

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 long-term growth, the Sub-Fund will invest in a carefully selected portfolio of UK securities. An equal emphasis will be placed on the generation of income and capital growth. The Sub-Fund may also invest in collective investment schemes.

Fund aim

To outperform the FTSE All-Share Index by 1-2% 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	Richard Wilmot
Alternate	Ben Russon
Fund size (million)	£ 53.60

Historical fund statistics - 3 years

12 Month turnover	83.64
3 Month turnover	2.70
Annualised Sharpe ratio	0.54
Annualised alpha	-1.89
Annualised information ratio	-0.60
Beta	0.81
Ex ante tracking error	4.00
Ex post tracking error	7.12
Fund volatility	14.73
Index volatility	16.28
Jensen alpha	-0.14
R ²	0.81
Treynor ratio	9.71

Key dates

Fund launch	29/03/1996
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

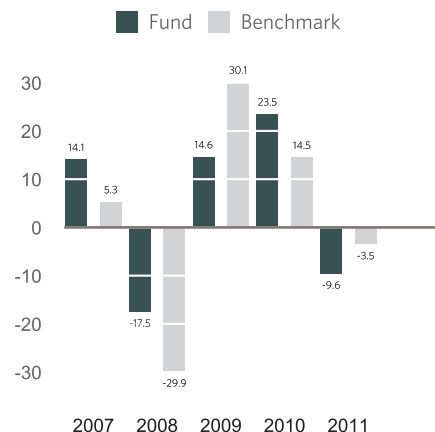
Client service

Pooled Fund Client Operations
Tel: 0844 892 2715
Dealing fax: 0844 892 2716
email: pfco@bnymellon.com

Newton Institutional Business Development Team
Tel: 020 7163 4549
email: oliver_fairfull@newton.co.uk

Newton UK Equity

CALENDAR PERFORMANCE (%)



PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	7.0	8.4	-1.4
3 Months to Sep-11	-16.8	-13.5	-3.3
3 Months to Jun-11	1.9	1.9	0.0
3 Months to Mar-11	-0.3	1.0	-1.3
12 Months	-9.6	-3.5	-6.1
3 Years annualised	8.6	12.9	-4.3
5 Years annualised	3.8	1.2	2.6
10 Years annualised	5.9	4.8	1.1

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

Over the period, the Fund underperformed the FTSE All-Share Index.

The overweight position in Lloyds Banking Group hurt performance. There were concerns about its exposure to European sovereign debt, the sudden temporary leave of absence of its chief executive officer and a reported £3.9 billion loss for the nine months to the end of September, largely attributable to the mis-selling of payment protection insurance. The overweight holding in Bowleven also held back performance, despite its discovery of further oil reserves in its Sapele-3 exploration well, offshore Cameroon. The inconclusive nature of the results meant that investors would not be able to determine the discovery's potential until the firm completed its appraisal programme. The overweight position in ICAP hurt performance as its share price was affected by a continued deterioration of trading volumes over the quarter.

The avoidance of HSBC Holdings was positive, amid a reported 53% drop in pre-tax profits in its investment bank and an increase in bad loan provisions to US\$3.89 billion from US\$3.15 billion, mainly in relation to its US franchise. The overweight holding in BP also helped performance, driven by a rising oil price and indications of stronger demand. Its shares were further supported by its agreed US\$4 billion settlement with Anadarko whereby the latter also dropped all claims of gross negligence in relation to the 2010 oil spill in the Gulf of Mexico.

Review of activity

During the period, we used an acute fall in shares to increase our holding in Immunodiagnostic Systems Holdings. Although the specialist diagnostics company reported short-term pricing pressures, we are confident in the investment case over the long term. We also increased our position in Carphone Warehouse Group whose shares started to fall when it announced the sale of its stake in Best Buy Mobile and the closure of its 'big box' electrical mega-stores. In our view, there remains considerable upside in the remaining business and we retain our conviction. Elsewhere, we used share-price weakness as an opportunity to increase the holding in Virgin Media, as its valuation became more attractive.

We reduced our position in British American Tobacco; over the period, the sector was strong, driven by good financial results and increased risk aversion, as investors sought high yielding defensive stocks given the macroeconomic uncertainty. We took profits in Rolls-Royce after its shares did well due to its strong order book and the announcement of a joint venture with Daimler to control 60% of German engineering group Tognum. Elsewhere, we also took profits in the marketing services group WPP as the shares performed well. The company announced a scrip dividend as well as acquisitions in emerging market media, advertising and public relations firms, increasing its international reach. We also reduced our position in BP as its third-quarter results provided greater assurance that its management seemed to be more confident of not being held liable for gross negligence claims relating to 2010's Gulf of Mexico oil spill.

3 MONTH RELATIVE CONTRIBUTION - TOP FIVE (%)

Stock	Contribution (%)
HSBC Holdings PLC	0.44
Ashtead Group PLC	0.24
Wolseley PLC	0.19
BP PLC	0.18
Xstrata PLC	0.16

3 MONTH RELATIVE CONTRIBUTION - BOTTOM FIVE (%)

Stock	Contribution (%)
Royal Dutch Shell PLC	-0.97
Lloyds Banking Group PLC	-0.80
ICAP PLC	-0.30
Bowleven PLC	-0.24
ASOS PLC	-0.23

ATTRIBUTION BY SECTOR (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	13.28	18.92	11.86	17.34	-0.66	-0.37	-1.03
Unit Trusts (UK Equities)	3.07	0.00	-2.57	0.00	-0.08	-0.27	-0.35
Basic Materials	15.01	11.19	10.07	8.35	0.28	0.07	0.34
Industrials	14.17	8.03	14.80	10.34	0.61	0.12	0.73
Consumer Goods	7.64	13.37	8.13	8.67	-0.03	-0.02	-0.05
Health Care	3.93	8.01	3.36	9.00	-0.20	0.00	-0.20
Consumer Services	10.56	9.49	5.57	7.10	-0.11	-0.03	-0.14
Telecommunication	0.90	6.52	-13.73	10.63	-0.24	-0.10	-0.34
Utilities	3.19	3.93	0.49	0.40	0.00	0.07	0.08
Financials	14.43	19.08	-0.86	1.55	-0.37	0.27	-0.10
Technology	6.79	1.45	8.56	4.78	0.25	-0.18	0.07
Cash	7.03	0.00	0.04	0.00	0.00	-0.10	-0.10

ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
Barclays PLC	3.03	1.27
Lloyds Banking Group PLC	2.27	0.62
Sage Group PLC	1.59	0.23
Anglo American PLC	3.20	1.86
Prudential PLC	2.27	0.95
Rio Tinto PLC	3.94	2.67
BP PLC	6.38	5.13
BHP Billiton PLC	3.58	2.34
Pennon Group PLC	1.33	0.15
Carphone Warehouse Group PLC	1.14	0.00

ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)

Stock	Fund	B. mark
Royal Dutch Shell PLC	0.00	9.00
Vodafone Group PLC	0.00	5.34
HSBC Holdings PLC	0.00	5.17
GlaxoSmithKline PLC	0.00	4.42
AstraZeneca PLC	0.00	2.29
Diageo PLC	0.00	2.09
Standard Chartered PLC	0.00	1.98
Tesco PLC	0.00	1.90
Unilever PLC	0.00	1.68
Imperial Tobacco Group PLC	0.00	1.46

TOP TEN HOLDINGS (%)

	Fund
BP PLC	6.38
Rio Tinto PLC	3.94
BHP Billiton PLC	3.58
BG Group PLC	3.38
Anglo American PLC	3.20
Barclays PLC	3.03
British American Tobacco PLC	2.47
SABMiller PLC	2.44
Xstrata PLC	2.35
Lloyds Banking Group PLC	2.27

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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On 31 July 2004 Funds merged into sub-funds of the BNY Mellon Investment Funds ICVC. Performance prior to this date is based on the Newton Exempt UK Equity Fund.