

# 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 significant real rates of return in sterling terms predominantly from a portfolio of UK and international securities. The Sub-Fund may also invest in deposits, money market instruments, derivative instruments, forward transactions and collective investment schemes.

## Performance aim

The Fund aims to deliver a performance of cash (LIBOR) + 4% p.a. over 3 to 5 years before fees are deducted. There is no guarantee that this performance will be achieved or that your capital will be maintained.

## General information

Fund type	ICVC
Fund domicile	UK
Type of shares / units	Accumulation/Income
Base currency	GBP
Fund manager	Iain Stewart
Alternate	James Harries
Fund size (million)	£ 4,985.52

## Historical fund statistics - 3 years

12 Month turnover	41.26
3 Month turnover	12.81
Annualised Sharpe ratio	0.89
Annualised alpha	n/a
Annualised information ratio	n/a
Beta	n/a
Ex ante tracking error	4.20
Ex post tracking error	n/a
Fund volatility	7.45
Index volatility	0.08
Jensen alpha	n/a
R <sup>2</sup>	n/a
Treynor ratio	n/a

## Key dates

Fund launch	01/09/1993
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) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

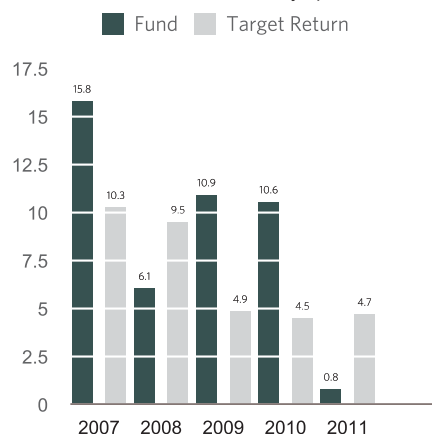
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
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# Newton Real Return

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Target Return	Relative
3 Months to Dec-11	3.1	1.2	1.9
3 Months to Sep-11	-4.7	1.2	-5.9
3 Months to Jun-11	1.2	1.1	0.1
3 Months to Mar-11	1.4	1.1	0.3
12 Months	0.8	4.7	-3.9
3 Years annualised	7.3	4.7	2.6
5 Years annualised	8.7	6.7	2.0
Since Fund restyle, annualised 01-04-2004	10.9	7.5	3.4

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

The final quarter of 2011 proved to be a constructive period for risk assets. Equity and credit markets produced largely positive returns, with the exception of some emerging and peripheral European markets. The US equity market led the charge, buoyed by encouraging economic data, including improving employment statistics. Despite some room for optimism, investors continued to buy the government bonds of those sovereigns perceived to be safe havens, such as the US, Germany and the UK. UK gilts in particular posted strong returns, supported by purchases by the Bank of England. The gold price weakened, a development which seemed, at least in part, to be in response to the ECB's decision not, for the moment at least, to pursue the route of money printing. The oil price staged an impressive rally, driven partially by increasing tensions in the Middle East, in particular in Iran. The euro finally started to show some weakness against the US dollar.

The Fund produced a strong positive return in the final quarter of 2011. The position in Australian government bonds introduced during the quarter benefited from a 25bp cut in the base rate by the Reserve Bank of Australia. Bayer, the healthcare and chemicals company, was the Fund's top contributor, following positive trial data for Xeralto, its drug for the treatment of Acute Coronary Syndrome. The holding in BP benefited from strong third quarter results which beat consensus earnings expectations, and from the release of an upbeat management statement which pointed to a turning point for the company, which has been enduring a long recovery from the Gulf of Mexico disaster. The holding in US inflation-linked Treasury notes was advantageous amid investors' flight towards perceived safe haven government bonds. Gold-related holdings, including gold miners Newcrest Mining and Barrick Gold, and physical exposure via ETFs Physical Gold, were notable detractors over the quarter, on account of weakness in the gold price. Other top contributors included GlaxoSmithKline, Total, Reynolds American and Statoil.

## Review of activity

There was a shift over the quarter in the Fund's protective strategy. We allowed the indirect risk asset hedges (in the form of put options on the Australian dollar and euro) to expire, and instead gained most of the Fund's protection directly, through index options. We made this change because we feel the value offered by indirect hedges has now been arbitrated away and, as a result, they have become expensive to maintain, especially in comparison to index options strategies, which we are able to implement for zero cost at initiation. Total protection in the Fund has actually increased, as we have increased the floating US dollar position which, at the current time, is behaving as a natural risk-offsetting position due to the perceived safe haven characteristic of the US dollar. This also serves as a cost-effective complement to the Fund's direct protection. This has been achieved by investing cash in short-dated US Treasury bills. Cash levels have been increased and equities reduced further. We introduced a position in Australian 15-year bonds, on account of their potential to benefit from the deleveraging environment. The Australian economy is highly exposed to Chinese growth and appears to have a housing 'bubble' not dissimilar to the UK's, with a significant proportion of the nation's debt being mortgage-related. Should the Australian economy start to slow, the country's interest rates could be cut sharply. If such a scenario were to occur, the Australian dollar would likely weaken, so we have hedged the currency back to sterling to protect the Fund's sterling liabilities. We increased existing positions in Newcrest Mining and Japan Tobacco, and sold the holding in ENI.

**ASSET CLASS ALLOCATION (%)**

	<b>Fund</b>
UK Equities	15.17
North American Equities	9.55
Europe ex UK Equities	16.22
Japanese Equities	2.56
Pacific ex. Japan Equities	2.55
Other International Equities	2.91
Overseas Government	7.31
UK Index Linked	0.77
Overseas Index Linked	2.52
UK Corporate	1.39
Overseas Corporate	6.68
Other/Non Region Specific	0.20
Cash	26.70
Forward FX	-0.17
Currency Derivative Instruments	0.00
Index Derivative Instruments	-0.02
Other/Non Region Specific	1.65
Commodities	4.01

**SECTOR ALLOCATION (%)**

	<b>Fund</b>
Oil & Gas	6.95
Unit Trusts (Multi Assets)	1.65
Basic Materials	11.73
Industrials	0.95
Consumer Goods	4.49
Health Care	10.68
Consumer Services	3.41
Telecommunication	6.24
Utilities	3.07
Financials	1.45
Options	-0.02
Bonds	18.67
Cash	26.53
Commodities	4.01
Investment Trusts (Global/International Bonds)	0.20

**TOP TEN HOLDINGS (%)**

	<b>Fund</b>
Norway (Kingdom of).4.5% Bds 22/05/2019	3.27
GlaxoSmithKline PLC	3.02
Bayer AG	2.71
Newcrest Mining Ltd	2.55
ETFS Physical Gold	2.52
Reynolds American Inc	2.08
Barrick Gold Corp	2.04
Roche Hldgs AG	2.03
Total SA	1.85
BP PLC	1.76

**ABSOLUTE CONTRIBUTION (%)**

	<b>Fund</b>
Bayer AG	0.37
GlaxoSmithKline PLC	0.34
BP PLC	0.33
Total SA	0.30
Reynolds American Inc	0.23
ENI SpA	0.18
Statoil ASA	0.17
Medtronic Inc	0.14
Petroleo Brasileiro SA	0.14
Yamana Gold Inc	0.14
Syngenta AG	0.12
Tesco PLC	0.12
Morrison (WM) Supermarkets PLC	0.11
British American Tobacco PLC	0.11
Vodafone Group PLC	0.11
Sanofi	0.10
Roche Hldgs AG	0.10
Thales SA	0.09
BAE Systems PLC	0.08
BB Biotech AG	0.08

**RETURN BY SECTOR (%)**

	<b>Fund</b>
Oil & Gas	14.68
Unit Trusts (Multi Assets)	1.64
Basic Materials	2.61
Industrials	10.78
Consumer Goods	9.86
Health Care	9.44
Consumer Services	8.80
Telecommunication	-1.34
Utilities	-1.71
Financials	1.12
Options	-
Bonds	1.65
Cash	-
Commodities	-3.15
Investment Trusts (Global/International Bonds)	-1.55

**CONTRIBUTION BY MINOR SECTOR (%)**

	<b>Fund</b>
Oil & Gas Producers	1.13
Unit Trusts (Multi Assets)	0.03
Chemicals	0.49
Mining	-0.17
Aerospace & Defence	0.16
Beverages	0.03
Tobacco	0.34
Health Care Equipment & Services	0.22
Pharmaceuticals & Biotechnology	0.71
Food & Drug Retailers	0.23
Media	0.05
Fixed Line Telecommunications	-0.11
Mobile Telecommunications	-0.04
Electricity	0.00
Gas Water & Multiutilities	-0.05
Nonlife Insurance	-0.01
Real Estate Investment Trusts	-0.01
Equity Investment Instruments	0.02
Options	-0.45
Bonds	0.26
Cash	2.11
Commodities	-0.11
Investment Trusts (Global/International Bonds)	0.00

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](http://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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From 1 July 2009 the Newton Absolute Intrepid Fund was renamed Newton Real Return Fund. From 31 March 2008, the Newton Absolute Intrepid Fund has been managed using a global multi-asset structure aimed at generating superior returns in absolute terms. It is now placed in the Absolute Return sector and all index returns shown are for the LIBOR GBP 1 Month plus 4%. On 30 July 2004, the Newton Intrepid Fund was renamed Newton Absolute Intrepid. The performance since 1 April 2004 is the date that the Fund was restyled. Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested. Note that short dated UK Gilt holdings are treated as cash equivalents.