

NEWTON

The Power of Ideas

As at 31 December 2011
For professional clients only

Investment objective

The objective of the Sub-Fund is to maximise the total return from income and capital growth in the world bond markets through investment predominantly in Government and other public securities. The Sub-Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes.

Fund aim

To outperform the JP Morgan Government Bond 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	Paul Brain
Alternate	Howard Cunningham / Jon Day
Fund size (million)	£ 746.73

Historical fund statistics - 3 years

12 Month turnover	181.59
3 Month turnover	29.78
Annualised Sharpe ratio	0.35
Annualised alpha	1.63
Annualised information ratio	1.00
Beta	1.00
Ex ante tracking error	n/a
Ex post tracking error	1.64
Fund volatility	9.64
Index volatility	9.47
Jensen alpha	0.13
R ²	0.97
Treynor ratio	3.39

Key dates

Fund launch	01/02/1991
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
www.newton.co.uk/pooledprices

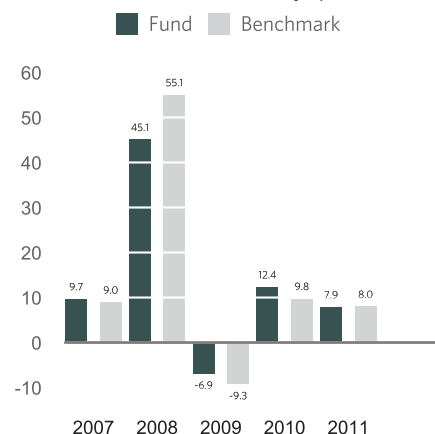
Client service

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Newton International Bond

CALENDAR PERFORMANCE (%)



PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	0.1	0.4	-0.3
3 Months to Sep-11	6.2	6.2	0.0
3 Months to Jun-11	3.2	3.2	0.0
3 Months to Mar-11	-1.6	-1.8	0.2
12 Months	7.9	8.0	-0.1
3 Years annualised	4.1	2.5	1.6
5 Years annualised	12.4	12.7	-0.3
10 Years annualised	8.6	7.3	1.3

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

During the quarter, the Fund registered a small underperformance relative to its index. While the underweight position in the euro relative to the US dollar was beneficial, the Fund's exposure to the Norwegian krone, the Polish zloty and the Swedish krona reduced returns. In addition, the underweight in the yen, which appreciated relative to the US dollar, also reduced returns.

In addition, at the government bond level, the underweight exposure to the core European markets, especially to German government bonds, held back performance.

Areas of strength included the duration positioning in those markets where central banks had previously raised interest rates while economic expansion had remained strong, and which are now pricing in interest rates cuts. In addition, the longer duration exposure relative to the index in the UK made a strong positive contribution as gilts continued to benefit from both European investors' 'flight to quality', and the UK Monetary Policy Committee's additional monetary policy stimulus. The Fund's limited debt exposure to the peripheral nations within the Eurozone also helped performance.

Review of activity

In light of the soft global growth outlook, and in the absence of a definitive resolution to the Eurozone debt crisis, the Fund remained cautiously positioned, with both overweight US dollar and sterling duration positions, and minimal holdings of 'peripheral' European governments' debt. However, as the US economy continued to improve, US Treasury holdings were reduced in favour of attractively valued quasi-government and emerging market sovereign issuance. We reduced our exposure to Germany, the Netherlands and Finland, owing to the threat any rescue of the indebted 'peripheral' economies poses to the credit-standing of these northern European member states, particularly Germany. Meanwhile, we increased our exposure to Australia and Malaysia where investors' expectations of interest-rate increases were moderated as global growth softened. Our European currency strategy remained to be diversified into those currencies where more public finances and the scope for monetary policy stimulus are more supportive of the economic outlook (for example the Norwegian krone and the Swedish krona). The Fund's sterling position was reduced to an underweight, owing to the UK's challenging near-term growth outlook, while we retained our overweight exposure to the US dollar relative to the index.

TOP TEN HOLDINGS (%)

Bond	Fund
USA Treasury Bonds 4.25% 15/05/2039	5.85
USA Treasury Notes 2.625% 15/08/2020	4.10
USA Treasury Notes 1% 30/9/2016	4.00
UK Treasury Gilt 4.5% 7/12/2042	3.62
USA Treasury Notes 2.625% 30/04/2018	3.56
New Zealand Government 6% Bds 15/12/2017	3.10
Canada 3.5% Bds 1/06/2020	3.05
Canada 2% Bds 01/06/2016	3.01
Mexico 8% Bds 11/06/2020	2.42
New South Wales Treasury Corp 2.75% Bds 20/11/2025	2.38

MATURITY PROFILE (%)

Years	Fund
0 - 3 yrs	22.24
3 - 5 yrs	19.66
5 - 10 yrs	40.75
10 - 15 yrs	5.44
15 +	11.91

CREDIT RATING DISTRIBUTION (%)

Rating	Fund
AAA	75.46
AA	8.45
A	6.24
BBB	5.03
Cash	4.84

CHARACTERISTICS

	Fund	B'mark
Duration	6.02	6.91
No. of issuers	33	n/a
Average Maturity	8.04	8.68
Annual Yield	2.24	2.06

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.bnymellonam.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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This Fund is a sub-fund of BNY Mellon Investment Funds ICVC into which an exempt share class was introduced on 2 August 2004, for institutional clients.