on the information supplied. This document is issued in the UK by BNYMAMI, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorised and regulated by the Financial Services Authority. BNYMAMI and Newton Investment Management Limited are all ultimately owned by The Bank of New York Mellon Corporation. Newton Investment Management Limited is a member of the IMA. The Newton Exempt Fund is an unregulated collective investment scheme. This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons. In the UK this document is directed only at persons who are Professional Clients or Eligible Counterparties as defined by the FSA COBS Chapter 3 or are persons to whom this document may otherwise lawfully be issued or passed on (all of the persons above being referred to together as "relevant persons"). This Fund (an unauthorised unit trust) may use derivatives for efficient portfolio management purposes and in pursuit of its investment objectives, as described in the Scheme Particulars. CP7111-02-08-2011 (6M)