

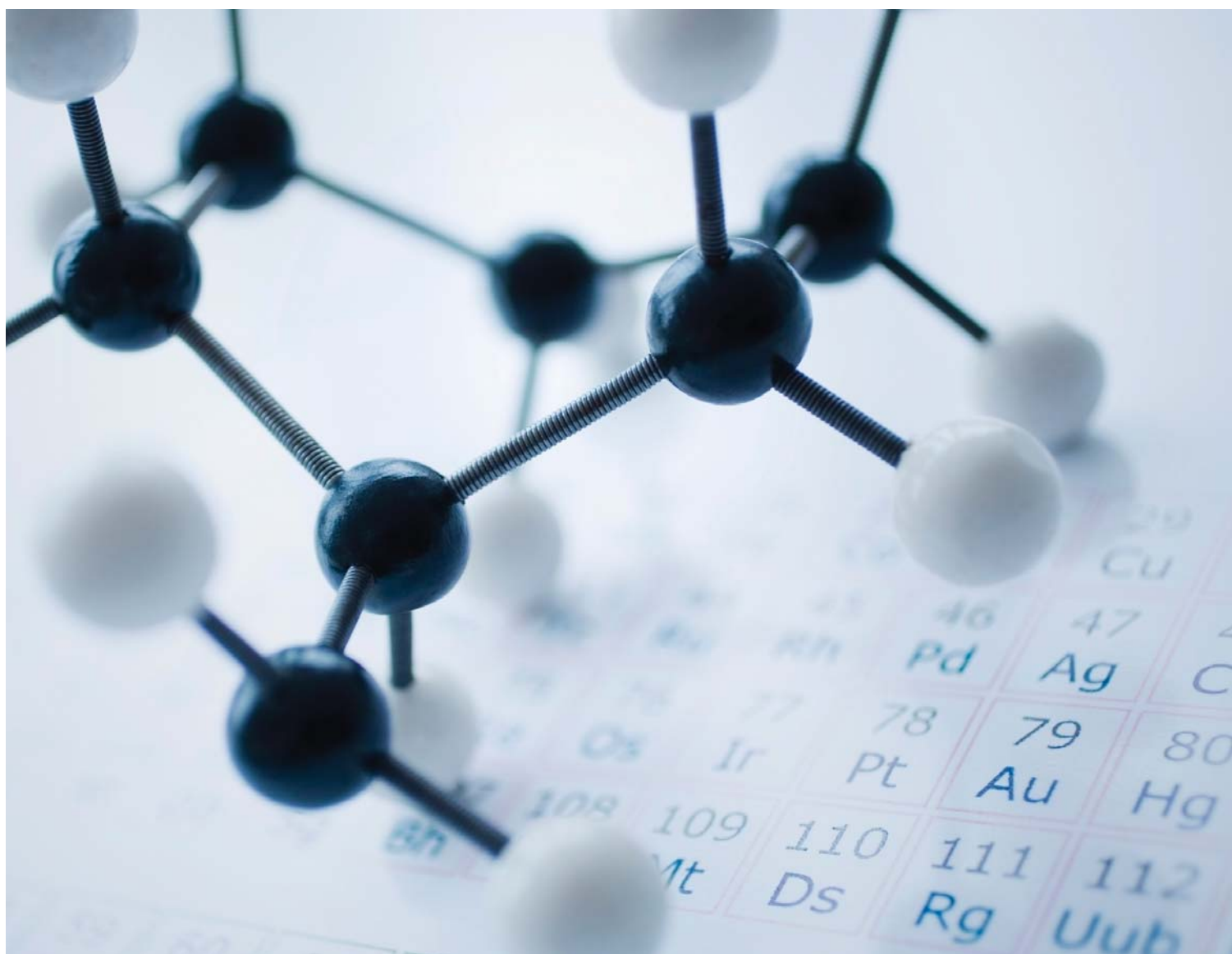
# Institutional Pooled Funds Quarterly report

Fourth quarter 2011

Prepared for professional clients only

➤ A BNY MELLON COMPANY<sup>SM</sup>

**NEWTON**  
The Power of Ideas



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# Introduction

This report is a quarterly publication that is prepared for institutional investors and their consultants. It provides a transparent and detailed review of each of Newton's extensive range of institutional pooled fund strategies, as well as in-depth statistical analysis of those strategies<sup>1</sup>. Newton's range of funds is suitable for both defined benefit and defined contribution pension schemes and spans a broad spectrum of mandates.

A full glossary, which outlines all assumptions behind the data, is also incorporated at the back of this document.

## About Newton

Newton's global, thematic approach to investment has been highly successful for over 30 years. Our long-term investment philosophy and fundamental research have proved consistently to be key elements in overcoming the short-term uncertainties that challenge investors. As well as delivering strong risk-adjusted returns, our approach has involved a transparency that is essential in the building of long-standing relationships with our clients.

The key benefit of our approach is that it allows us to gain long-term perspective on global financial markets and economies. Perspective is a defining feature of our investment process; it helps us to anticipate how the world will change and it directs our analysts and investment managers towards profitable investment opportunities across the world.

A central tenet of Newton's approach, which dates back to the inception of the firm, has been that 'change leads to opportunity'. The continually evolving nature of our global, thematic approach allows us to understand how the world is changing and to identify areas of opportunity and risk.

Key to preserving perspective is our structure. Newton employs highly-qualified career analysts, many of whom have direct

experience in the global sectors for which they are responsible. Teams of investment managers are organised by mandate type. Our analysts and investment managers sit in one location, London, rather than being spread around the world, and this collaborative arrangement promotes perspective on the investment landscape, strong idea generation and the swift implementation of investment ideas.

Newton has expertise in a number of disciplines and, over the years, those disciplines themselves have evolved. We remain faithful to our long-standing strategies, but we are mindful too of the opportunities that exist in specialist areas of investment and, in recent years, we have developed a number of specialist strategies. Our areas of expertise include:

- 1 Multi-asset management of equities, bonds and cash;
- 2 Portfolios with absolute-return objectives;
- 3 Specialist regional and global equity mandates (both 'benchmark-aware' and unconstrained); and
- 4 Specialist regional global bond mandates.

Newton is a wholly owned, but operationally autonomous, subsidiary of The Bank of New York Mellon. As at 31 December 2011, Newton had approximately £46.3bn in assets under management.

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To find out more please call us on  
020 7163 5730 or visit our website  
on [www.newton.co.uk](http://www.newton.co.uk)

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<sup>1</sup> These funds include the range of Newton managed funds within the BNY Mellon Investment Funds ICVC (an investment company with variable capital), and the Newton Exempt Fund (an unauthorised unit trust).

# Fund summary

Fund	Benchmark
<b>BALANCED FUNDS</b>	
Newton Exempt <sup>1</sup>	CAPS Pooled Survey Balanced Fund Median
Newton Global Balanced	CAPS Pooled Survey Balanced Fund Median
<b>UNCONSTRAINED/TARGETED RETURN FUNDS</b>	
Newton Real Return <sup>2</sup>	Cash (1 month LIBOR)
Newton Global Opportunities	FTSE All World
Newton Phoenix Multi-Asset	Cash (1 month LIBOR)
Newton UK Opportunities	FTSE All-Share
<b>GLOBAL EQUITY FUNDS</b>	
Newton Global Higher Income	FTSE World
Newton International Growth	MSCI AC World
Newton Overseas Equity	1/3 FTSE AW North America, 1/3 FTSE AW Europe ex UK, 1/3 FTSE AW Asia Pacific
Newton 50/50 Global Equity	50% FTSE All-Share /50% International Indices (1/3 FTSE AW North America, 1/3 FTSE AW Europe ex UK, 1/3 FTSE AW Asia Pacific)
<b>REGIONAL EQUITY FUNDS</b>	
Newton American	FTSE World North America
Newton Continental European	FTSE World Europe ex UK
Newton Higher Income	FTSE All-Share
Newton Income	FTSE All-Share
Newton Oriental	FTSE AW Asia Pacific ex Japan
Newton UK Equity	FTSE All-Share
<b>BOND FUNDS</b>	
Newton Global Dynamic Bond	Cash (1 month LIBOR)
Newton Index-Linked Gilt	FTSE Actuaries Government Securities Index-Linked (over 5 years)
Newton International Bond	JP Morgan Government Bond
Newton Long Corporate Bond	BofA Merrill Lynch (over 10 year) Investment Grade
Newton Long Gilt	FTSE Actuaries Government Securities (over 15 years)

**Target outperformance of  
benchmark (over rolling 5 year  
periods unless otherwise stated)**

**Asset  
Manager**

**Inception date**

**Fund**

**BALANCED FUNDS**

Up to 1% p.a.	Newton	01/02/1971	Newton Exempt <sup>1</sup>
+1-2% p.a.	Newton	23/09/1998	Newton Global Balanced

**UNCONSTRAINED/TARGETED RETURN FUNDS**

+4% p.a. over rolling 3 year periods	Newton	01/09/1993	Newton Real Return <sup>2</sup>
Absolute return over longer term periods	Newton	01/07/2005	Newton Global Opportunities
+2% p.a. over rolling 3 year periods	Newton	11/04/2003	Newton Phoenix Multi-Asset
Absolute return over longer term periods	Newton	08/02/2002	Newton UK Opportunities

**GLOBAL EQUITY FUNDS**

over +2% p.a.	Newton	30/11/2005	Newton Global Higher Income
over +2% p.a.	Newton	01/06/1987	Newton International Growth
over +2% p.a.	Newton	29/03/1996	Newton Overseas Equity
+1-2% p.a.	Newton	15/02/1999	Newton 50/50 Global Equity

**REGIONAL EQUITY FUNDS**

over +2% p.a.	Newton	31/10/1986	Newton American
over +2% p.a.	Newton	01/06/1987	Newton Continental European
over +2% p.a.	Newton	01/06/1987	Newton Higher Income
over +2% p.a.	Newton	01/05/1985	Newton Income
over +2% p.a.	Newton	30/11/1990	Newton Oriental
+1-2% p.a.	Newton	29/03/1996	Newton UK Equity

**BOND FUNDS**

+2% p.a.	Newton	28/04/2006	Newton Global Dynamic Bond
Marginal outperformance	Newton	24/02/1998	Newton Index-Linked Gilt
+2% p.a.	Newton	01/02/1991	Newton International Bond
Marginal outperformance	Newton	29/06/2000	Newton Long Corporate Bond
Marginal outperformance	Newton	01/03/1979	Newton Long Gilt

# Cumulative performance

Fund Name	Perf ccy	3 m'ths %	12 m'ths %	3 years p.a. %	5 years p.a. %
<b>Balanced Funds</b>					
Newton Exempt	GBP	4.30	-3.30	8.27	7.34
<i>CAPS Pooled Survey Balanced Fund Median</i>		6.30	-4.90	10.10	2.90
Newton Global Balanced	GBP	4.17	-3.49	7.91	7.07
<i>CAPS Pooled Survey Balanced Fund Median</i>		6.30	-4.90	10.10	2.90
<b>Unconstrained/Targeted Return Funds</b>					
Newton Real Return	GBP	3.07	0.84	7.34	8.72
<i>Target (1 Month LIBOR + 4%)</i>		1.17	4.69	4.70	6.74
Newton Phoenix Multi-Asset	GBP	2.46	-0.37	10.43	2.71
<i>Target (1 Month LIBOR + 2%)</i>		0.68	2.67	2.68	4.69
Newton Global Opportunities	GBP	5.21	-7.43	11.35	4.00
<i>FTSE All World</i>		7.35	-6.71	9.58	3.24
Newton UK Opportunities	GBP	5.95	-2.34	10.65	4.50
<i>FTSE All-Share</i>		8.39	-3.46	12.88	1.20
<b>Global Equity Funds</b>					
Newton 50/50 Global Equity	GBP	6.96	-6.50	9.70	3.56
<i>50% FTSE All-Share/ 50% AW Overseas Indices (1/3 FTSE North America, 1/3 FTSE AW Europe ex UK, 1/3 FTSE AW Asia Pacific)</i>		6.85	-6.48	10.66	1.62
Newton International Growth	GBP	5.01	-8.61	8.40	2.37
<i>MSCI AC World</i>		7.44	-6.26	9.13	3.02
Newton Overseas Equity	GBP	2.81	-16.14	7.23	2.15
<i>1/3 FTSE AW North America, 1/3 FTSE AW Europe ex UK, 1/3 FTSE AW Asia Pacific</i>		5.31	-9.46	8.07	2.53
Newton Global Higher Income	GBP	8.06	5.24	12.24	n/a
<i>FTSE World</i>		7.64	-5.92	9.26	n/a
<b>Regional Equity Funds</b>					
Newton UK Equity	GBP	7.00	-9.56	8.59	3.80
<i>FTSE All-Share</i>		8.39	-3.46	12.88	1.20
Newton Higher Income	GBP	8.59	2.26	9.25	1.19
<i>FTSE All-Share</i>		8.39	-3.46	12.88	1.20
Newton Income	GBP	6.90	-10.02	5.76	3.35
<i>FTSE All-Share</i>		8.39	-3.46	12.88	1.20
Newton American	GBP	11.27	-8.17	11.94	5.42
<i>FTSE World North America</i>		11.31	1.19	11.41	4.82
Newton Continental European	GBP	4.03	-15.12	0.55	-0.25
<i>FTSE World Europe ex UK</i>		3.26	-15.14	2.18	-1.44
Newton Oriental	GBP	1.55	-16.58	17.79	10.09
<i>FTSE AW Asia Pacific ex Japan</i>		4.37	-14.96	17.67	8.25
<b>Bond Funds</b>					
Newton Long Gilt	GBP	9.37	25.34	9.59	8.80
<i>FTSE Actuaries Government Securities (over 15 years)</i>		9.58	26.26	9.34	8.81
Newton Index Linked Gilt	GBP	9.72	22.82	12.67	9.91
<i>FTSE Actuaries Government Securities Index Linked (over 5 years)</i>		9.76	23.32	12.39	9.75
Newton Long Corporate Bond	GBP	3.65	12.48	11.78	5.55
<i>Merrill Lynch (over 10 years) Investment Grade</i>		3.49	11.26	11.18	5.14
Newton International Bond	GBP	0.10	7.89	4.10	12.42
<i>JP Morgan Government Bond</i>		0.38	8.02	2.46	12.69
Newton Global Dynamic Bond	GBP	1.13	2.47	12.52	9.13
<i>Target (1 Month LIBOR + 2%)</i>		0.68	2.67	9.98	4.99

# Leading market indicators

<b>Bond</b>	<b>1 month (%)</b>	<b>3 months (%)</b>	<b>6 months (%)</b>	<b>1 year (%)</b>	<b>3 years p.a. (%)</b>
FTSE British Government All Stocks	1.69	5.01	13.67	15.57	6.98
JPM Global Government Bond Index	2.23	0.38	6.61	8.02	2.46
ML Non-Gilt Over 10Yr Investment Grade Index	2.50	3.49	8.96	11.26	11.18
FTSE Govt. 15Yr Plus Index	1.93	9.58	25.37	26.26	9.34
FTSE Actuaries Government Securities Index-Linked (over 5 Years)	2.28	8.38	15.27	19.94	11.60

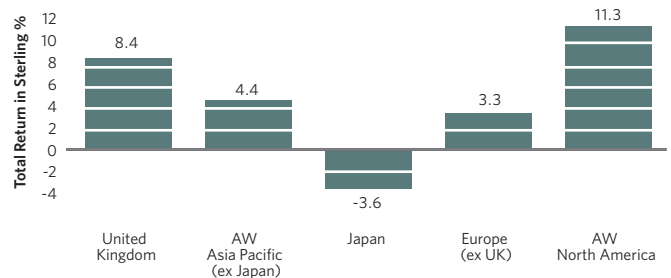
<b>Cash</b>	<b>1 month (%)</b>	<b>3 months (%)</b>	<b>6 months (%)</b>	<b>1 year (%)</b>	<b>3 years p.a. (%)</b>
LIBOR 1 month	0.06	0.18	0.34	0.65	0.70

<b>Equity</b>	<b>1 month (%)</b>	<b>3 months (%)</b>	<b>6 months (%)</b>	<b>1 year (%)</b>	<b>3 years p.a. (%)</b>
FTSE All-Share	0.84	8.39	-6.24	-3.46	12.88
FTSE 100	1.25	9.40	-4.75	-2.18	11.94
FTSE Mid 250	-1.84	3.50	-14.11	-10.06	19.95
FTSE Small Cap ex Investment Trusts	0.17	-3.53	-17.44	-15.16	16.07
FTSE AW North America	1.86	11.31	-1.79	1.19	11.41
FTSE W Europe ex UK	-1.54	3.26	-21.84	-15.14	2.18
FTSE AW Asia Pacific ex Japan	1.09	4.37	-14.41	-14.96	17.67
FTSE All World Asia Pacific	1.47	1.32	-11.76	-14.30	9.27
FTSE AW All World Emerging	0.23	4.13	-15.91	-18.55	17.60
FTSE All World Europe (ex UK)	-1.89	3.27	-21.96	-15.43	2.81
FTSE All World	0.96	7.35	-8.76	-6.71	9.58
FTSE W World	1.02	7.64	-8.24	-5.92	9.26

# Market review

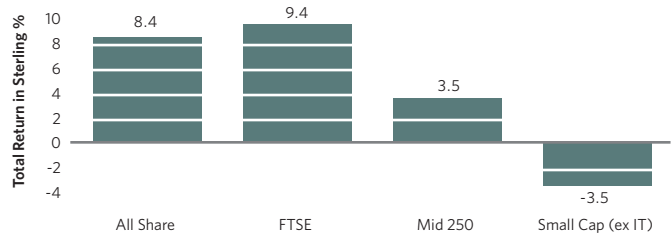
- Global equity markets ended the quarter in positive territory. Markets in the US and the UK outperformed relative to the global average. Continental European and Asian markets, weighed down by concerns over sovereign debt and economic growth, lagged their global peers.
- In the US, there were indications that the economy had been spared from the most adverse effects of the Eurozone sovereign debt crisis, as indicators of economic activity showed signs of improving. The US unemployment rate fell below 9% in October, for the first time since March, and continued to decline over the quarter. Despite rising consumer confidence, sentiment remained cautious on account of the burgeoning budget deficit, and the bipartisan super-committee's failure to agree on savings of US\$1.2 trillion.
- European equity markets lagged the global average as the Eurozone sovereign debt crisis rumbled on, and attempts were made to halt the region's move towards recession. The European Central Bank cut interest rates twice during the quarter, and the world's major central banks announced a programme of coordinated action designed to shore up the financial system and improve liquidity. A subsequent European summit paved the way for centralised scrutiny of the national budgets of Eurozone countries.
- UK inflation showed signs of easing as the rate of annualised consumer price inflation fell from 5.2% at the end of the third quarter to 4.2% in the year to the end of December. Unemployment remained stubbornly high amid concerns of slowing economic growth.
- In Asia, the inflationary concerns of the third quarter were overtaken by fears of slowing economic growth. Chinese manufacturing activity contracted for the first time since February 2009 during November, while GDP rose by 8.9% in the fourth quarter from a year earlier, marking a slowdown in Chinese economic growth from the previous quarter's 9.1%. Exporters across the region saw volumes decline on account of falling demand from Europe.
- Following a largely uniform rally across the major Western bond markets in the third quarter, greater divergence was witnessed in the fourth; US Treasury yields ended the quarter largely unchanged, while investors' safe-haven demand pushed UK Gilt and German Bund yields lower. Spreads on peripheral Eurozone governments' borrowing costs remained extremely elevated.
- With the Swiss National Bank's (SNB) intervention efforts (including the introduction of a euro-peg) having undermined the Swiss franc's appeal, the currency was the weakest performing over the quarter, losing ground against all major currencies. Against the backdrop of a tentatively improving economic outlook for the US, the US dollar outperformed the pound and the euro. The euro continued to suffer amid the ongoing Eurozone sovereign debt crisis.

## WORLD EQUITY MARKET INDEX RETURNS (QUARTER ENDING 31 DECEMBER 2011)



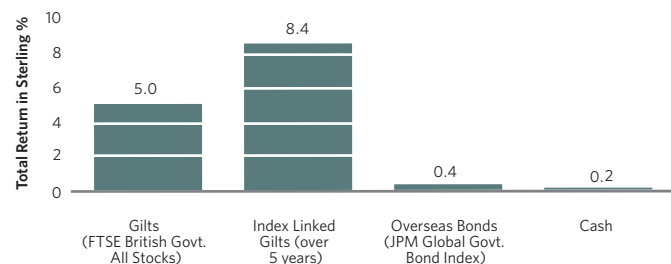
Source: BNY Mellon Asset Management. Performance data sourced from BNY Mellon Analytical Solutions CAPS. CAPS indices are adjusted for withholding tax.

## UK EQUITY INDEX RETURNS (QUARTER ENDING 31 DECEMBER 2011)



Source: BNY Mellon Asset Management. Performance data sourced from BNY Mellon Analytical Solutions CAPS. CAPS indices are adjusted for withholding tax.

## BOND AND CASH RETURNS (QUARTER ENDING 31 DECEMBER 2011)



Source: BNY Mellon Asset Management. Performance data sourced from BNY Mellon Analytical Solutions CAPS. CAPS indices are adjusted for withholding tax.

# Newton's investment philosophy and process

While our investment philosophy and process have remained unchanged since the establishment of the business, our approach has been honed over three decades of investing and is applied consistently across all strategies on behalf of a broad range of clients.

Our investment process combines proprietary research with a global approach to investment and it uses a strategic framework, which defines powerful trends and themes. The investment process relies on the interaction between our global sector analysts, regional fund specialists and global equity and fixed income portfolio managers. It is designed to capture all the best ideas within the house and to deliver them effectively and consistently in each client's portfolio. It is not an approach that can be achieved by individuals working alone.

All of our investment personnel sit within close proximity to one another and work as a team. The collegiate culture at Newton encourages individual thinking and our ideas-based approach is crucial in identifying the companies that offer the very best prospects for growth.

## Investment approach

We strive to provide clients with consistent long-term outperformance and our success in investment management is the result of the discipline inherent in our investment approach.

## Idea generation

Our structure encourages swift idea generation and communication and the consistent and efficient implementation of ideas. All of our investment professionals are encouraged to contribute to the debate and to observe trends that they believe will have a future influence on global markets.

## Portfolio construction

We take a holistic approach to portfolio construction. Ideas are discussed, agreed and applied consistently across the house through a number of formal and informal communication channels.

Portfolios are constructed by the fund manager, who is responsible for selecting the individual investments across all markets and asset classes. Thus, not only are ideas generated via the global comparison of companies, markets and stocks but, in addition, portfolios are constructed in a truly global context.

## Risk management

Objective analysis and quantitative risk analytics are key to Newton's management of risk and ensure that portfolios are well positioned to meet each client's objectives by taking an acceptable level of risk.

## Investment Risk Team (IRT)

The IRT is part of the investment risk oversight process for Newton's portfolios and provides information to the IRG and the CIO on portfolio construction and risk profiles. The IRT produces comparative and independent analyses of portfolios. The IRT reports to Newton's deputy CIO who is independent from the investment team and has no investment management responsibilities.

## Investment Risk Group (IRG)

The IRG is a committee that meets monthly with representatives from the IRT and the investment management team, to review a detailed pack of information on the risk profiles of portfolios. The IRG is responsible for identifying the most important risk-related issues and highlighting them to investment managers and the CIO.

Our approach to risk management can be summarised as 'risk management embedded in the investment process, rather than carried out through controls, that supports both the fund manager and clients' objectives'. As such, portfolio managers manage risk and return actively on a daily basis and the investment risk team and the investment risk group monitor risk through a 'quality control' activity. The teams regularly review and identify risk inherent in each portfolio to ensure that the manager takes only intended and appropriate risk in accordance with clients' objectives.

Our risk analysis also ensures that house views are adequately and appropriately expressed in all portfolios.

# NEWTON

The Power of Ideas

As at 31 December 2011

## 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)

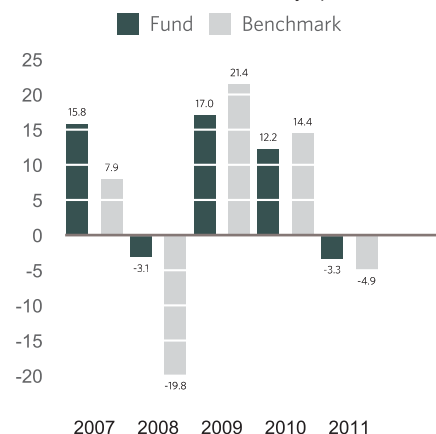
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# 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 (%)

Stock	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)

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to maximise returns by investing predominately in a worldwide portfolio of equities and fixed interest securities. The Sub-Fund may also invest in derivative instruments, forward transactions and collective investment schemes.

## Fund aim

To outperform the Balanced Fund Median in the CAPS Pooled Fund Survey 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	Iain Stewart
Alternate	Matthew Brown
Fund size (million)	£ 542.11

## Historical fund statistics - 3 years

12 Month turnover	26.47
3 Month turnover	6.12
Annualised Sharpe ratio	0.63
Annualised alpha	-0.02
Annualised information ratio	-0.38
Beta	0.82
Ex ante tracking error	3.50
Ex post tracking error	4.80
Fund volatility	11.53
Index volatility	13.19
Jensen alpha	n/a
R <sup>2</sup>	0.87
Treynor ratio	8.84

## Key dates

Fund launch	23/09/1998
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](http://www.bnymellonam.com/pooledprices)  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

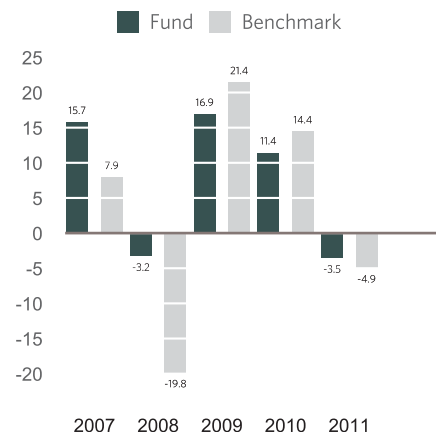
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# Newton Global Balanced

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	4.2	6.3	-2.1
3 Months to Sep-11	-9.2	-11.9	2.7
3 Months to Jun-11	1.3	1.4	-0.1
3 Months to Mar-11	0.7	0.9	-0.2
12 Months	-3.5	-4.9	1.4
3 Years annualised	7.9	10.1	-2.2
5 Years annualised	7.1	2.9	4.2
10 Years annualised	8.5	5.5	3.0

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 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	0.10
Total SA	0.09

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

Stock	Contribution (%)
Newcrest Mining Ltd	-0.33
Royal Dutch Shell PLC	-0.24
Sprint Nextel Corp	-0.17
Newmont Mining Corp	-0.13
Huabao Intl Holdings Ltd	-0.13

## 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	26.47	39.09	8.73	8.39	0.06	-0.30	-0.23
North American Equities	11.22	13.13	4.66	11.31	-0.70	-0.11	-0.82
Europe ex UK Equities	17.12	10.26	5.74	3.63	0.34	-0.11	0.23
Japanese Equities	3.67	4.25	-3.02	-3.58	0.03	0.04	0.07
Pacific ex. Japan Equities	3.42	5.00	-7.67	5.57	-0.53	0.01	-0.52
Other International Equities	4.36	5.04	4.68	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	6.48	4.06	1.25	0.03	-0.01	0.04	0.02
UK Index Linked	1.35	0.91	3.75	8.38	-0.06	0.00	-0.05
Overseas Index Linked	1.26	0.00	5.02	0.00	0.06	-0.07	-0.01
UK Corporate	2.33	4.57	2.43	3.49	-0.02	0.05	0.03
Overseas Corporate	6.91	0.00	3.46	0.00	0.26	-0.42	-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	11.72	6.84	-0.20	0.02	-0.02	-0.15	-0.17
Forward FX	-0.20	0.00	-	0.00	0.42	0.00	0.42
Index Derivative Instruments	0.02	0.00	-	0.00	0.16	-0.01	0.15
Other/Non Region Specific	0.98	0.00	1.64	0.00	0.02	-0.06	-0.04
Commodities	2.89	0.00	-3.09	0.00	-0.09	-0.18	-0.27

## ATTRIBUTION BY SECTOR (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	13.69	14.60	16.74	15.44	0.11	-0.13	-0.02
Basic Materials	21.25	9.29	1.53	6.34	-0.70	0.09	-0.61
Industrials	4.90	10.30	1.06	7.98	-0.27	-0.06	-0.33
Consumer Goods	8.78	13.54	6.10	6.70	-0.03	-0.04	-0.07
Health Care	16.92	8.12	9.69	7.84	0.18	0.10	0.28
Consumer Services	8.78	8.92	5.48	7.10	-0.09	-0.01	-0.10
Telecommunication	9.98	5.86	0.07	6.05	-0.37	0.00	-0.37
Utilities	3.38	4.01	-2.27	-0.01	-0.05	0.04	-0.01
Financials	7.10	19.97	2.39	2.61	-0.02	0.30	0.29
Technology	4.17	5.33	3.72	5.97	-0.06	-0.01	-0.07
Unitised / Structured Investments (Equities)	1.07	0.07	-4.16	1.25	-0.04	-0.03	-0.07

## ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
Newcrest Mining Ltd	2.36	0.04
GlaxoSmithKline PLC	3.97	1.74
Bayer AG	2.31	0.13
Roche Hldgs AG	1.64	0.29
Barrick Gold Corp	1.35	0.05
Newmont Mining Corp	1.30	0.03
Altria Group Inc	1.23	0.06
Yamana Gold Inc	1.03	0.01
Associated British Foods PLC	1.09	0.10
Tesco PLC	1.72	0.75

## 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
Vodafone Group PLC	1.11	2.11
AstraZeneca PLC	0.00	0.93
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 (%)

Stock	Fund
GlaxoSmithKline PLC	3.97
Norway (Kingdom of).3.75% Bds 25/05/2021	2.85
Source Physical Markets PLC	2.67
BP PLC	2.58
Newcrest Mining Ltd	2.36
Bayer AG	2.31
Norway (Kingdom of).4.5% Bds 22/05/2019	2.04
Tesco PLC	1.72
Roche Hldgs AG	1.64
Royal Dutch Shell PLC	1.50

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# NEWTON

The Power of Ideas

As at 31 December 2011

## 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)  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

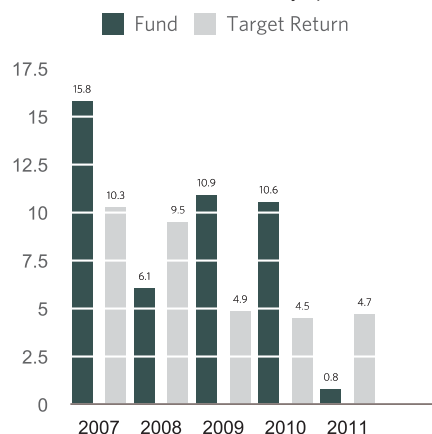
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# 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 (%)**

	Fund
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 (%)**

	Fund
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 (%)**

	Fund
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 (%)**

	Fund
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 (%)**

	Fund
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 (%)**

	Fund
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.bnymellonam.com](http://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. 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. CP7111-02-08-2011 (6M)

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.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to achieve long-term capital growth in excess of cash\* returns from a balanced portfolio diversified across a range of assets. The Sub-Fund may invest in equities, fixed interest securities, collective investment schemes, warrants, derivative instruments, deposits and money market instruments. \*cash being LIBOR.

## Performance aim

The Fund aims to deliver a performance of cash (LIBOR) + 2% p.a. over 3 to 5 years before fees are deducted, the Fund's target return. 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	Phil Collins
Alternate	Paul Flood
Fund size (million)	£ 151.95

## Historical fund statistics - 3 years

12 Month turnover	52.24
3 Month turnover	9.75
Annualised Sharpe ratio	1.58
Annualised alpha	n/a
Annualised information ratio	n/a
Beta	n/a
Ex ante tracking error	n/a
Ex post tracking error	n/a
Fund volatility	6.18
Index volatility	0.07
Jensen alpha	n/a
R <sup>2</sup>	n/a
Treynor ratio	n/a

## Key dates

Fund launch	11/04/2003
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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

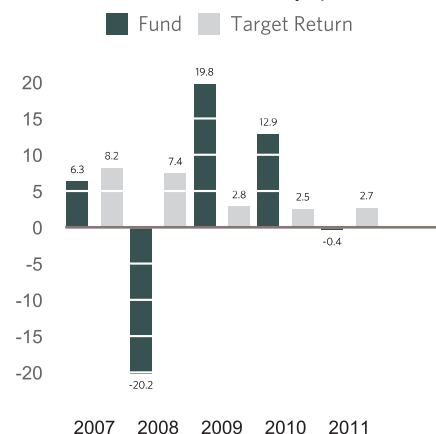
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# Newton Phoenix Multi-Asset

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Target Return	Relative
3 Months to Dec-11	2.5	0.7	1.8
3 Months to Sep-11	-5.4	0.7	-6.1
3 Months to Jun-11	1.7	0.7	1.0
3 Months to Mar-11	1.1	0.6	0.5
12 Months	-0.4	2.7	-3.1
3 Years annualised	10.4	2.7	7.7
5 Years annualised	2.7	4.7	-2.0
Since Fund launch annualised	7.6	5.5	2.1

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

The Fund outperformed its cash benchmark over the quarter. Financials and miners were the worst performing sectors while consumer goods (including a particularly good return from tobacco stocks) and healthcare performed strongly. Tobacco companies Altria and Reynolds American were among the top positive contributors to the Fund's returns, and healthcare stocks Bayer and Align Technology also benefited from investors' preference for defensive sectors. Shares in orthodontics specialist Align Technology were boosted by earnings which surpassed both analyst and market expectations. As investors sought out the safety of government bonds, the Fund was disadvantaged by its exposure to private equity.

Risks to investors in the deleveraging world are plentiful; credit, counterparty and liquidity risk all assume an importance far exceeding that with which financial market participants had to contend in the years before the global financial crisis. As a result, the prevailing environment is one in which closely following a single index could prove costly; instead, it requires the careful sifting of opportunities from risks. The Fund's long-term objective of producing returns above cash with volatility levels well below that of equity markets is unchanged.

## Review of activity

Turnover was low over the quarter. The Fund's overall exposure to equities was reduced and we remained active in the options market to protect against equity market falls. We reduced our holdings in infrastructure funds which had performed consistently well, and sold our positions in DNB Nor, Sprint Nextel, Toyota and Noble Group. The value of most real assets fell, although UK Gilts made gains. We see little value in Gilts that offer a return below inflation and our exposure here remains limited, acting primarily as a hedge against falling risk assets rather than as a return-seeking asset. We find corporate bonds more attractive and purchased high quality bonds issued by Severn Trent and Anglo American, which yield around 2% and 3%, respectively. Weakness in October gave us an opportunity to buy two index-linked Gilts. Since their purchase, these bonds have performed strongly. Lower-grade bonds performed well during the quarter, but we made no major changes to this component of the Fund.

The prices of most commodities rose over the quarter, although gold had a very weak December, which led us to add to our physically-backed exchange-traded fund. The Fund's exposure to property and private equity remains low. We trimmed our hedge-fund exposure by taking profits in BlueCrest AllBlue and BH Macro.

**ASSET CLASS ALLOCATION (%)**

	<b>Fund</b>
Equities	37.18
Hedge Funds	11.70
Commodities	8.92
Index Linked	7.62
Government Bonds	7.26
Sub Inv. Grade Bonds	7.09
Corporate Bonds	5.71
Property	2.98
Private Equity	2.00
Convertible Bonds	1.29
Currency Hedging	0.34
Cash	7.90

**SECTOR ALLOCATION (%)**

	<b>Fund</b>
Basic Materials	9.53
Investment Trusts (Global/International Equities)	8.46
Consumer Goods	8.36
Oil & Gas	7.13
Telecommunication	4.12
Technology	4.07
Utilities	4.01
Industrials	3.39
Consumer Services	1.84

**TOP TEN HOLDINGS (%)**

	<b>Fund</b>
Source Physical Markets PLC	3.87
ETFS Physical Gold	3.01
BH Global Limited	2.89
Dexion Trading Ltd	2.19
Bluecrest Allblue Fund Ltd	2.00
BH Macro Ltd	1.96
Barclays Bank PLC.0% Protect Agric 2 20/10/2014	1.62
Ashmore Gbl Opportunities Ltd	1.23
National Grid Gas PLC.4.1875% Index-Linked 14/12/22	1.23
Anglian Water Services Finance.4.125% I/L Nts 28/7/2020	1.19

**ABSOLUTE CONTRIBUTION (%)**

	<b>Fund</b>
Align Technology Inc	0.33
BP PLC	0.18
Bayer AG	0.14
British American Tobacco PLC	0.11
GlaxoSmithKline PLC	0.11
Royal Bank of Scotland Grp PLC	0.11
DNB ASA	0.11
Unique Pub Finance Co PLC	0.10
Societe Generale Acceptance NV	0.09
Statoil ASA	0.09
Prudential PLC	0.09
Elders (Merrill Lynch Intl)	0.08
Altria Group Inc	0.08
HSBC Bank PLC	0.08
Syngenta AG	0.07
Petroleo Brasileiro SA	0.07
BG Group PLC	0.07
Elders (Merrill Lynch Intl)	0.07
Taiwan Semiconductor Manufacturing	0.06
Reynolds American Inc	0.06

**RETURN BY SECTOR (%)**

	<b>Fund</b>
Oil & Gas	6.32
Investment Trusts (Other)	9.35
Investment Trusts (Global/International Equities)	10.30
Basic Materials	3.37
Industrials	-10.00
Consumer Goods	6.83
Health Care	13.68
Consumer Services	5.09
Telecommunication	-1.01
Utilities	1.13
Financials	-0.69
Technology	1.07
Options	-
Bonds	3.98
Cash	-
Commodities	-3.39
Hedge Funds	-
Investment Trusts (Global/International Bonds)	-2.49

**CONTRIBUTION BY MINOR SECTOR (%)**

	<b>Fund</b>
Oil & Gas Producers	0.42
Alternative Energy	-0.17
Investment Trusts (Other)	0.17
Investment Trusts (Global/International Equities)	0.54
Chemicals	0.20
Mining	0.00
Construction & Materials	-0.23
Aerospace & Defence	0.03
General Industrials	-0.13
Electronic & Electrical Equipment	-0.01
Support Services	-0.02
Automobiles & Parts	-0.03
Food Producers	0.03
Personal Goods	0.06
Tobacco	0.26
Health Care Equipment & Services	0.40
Pharmaceuticals & Biotechnology	0.25
General Retailers	0.00
Media	0.06
Fixed Line Telecommunications	0.01
Mobile Telecommunications	-0.03
Electricity	0.05
Gas Water & Multiutilities	-0.02
Banks	0.18
Nonlife Insurance	0.05
Life Insurance	0.09
Real Estate	0.02
Real Estate Investment & Services	-0.11
Real Estate Investment Trusts	0.02
Financial Services	-0.14
Equity Investment Instruments	-0.17
Software & Computer Services	0.03
Technology Hardware & Equipment	0.01
Options	-0.06
Bonds	1.10
Cash	-0.65
Commodities	-0.30
Hedge Funds	0.01
Investment Trusts (Global/International Bonds)	-0.05

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Please note that as Newton Phoenix Multi-Asset Fund has exposure to hedge funds, commodities, private equity and property via publicly quoted transferable securities, it is subject to additional risks associated with these sectors.

Performance prior to 27 November 2006 relates to Newton Phoenix Fund, an authorised unit trust launched on 11 April 2003. Newton Phoenix Multi-Asset Fund (the Sub-Fund) was launched on 27 November 2006 when Class A Units of Newton Phoenix Fund were converted into the Sub-Fund.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to achieve long-term capital growth from a concentrated portfolio predominantly invested in the securities of companies located worldwide. The Sub-Fund does not have a bias towards any economic sector or company size. The Sub-Fund may also invest in collective investment schemes.

## Fund aim

To achieve an absolute return over longer term periods. Where benchmark shown, the FTSE All World Index is being used for comparison purposes only.

## General information

Fund type	ICVC
Fund domicile	UK
Type of shares / units	Accumulation
Base currency	GBP
Fund manager	Robert Hay
Alternate	Paul Markham
Fund size (million)	£ 351.35

## Historical fund statistics - 3 years

12 Month turnover	63.74
3 Month turnover	22.87
Annualised Sharpe ratio	0.77
Annualised alpha	3.93
Annualised information ratio	0.31
Beta	0.77
Ex ante tracking error	5.90
Ex post tracking error	5.73
Fund volatility	13.90
Index volatility	17.10
Jensen alpha	0.29
R <sup>2</sup>	0.91
Treynor ratio	13.76

## Key dates

Fund launch	01/07/2005
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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

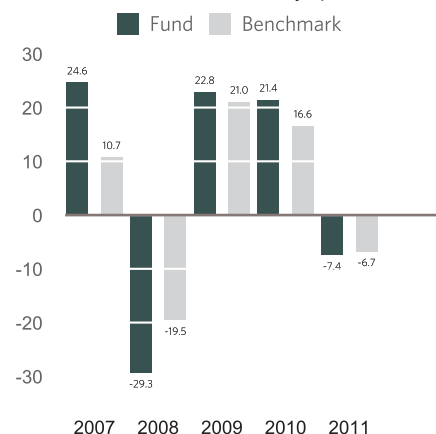
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# Newton Global Opportunities

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	5.2	7.3	-2.1
3 Months to Sep-11	-13.4	-15.0	1.6
3 Months to Jun-11	-0.3	0.2	-0.5
3 Months to Mar-11	1.9	2.0	-0.1
12 Months	-7.4	-6.7	-0.7
3 Years annualised	11.3	9.6	1.7
5 Years annualised	4.0	3.2	0.8
Since Fund launch annualised	7.8	5.8	2.0

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 Fund ended the quarter behind the FTSE AW World Index. Underperformance was dominated by the telecommunications sector, in which Sprint Nextel was the portfolio's biggest detractor. The scale of the cash outlays required to accelerate the company's network upgrade programme and offer Apple's iPhone to its customers surprised investors. Cashflow issues also came to the fore at Cable & Wireless Worldwide; our confidence in the prospect of a turnaround is now very low, and we decided to sell the shares. Among technology stocks, HTC performed poorly after it reported a decline in its growth rate and cut its revenue forecasts, primarily due to strong competition from Apple and Samsung, which had both released new flagship products in the preceding months. Elsewhere, against a background of gold price volatility, Newcrest Mining declined after management crystallised expectations of a production shortfall by reducing full-year guidance. We remain confident of the quality of the company's asset base, and believe that exposure to the gold price is important given the possibility of ever greater monetary responses to the deleveraging process underway in developed economies.

The financials sector was the greatest area of positive performance. US credit-checking firm Equifax performed well, following a modest acceleration in revenue growth across most of its divisions, combined with improved margins. We had purchased a holding in Barclays in August, at a depressed valuation. Its shares rebounded sharply in October, and we locked in the gain by selling the holding, reflecting our view that the fundamental prospects for banks operating in highly-indebted Western economies remain difficult. Oilfield service provider Weatherford experienced a sharp move upwards in October's market rally, at which point we took the opportunity to sell. Within healthcare, Medco's shares recovered, reflecting encouraging results that demonstrated the benefits from strong demand for generic pharmaceuticals.

## Review of activity

Among technology stocks, we sold Intel, which faced structural challenges to its business from the growth in mobile computing, where it faces stronger competition. We sold airline software company Amadeus IT, in light of concerns over its ability to maintain pricing in the context of weakening global growth. We bought Microsoft, which counts an attractive valuation, prodigious cash flow, and a very solid balance sheet among its attributes. Among industrials, we sold Mitsubishi Corp, as we were unimpressed by several of its recent acquisitions, and are concerned by further evidence of deteriorating Chinese property construction, which is a key driver for its commodity businesses. We purchased Centrica, which benefits from the tight supply of gas to the UK, and has upstream energy assets that are underappreciated.

Other acquisitions included Sweden's Teliasonera, which pays an attractive dividend and has implemented tiered pricing structures. We also bought catering services company Compass Group, which has stable revenues, has limited debt, and generates strong returns on capital.

**REGIONAL ALLOCATION (%)**

	<b>Fund</b>
Australia	2.98
Belgium	2.61
Brazil	4.16
Switzerland	13.25
China	2.88
Germany	5.02
Spain	0.00
France	4.72
Hong Kong	0.27
Japan	6.43
Sweden	2.14
Thailand	1.77
Taiwan	1.57
United Kingdom	13.94
United States	33.24
South Africa	2.51
Cash	2.51

**SECTOR ALLOCATION (%)**

	<b>Fund</b>
Oil & Gas	6.41
Basic Materials	11.03
Industrials	8.28
Consumer Goods	19.71
Health Care	14.15
Consumer Services	2.67
Telecommunication	9.01
Utilities	3.37
Financials	8.31
Technology	8.30
Bonds	6.24
Cash	2.51

**TOP TEN HOLDINGS (%)**

	<b>Fund</b>
Bayer AG	3.34
British American Tobacco PLC	2.99
Newcrest Mining Ltd	2.98
Japan Tobacco Inc	2.96
Altria Group Inc	2.73
Novartis AG	2.68
Anheuser-Busch InBev NV	2.61
Microsoft Corp	2.55
GlaxoSmithKline PLC	2.54
Total SA	2.53

**ABSOLUTE CONTRIBUTION (%)**

	<b>Fund</b>
Bayer AG	0.46
Medco Health Solutions Inc	0.42
Barclays PLC	0.39
Equifax Inc	0.39
Anheuser-Busch InBev NV	0.37
Weatherford Intl Ltd	0.35
Total SA	0.35
Medtronic Inc	0.35
British American Tobacco PLC	0.32
Altria Group Inc	0.30
GlaxoSmithKline PLC	0.27
Petroleo Brasileiro SA	0.26
Syngenta AG	0.26
Principal Financial Group	0.21
ABB Ltd	0.21
MTN Group Ltd	0.19
Lazard Limited	0.17
L3 Communications Inc	0.16
Siam Commercial Bank PCL	0.16
L'Oreal SA	0.13

**RETURN BY SECTOR (%)**

	<b>Fund</b>
Oil & Gas	12.36
Basic Materials	3.44
Industrials	2.81
Consumer Goods	6.10
Health Care	9.56
Consumer Services	8.81
Telecommunication	-3.98
Utilities	1.11
Financials	9.02
Technology	0.52
Bonds	-1.06
Cash	-

**CONTRIBUTION BY MINOR SECTOR (%)**

	<b>Fund</b>
Oil & Gas Producers	0.65
Oil Equipment Services & Distribution	0.35
Chemicals	0.69
Mining	-0.24
Aerospace & Defence	0.19
Industrial Engineering	0.21
Support Services	0.05
Automobiles & Parts	-0.07
Beverages	0.37
Food Producers	0.14
Household Goods	-0.10
Personal Goods	0.23
Tobacco	0.63
Health Care Equipment & Services	0.78
Pharmaceuticals & Biotechnology	0.47
General Retailers	0.09
Travel & Leisure	0.14
Fixed Line Telecommunications	-0.13
Mobile Telecommunications	-0.23
Gas Water & Multiutilities	-0.06
Banks	0.47
Life Insurance	0.21
Real Estate Investment & Services	-0.02
Financial Services	0.35
Software & Computer Services	0.09
Technology Hardware & Equipment	-0.06
Bonds	0.01
Cash	-0.07

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# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to maximise long-term capital growth from a concentrated portfolio primarily invested in the securities of UK companies. The Sub-Fund does not have a bias towards any economic sector or company size. The Sub-Fund may also invest in collective investment schemes.

## Fund aim

To achieve an absolute return over longer term periods. Where benchmark shown, the FTSE All Share Index is being used for comparison purposes only.

## General information

Fund type	ICVC
Fund domicile	UK
Type of shares / units	Accumulation
Base currency	GBP
Fund manager	Ben Russon
Alternate	Richard Wilmot
Fund size (million)	£ 410.45

## Historical fund statistics - 3 years

12 Month turnover	30.67
3 Month turnover	4.10
Annualised Sharpe ratio	0.86
Annualised alpha	n/a
Annualised information ratio	n/a
Beta	n/a
Ex ante tracking error	4.00
Ex post tracking error	n/a
Fund volatility	11.62
Index volatility	16.28
Jensen alpha	n/a
R <sup>2</sup>	n/a
Treynor ratio	n/a

## Key dates

Fund launch	08/02/2002
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](http://www.bnymellonam.com/pooledprices)  
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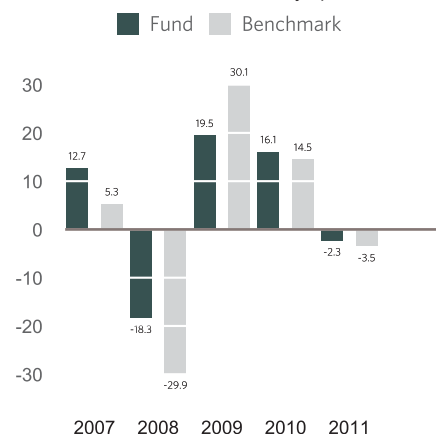
## Client service

Pooled Fund Client Operations  
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# Newton UK Opportunities

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	5.9	8.4	-2.5
3 Months to Sep-11	-10.8	-13.5	2.7
3 Months to Jun-11	3.3	1.9	1.4
3 Months to Mar-11	0.1	1.0	-0.9
12 Months	-2.3	-3.5	1.2
3 Years annualised	10.6	12.9	-2.3
5 Years annualised	4.5	1.2	3.3
Since Fund launch annualised	9.9	5.7	4.2

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 factors

While the Fund's performance was positive on an absolute basis, it compares less favourably to the peer group and wider market. The avoidance of HSBC Holdings was positive for performance; its shares fell after it posted a significant drop in pre-tax profits in its investment bank, while bad loan provisions increased – mainly in relation to its US franchise. Our position in Bunzl, the supplier of consumable products, such as food packaging and cleaning supplies, was also positive and illustrated its defensive characteristics in volatile periods. Our holding in software manufacturer Sage also did well as the company raised its dividend by 25% and reported encouraging sales growth for the year. Our position in Morrison (WM) Supermarkets aided performance following strong results; once again, the rate of sales growth compared favourably versus its peer group.

Our holding in Carphone Warehouse Group held the Fund back, as its shares suffered a de-rating amid concerns about its European exposure. Furthermore it announced the sale of its stake in Best Buy Mobile and the closure of its 'big box' electrical megastores. We believe there remains considerable upside in the remaining business and retain our holding. Our holding in ICAP was negative as the company's results guided to disappointing volumes in voice broking. Furthermore, revenues were flat year on year in comparison to previous pre-close statements guiding that they would be 'marginally ahead'. Trading volumes continued to deteriorate over the quarter, causing investors to be concerned about its outlook.

## Review of activity

Following strong performance, we sold our position in Unilever due to concerns about its dependence on higher pricing, rather than increased volume, to drive revenue growth. We sold Sprint Nextel on the back of shifting industry dynamics, which, in turn, significantly extends the timescale for the inherent value in the shares to be realised. Millennium & Copthorne Hotels was also sold due to our concerns about the potential for pressures upon Asian property valuations having a negative impact on the asset value of the group.

We sold Ultra Electronics Holdings in favour of establishing a holding in Chemring Group given its more compelling valuation. A new holding was established in G4S as its shares became attractive after falling sharply due to its failed bid for ISS. The company has reasonably stable end-markets, and should be a beneficiary of rising emerging market currencies over time. We took advantage of market volatility to increase our position in brewer SABMiller, with the investment case predicated on its high emerging market exposure and attractive valuation relative to earnings growth. We used recent share-price weakness as an opportunity to increase Smiths Group for its advantageous pricing power due to high barriers to entry and defensive characteristics in an economic downturn as a result of limited cyclical exposure. Among other activity, we also increased our holding in Imperial Tobacco, with the shares offering a defensive earnings profile and dividend yield support.

**REGIONAL ALLOCATION (%)**

	<b>Fund</b>
Switzerland	3.08
United Kingdom	92.27
United States	2.04
Cash	2.62

**SECTOR ALLOCATION (%)**

	<b>Fund</b>
Oil & Gas	13.45
Basic Materials	6.47
Industrials	15.87
Consumer Goods	13.68
Health Care	9.28
Consumer Services	17.66
Telecommunication	2.04
Utilities	7.18
Financials	7.71
Technology	4.06
Cash	2.62

**TOP TEN HOLDINGS (%)**

	<b>Fund</b>
British American Tobacco PLC	4.77
Royal Dutch Shell PLC	4.76
BG Group PLC	4.59
GlaxoSmithKline PLC	4.57
Bunzl PLC	4.10
BP PLC	4.10
Sage Group PLC	4.06
SSE PLC	3.87
Associated British Foods PLC	3.70
Morrison (WM) Supermarkets PLC	3.67

**ABSOLUTE CONTRIBUTION (%)**

	<b>Fund</b>
Royal Dutch Shell PLC	0.93
BP PLC	0.70
Bunzl PLC	0.58
Sage Group PLC	0.53
British American Tobacco PLC	0.52
GlaxoSmithKline PLC	0.49
BG Group PLC	0.46
Morrison (WM) Supermarkets PLC	0.40
Compass Group PLC	0.39
Imperial Tobacco Group PLC	0.29
BHP Billiton PLC	0.27
Tesco PLC	0.24
Prudential PLC	0.24
Infarma PLC	0.19
Anglo American PLC	0.18
Roche Hldgs AG	0.16
Reed Elsevier PLC	0.16
Cobham PLC	0.15
SABMiller PLC	0.15
Smith & Nephew PLC	0.12

**RETURN BY SECTOR (%)**

	<b>Fund</b>
Oil & Gas	17.76
Basic Materials	7.44
Industrials	3.62
Consumer Goods	7.31
Health Care	8.88
Consumer Services	6.12
Telecommunication	-13.21
Utilities	-1.48
Financials	-2.81
Technology	14.72
Cash	0.21

**CONTRIBUTION BY MINOR SECTOR (%)**

	<b>Fund</b>
Oil & Gas Producers	2.09
Mining	0.46
Construction & Materials	0.09
Aerospace & Defence	0.14
General Industrials	-0.14
Support Services	0.43
Beverages	0.15
Food Producers	0.09
Tobacco	0.80
Health Care Equipment & Services	0.12
Pharmaceuticals & Biotechnology	0.65
Food & Drug Retailers	0.65
General Retailers	-0.29
Media	0.34
Travel & Leisure	0.44
Fixed Line Telecommunications	-0.28
Mobile Telecommunications	-0.15
Electricity	-0.01
Gas Water & Multiutilities	-0.10
Banks	-0.17
Life Insurance	0.31
Financial Services	-0.34
Software & Computer Services	0.53
Cash	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.bnymellonam.com](http://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. 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. CP7111-02-08-2011 (6M)

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.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to invest in a broad spread of UK and international securities to achieve income and capital growth over the longer term. The Sub-Fund will be managed to a benchmark of approximately 50% UK equities and 50% international equities. The Sub-Fund may also invest in collective investment schemes.

## Fund aim

To outperform a benchmark consisting of 50% UK equities (50% FTSE All-Share) and 50% international equities (1/3 FTSE AW North America, 1/3 FTSE AW Europe ex UK, 1/3 FTSE AW Asia Pacific) 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	Matthew Brown
Alternate	Rob Stewart
Fund size (million)	£ 570.03

## Historical fund statistics - 3 years

12 Month turnover	27.24
3 Month turnover	6.80
Annualised Sharpe ratio	0.63
Annualised alpha	0.66
Annualised information ratio	-0.25
Beta	0.85
Ex ante tracking error	2.70
Ex post tracking error	3.86
Fund volatility	14.35
Index volatility	16.56
Jensen alpha	0.04
R <sup>2</sup>	0.96
Treynor ratio	10.62

## Key dates

Fund launch	15/02/1999
Close of financial year	31 December

## 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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

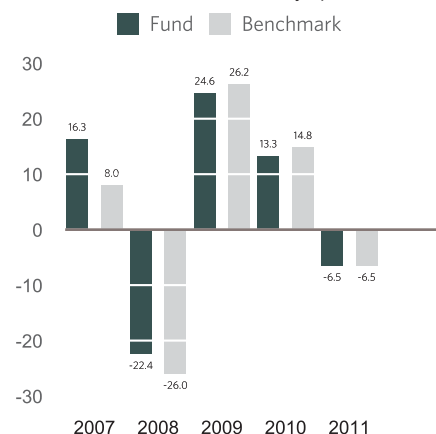
## Client service

Pooled Fund Client Operations  
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Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# Newton 50/50 Global Equity

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	7.0	6.8	0.2
3 Months to Sep-11	-14.5	-14.9	0.4
3 Months to Jun-11	1.1	1.3	-0.2
3 Months to Mar-11	1.2	1.6	-0.4
12 Months	-6.5	-6.5	0.0
3 Years annualised	9.7	10.7	-1.0
5 Years annualised	3.6	1.6	2.0
10 Years annualised	6.2	4.7	1.5

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 Fund's return ended slightly ahead of benchmark in what proved to be a highly volatile quarter for global equities. During this period, stock-specific factors tended to take a back seat as policy developments, specifically those relating to the ongoing sovereign debt crisis in Continental Europe, dominated investor sentiment.

Against this backdrop, the strategic underweighting of the banks sector contributed positively to performance, particularly through the avoidance of those institutions exposed to the troubled peripheral eurozone economies. The most significant positive impact at stock level derived from the void stance in poorly performing large benchmark names, HSBC and Lloyds Banking Group.

Outside the banking sector, there were some pleasing performances in Continental Europe. Bayer and Total, two holdings that were increased significantly during the previous quarter, performed particularly well. Interpublic, another position which was topped up following poor performance over the summer, exerted a similarly beneficial influence.

Disappointments included Sprint Nextel, which detracted from performance as a poorly handled investor day raised questions as to how the group plans to fund its accelerated network upgrade. Finally, in Asia, speciality chemicals producer Huabao declined as demand from its food and tobacco customers slowed.

## Review of activity

We continue to find the defensive growth characteristics of the healthcare sector appealing, both from a thematic perspective, and also in terms of our relatively cautious outlook. In line with this view, we increased the weighting in Sanofi, which boasts a diversified exposure to pharmaceuticals, vaccines and consumer health. We expect the stock to be re-rated as the group moves beyond the expiry of its Plavix patent later this year. In contrast, Medco, the pharmacy benefit manager, is a beneficiary of the forthcoming step-up in generic consumption, due to the higher margins the company earns on these products. Medco's profitability should be further bolstered following its proposed amalgamation with Express Scripts.

In the UK, we introduced a holding in Sage. Following the recent disposal of its healthcare business, Sage has strengthened its balance sheet and is now focused on accounting software. This franchise generates impressive cash flow and boasts substantial recurring revenues, both of which are compelling attributes in the current environment.

Such purchases were funded by the sales of Turkcell and Cable & Wireless Worldwide in the telecommunications sector, actions that were motivated by increasing competitive intensity in their respective markets. In addition, we trimmed exposure to Yingde Gases as we grew more concerned about the outlook for the Chinese steel industry, a major end-market for the group.

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

Stock	Contribution (%)
Interpublic Group of Companies	0.24
HSBC Holdings PLC	0.18
BP PLC	0.16
Lloyds Banking Group PLC	0.14
Bayer AG	0.14

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

Stock	Contribution (%)
Royal Dutch Shell PLC	-0.40
Sprint Nextel Corp	-0.32
Huabao Intl Holdings Ltd	-0.27
Carphone Warehouse Group PLC	-0.17
United Overseas Bank Ltd	-0.15

## ATTRIBUTION BY REGION (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
UK Equities	46.88	50.01	8.68	8.50	0.07	-0.08	-0.01
North American Equities	17.03	16.67	8.77	11.37	-0.42	0.00	-0.42
Europe ex UK Equities	16.60	16.67	7.49	3.36	0.66	-0.01	0.65
Japanese Equities	3.79	6.02	-2.99	-3.62	0.03	0.19	0.22
Pacific ex. Japan Equities	8.46	10.64	-0.57	4.33	-0.43	0.03	-0.40
Other International Equities	3.10	0.00	12.45	1.63	0.32	-0.14	0.17
Cash	4.14	0.00	-0.25	0.00	-0.01	-0.39	-0.41
Forward FX	0.00	0.00	-	0.00	0.00	-0.01	-0.01

## ATTRIBUTION BY SECTOR (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	13.22	14.26	15.76	15.83	-0.02	-0.07	-0.09
Basic Materials	14.98	9.24	5.13	6.45	-0.20	0.00	-0.21
Industrials	9.82	10.41	4.38	8.11	-0.35	-0.01	-0.35
Consumer Goods	11.52	13.75	5.11	6.67	-0.14	0.00	-0.14
Health Care	12.99	8.33	10.17	7.91	0.25	0.07	0.32
Consumer Services	10.81	8.99	8.45	6.99	0.10	0.01	0.11
Telecommunication	5.28	5.73	2.00	6.28	-0.22	0.00	-0.22
Utilities	2.79	4.02	-0.03	-0.09	0.00	0.09	0.09
Financials	9.15	19.79	5.10	2.28	0.26	0.48	0.74
Technology	4.27	5.43	9.19	6.02	0.13	0.01	0.14
Unitised / Structured Investments (Equities)	1.03	0.07	-4.45	1.25	-0.08	-0.06	-0.14
Cash / Other Investments	4.14	0.00	1.73	0.00	0.07	-0.40	-0.32

## ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
Bayer AG	2.21	0.19
GlaxoSmithKline PLC	4.07	2.26
Tesco PLC	2.74	0.97
BP PLC	4.27	2.63
Informa PLC	1.54	0.07
Carphone Warehouse Group PLC	1.45	0.00
Roche Hldgs AG	1.83	0.42
Yamana Gold Inc	1.36	0.01
Syngenta AG	1.39	0.10
Altria Group Inc	1.33	0.08

## ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)

Stock	Fund	B. mark
Royal Dutch Shell PLC	1.10	4.58
HSBC Holdings PLC	0.00	2.65
Rio Tinto PLC	0.00	1.39
AstraZeneca PLC	0.00	1.21
Diageo PLC	0.00	1.07
Unilever PLC	0.00	1.05
Vodafone Group PLC	1.74	2.74
Imperial Tobacco Group PLC	0.00	0.75
Reckitt Benckiser Group PLC	0.00	0.70
National Grid PLC	0.00	0.67

## TOP TEN HOLDINGS (%)

Stock	Fund
BP PLC	4.27
GlaxoSmithKline PLC	4.07
British American Tobacco PLC	2.76
Tesco PLC	2.74
BHP Billiton PLC	2.38
Standard Chartered PLC	2.25
Bayer AG	2.21
BG Group PLC	2.10
Roche Hldgs AG	1.83
Vodafone Group PLC	1.74

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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 Global Equity Fund. On 1 April 2010 the Newton 60/40 Global Equity Fund was renamed Newton 50/50 Global Equity Fund. The name change reflects the change in the weighting of the Fund's benchmark to 50% UK equities and 50% international equities. Please refer to the Fund Prospectus for further details.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

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

## Fund aim

To outperform the MSCI AC World 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	Jon Bell
Alternate	Paul Markham
Fund size (million)	£ 1,089.17

## Historical fund statistics - 3 years

12 Month turnover	45.10
3 Month turnover	9.14
Annualised Sharpe ratio	0.52
Annualised alpha	0.86
Annualised information ratio	-0.15
Beta	0.83
Ex ante tracking error	3.80
Ex post tracking error	4.84
Fund volatility	14.71
Index volatility	17.21
Jensen alpha	0.06
R <sup>2</sup>	0.93
Treynor ratio	9.33

## 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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

## Client service

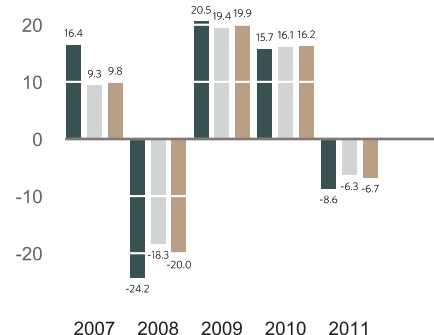
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Tel: 020 7163 4549  
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# Newton International Growth

## CALENDAR PERFORMANCE (%)

■ Fund ■ Combined Benchmark  
■ MSCI AC World



## PERFORMANCE (%)

Period	Fund	Combined Benchmark	MSCI AC World
3 Months to Dec-11	5.0	7.4	7.4
3 Months to Sep-11	-16.1	-14.9	-14.9
3 Months to Jun-11	0.6	0.4	0.1
3 Months to Mar-11	3.1	2.2	2.0
12 Months	-8.6	-6.3	-6.7
3 Years annualised	8.4	9.1	9.1
5 Years annualised	2.4	3.0	4.2
10 Years annualised	4.6	3.9	3.6

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.

Combined Benchmark = blended return comprising FTSE World index to 30.6.11 and MSCI AC World (NDR) index from 1.7.11.

## Performance factors

The Fund ended the quarter behind its MSCI AC World Index return. The principal area of underperformance was the information technology sector, in which smartphone manufacturer HTC suffered after its results showed a decline in sales which was primarily due to strong competition from Apple and Samsung, both of whom had released new flagship products in the preceding months. Japanese social network gaming company DeNA also had a negative impact following the announcement of earnings that missed guidance. The most significant negative contributor was US mobile telecommunications company Sprint Nextel, which struggled amid investors' fears that a new deal with Apple to sell the iPhone was based on unfavourable terms, compounded by expectations of increased capital expenditure relating to its 4G network. Strategically, these are the right moves for the company. Oil prices were buoyed by supply concerns relating to political and social uncertainty in a number of oil-exporting countries. This was beneficial for the large integrated companies, but not for the smaller, more commodity-exposed companies. Void positions in the former and exposure to the latter were therefore negative. As the price of gold dipped towards the end of the period, gold mining firms Newcrest Mining and Barrick Gold also declined. Positive performance was driven by the healthcare sector. Amid investors' continued interest in more stable, defensive sectors, overweight allocation to the sector was beneficial. Notable performers included Align Technology, Pfizer, Medco Health Solutions and Bayer. Other significant contributions came from US media advertising company Interpublic and credit-checking firm Equifax. Underweight exposure to the utilities sector was also advantageous.

## Review of activity

Sales over the quarter included rail company Union Pacific, which has performed well; strong growth in railway cargo volumes has been a result of high levels of demand in commodity markets, although we have concerns that European austerity and a slowdown in the Chinese economy will weigh on demand in 2012. We increased exposure to less-cyclical sectors and companies through purchases of US food company Kraft and catering services company Compass Group, which experiences stable revenues, has limited debt, and generates strong returns on capital. Within telecommunications, we commenced selling Thai mobile operator Advanced Info Service and added a position in Sweden's TeliaSonera; the latter pays an attractive dividend and has implemented tiered pricing structures, reducing the threat to cash flow from new entrants. Other activity included the sale of Brazilian food retailer Hypermarcas, which has struggled with its business integration. Following strong performance, we sold US technology company Intel, which faces structural challenges to its business. Other new additions included EXCO Resources, an oil and natural gas company engaged in the acquisition, development and exploitation of onshore North American natural gas properties, which demonstrates high-quality assets, visible production growth and a low valuation.

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

Stock	Contribution (%)
Align Technology Inc	0.30
Interpublic Group of Companies	0.23
Equifax Inc	0.16
Pfizer Inc	0.14
Union Pacific Corp	0.12

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

Stock	Contribution (%)
Sprint Nextel Corp	-0.44
HTC Corporation	-0.33
DeNA Co Ltd	-0.31
Newcrest Mining Ltd	-0.27
ICAP PLC	-0.24

**ATTRIBUTION BY REGION (%)**

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Europe ex UK Equities	22.21	15.37	6.59	3.90	0.55	-0.20	0.35
Japanese Equities	7.61	7.96	-8.27	-3.67	-0.38	-0.01	-0.39
North American Equities	39.54	50.42	9.95	11.37	-0.51	-0.41	-0.92
Pacific ex Japan Equities	9.31	5.33	0.11	6.44	-0.59	-0.03	-0.62
UK Equities	7.91	8.59	5.55	9.39	-0.37	0.01	-0.36
Other Equities	10.57	12.33	0.50	4.54	-0.48	0.06	-0.42
Cash	2.79	0.00	-	0.00	-0.03	-0.13	-0.15
Forward FX	0.07	0.00	-	0.00	0.01	0.00	0.01

**ATTRIBUTION BY SECTOR (%)**

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Energy	9.87	12.08	9.44	15.13	-0.52	-0.14	-0.65
Materials	8.92	7.98	1.62	5.05	-0.30	-0.01	-0.31
Industrials	6.43	10.47	9.15	10.01	-0.07	-0.07	-0.14
Consumer Discretionary	7.85	10.01	6.04	6.84	-0.02	0.01	-0.01
Consumer Staples	12.47	10.66	8.31	8.14	0.02	0.04	0.06
Health Care	18.23	9.33	9.59	8.03	0.23	0.09	0.32
Financials	12.31	18.41	2.89	4.38	-0.20	0.17	-0.03
Information Technology	10.87	12.17	-1.32	7.13	-0.95	0.01	-0.93
Telecommunication Services	7.68	4.95	-2.08	4.00	-0.51	-0.12	-0.63
Utilities	1.93	3.94	4.77	2.43	0.04	0.12	0.16
Cash	2.86	0.00	-	0.00	-0.01	-0.13	-0.15
Unitised Vehicles	0.60	0.00	-2.44	0.00	-0.01	-0.05	-0.06

**ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)**

Stock	Fund	B. mark
Roche Hldgs AG	2.54	0.46
Altria Group Inc	2.20	0.24
Newcrest Mining Ltd	1.81	0.09
Bangkok Bank PCL	1.73	0.02
Jardine Matheson Holdings Ltd	1.61	0.00
British American Tobacco PLC	1.94	0.36
Novartis AG	2.07	0.52
Barrick Gold Corp	1.70	0.18
Bayer AG	1.69	0.21
Nestle SA	2.17	0.74

**ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)**

Stock	Fund	B. mark
Exxon Mobil Corp	0.00	1.60
Apple Inc	0.00	1.46
Royal Dutch Shell PLC	0.00	0.92
International Business Machine	0.00	0.85
Chevron Corp	0.00	0.83
General Electric Co	0.00	0.74
Procter & Gamble Co	0.00	0.71
Johnson & Johnson	0.00	0.70
Google Inc	0.00	0.64
Coca-Cola Co	0.00	0.56

**TOP TEN HOLDINGS (%)**

Stock	Fund
Roche Hldgs AG	2.54
Altria Group Inc	2.20
Nestle SA	2.17
Novartis AG	2.07
British American Tobacco PLC	1.94
Microsoft Corp	1.94
Newcrest Mining Ltd	1.81
Pfizer Inc	1.79
AT&T Inc	1.78
Bangkok Bank PCL	1.73

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](http://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. 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. CP7111-02-08-2011 (6M)  
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.  
As from the 1st July 2011 the benchmark changed from FTSE World Index to MSCI AC World NR GBP Index.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to achieve long term growth by investing in stocks and shares quoted on major stock markets of the world, excluding the UK. The Sub-Fund may also invest in collective investment schemes.

## Fund aim

To outperform a benchmark consisting of 33.3% FTSE All World Europe (ex UK) Index, 33.3% FTSE All World North America Index and 33.3% FTSE All World Asia Pacific 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	Robert Marshall-Lee
Alternate	James Harries
Fund size (million)	£ 289.49

## Historical fund statistics - 3 years

12 Month turnover	58.88
3 Month turnover	18.26
Annualised Sharpe ratio	0.40
Annualised alpha	0.47
Annualised information ratio	-0.11
Beta	0.84
Ex ante tracking error	5.10
Ex post tracking error	7.69
Fund volatility	16.51
Index volatility	17.77
Jensen alpha	0.04
R <sup>2</sup>	0.81
Treynor ratio	7.80

## Key dates

Fund launch	29/03/1996
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## 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](http://www.bnymellonam.com/pooledprices)  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

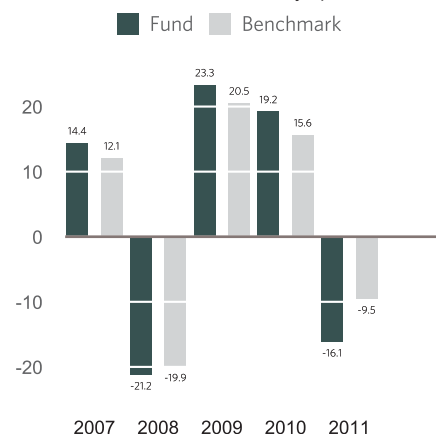
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
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Newton Institutional Business Development Team  
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# Newton Overseas Equity

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	2.8	5.3	-2.5
3 Months to Sep-11	-18.6	-16.4	-2.2
3 Months to Jun-11	-1.2	0.6	-1.8
3 Months to Mar-11	1.4	2.2	-0.8
12 Months	-16.1	-9.5	-6.6
3 Years annualised	7.2	8.1	-0.9
5 Years annualised	2.1	2.5	-0.4
10 Years annualised	5.2	4.6	0.6

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 delivered a positive return but underperformed its benchmark. The conservative positioning in financials was beneficial, particularly the lack of exposure to Western banks, while holdings in 'defensive' areas such as tobacco, were positive, led by Philip Morris International. Other 'defensive' areas, such as healthcare, also did well. Within the sector, Pfizer performed strongly after approvals for a number of its pipeline drugs led analysts to re-evaluate the company's future earnings potential. With a number of drug approvals also expected in 2012, there could be further upgrades. After announcing strong results that showed earnings significantly ahead of consensus, Bayer's shares also made gains. The rise in earnings was mainly attributable to high margins in the healthcare and crop science businesses, although material science contracted as expected on higher costs. Elsewhere in the sector, Align Technology saw its shares rise after announcing results that showed its flagship Invisalign product could drive strong sales growth, even in tough economic conditions.

On the negative front, Sprint Nextel was one of the portfolio's bottom contributors as investors worried that a new deal with Apple to sell the iPhone was based on unfavourable terms. Concerns were raised that the subsidies that Sprint would have to pay for the handset would drag on the company's ability to maintain its cashflow. These fears were compounded by expectations that the company might have to increase capital expenditure relating to its 4G network. Meanwhile, DeNA declined after announcing earnings that missed guidance, despite revenues growing significantly. A lack of newly released, in-house designed games meant that average revenues per user disappointed, although this will change going forward as the company releases its own games. Elsewhere, Huabao International Holdings struggled over the period.

## Review of activity

Other activity included the sale of Brazilian food retailer Hypermarcas, which has struggled with its business integration. New additions included EXCO Resources, an oil and natural gas company engaged in the acquisition, development and exploitation of onshore North American natural gas properties, which demonstrates high-quality assets, visible production growth and a low valuation. Finally, we sold the position in BHP Billiton as we had become concerned that slowing global growth rates, and a reduction in market liquidity associated with concerns over the sovereign debt positions of a number of Eurozone countries, would have an adverse effect on commodity prices, and hence the company's revenues. The Fund remains cautiously positioned in the West, but is well placed to benefit from the anticipated growth in the developing world.

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

Stock	Contribution (%)
Philip Morris Intl Inc	0.33
Pfizer Inc	0.25
Align Technology Inc	0.23
Bayer AG	0.20
Petroleo Brasileiro SA	0.18

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

Stock	Contribution (%)
DeNA Co Ltd	-0.50
Huabao Intl Holdings Ltd	-0.46
Mahindra & Mahindra Ltd	-0.33
Sprint Nextel Corp	-0.33
Yes Bank Ltd	-0.27

**ATTRIBUTION BY REGION (%)**

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
North American Equities	33.24	33.33	8.78	11.37	-0.84	0.10	-0.74
Europe ex UK Equities	18.85	33.33	6.92	3.35	0.59	0.32	0.91
Japanese Equities	9.05	12.14	-3.61	-3.63	0.00	0.21	0.21
Pacific ex. Japan Equities	25.22	21.19	-3.32	4.39	-1.98	-0.04	-2.02
Other International Equities	6.45	0.00	1.54	0.00	0.12	-0.36	-0.24
Cash	7.34	0.00	0.11	0.00	0.01	-0.26	-0.25
Forward FX	-0.15	0.00	-	0.00	0.07	0.05	0.12

**ATTRIBUTION BY SECTOR (%)**

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	5.59	9.36	7.18	12.66	-0.32	-0.04	-0.36
Basic Materials	14.69	7.48	-0.75	3.63	-0.73	-0.11	-0.83
Industrials	6.90	13.32	-0.36	7.09	-0.58	-0.07	-0.65
Consumer Goods	19.01	13.98	6.30	4.75	0.29	-0.01	0.28
Health Care	15.54	8.49	7.48	6.90	0.00	0.25	0.25
Consumer Services	6.64	8.35	-0.73	6.89	-0.50	-0.02	-0.52
Telecommunication	5.55	4.84	-3.04	0.56	-0.20	-0.03	-0.23
Utilities	0.00	4.07	0.00	-0.59	0.00	0.24	0.24
Financials	8.32	20.62	1.28	3.00	-0.13	0.26	0.13
Technology	9.44	9.52	5.83	6.23	-0.05	-0.01	-0.06
Unitised / Structured Investments (Equities)	1.12	0.00	-2.44	0.00	-0.03	-0.06	-0.09
Cash / Other Investments	7.19	0.00	3.50	0.00	0.13	-0.21	-0.07

**ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)**

Stock	Fund	B. mark
Bayer AG	2.74	0.38
Philip Morris Intl Inc	2.66	0.37
Petroleo Brasileiro SA	2.24	0.00
Pfizer Inc	2.52	0.44
Japan Tobacco Inc	2.01	0.13
Syngenta AG	2.01	0.20
Lorillard Inc	1.79	0.04
Sakari Resources Ltd	1.73	0.00
Sawai Pharmaceutical Co Ltd	1.60	0.01
Altria Group Inc	1.73	0.17

**ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)**

Stock	Fund	B. mark
Exxon Mobil Corp	0.00	1.09
Total SA	0.00	0.83
Samsung Electronics Co Ltd	0.00	0.76
Sanofi	0.00	0.68
BHP Billiton Ltd	0.00	0.64
Siemens AG	0.00	0.63
Microsoft Corp	0.00	0.58
International Business Machine	0.00	0.58
Chevron Corp	0.00	0.57
Nestle SA	0.86	1.43

**TOP TEN HOLDINGS (%)**

Stock	Fund
Bayer AG	2.74
Philip Morris Intl Inc	2.66
Apple Inc	2.55
Pfizer Inc	2.52
Roche Hldgs AG	2.35
Petroleo Brasileiro SA	2.24
Novartis AG	2.08
Syngenta AG	2.01
Japan Tobacco Inc	2.01
Lorillard Inc	1.79

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. 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. CP7111-02-08-2011 (6M)

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 Overseas Equity Fund. The benchmark to 30 June 2003 was the CAPS Pooled Overseas Equity Median. Since 1 July 2003, the benchmark has comprised 1/3 FTSE AW Europe (ex UK) Index, 1/3 FTSE AW North America Index and 1/3 FTSE AW Asia Pacific Index.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to achieve increasing annual distributions together with long-term capital growth from investing predominantly in global securities. The Sub-Fund may also invest in collective investment schemes.

## Fund aim

To outperform the FTSE World Index by over 2% p.a. over rolling five year periods. The FTSE World Index is used for comparison purposes in the analysis.

## General information

Fund type	ICVC
Fund domicile	UK
Type of shares / units	Accumulation/Income
Base currency	GBP
Fund manager	James Harries
Alternate	Robert Hay
Fund size (million)	£ 2,199.05

## Historical fund statistics - 3 years

12 Month turnover	28.33
3 Month turnover	6.01
Annualised Sharpe ratio	0.88
Annualised alpha	5.52
Annualised information ratio	0.48
Beta	0.73
Ex ante tracking error	6.90
Ex post tracking error	6.24
Fund volatility	13.12
Index volatility	17.17
Jensen alpha	0.41
R <sup>2</sup>	0.90
Treynor ratio	15.90

## Key dates

Fund launch	30/11/2005
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](http://www.bnymellonam.com/pooledprices)  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

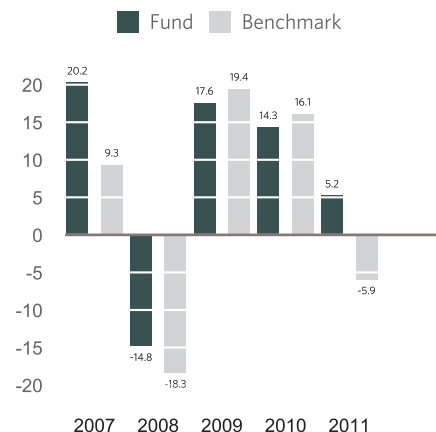
## Client service

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# Newton Global Higher Income

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	8.1	7.6	0.5
3 Months to Sep-11	-7.4	-14.8	7.4
3 Months to Jun-11	2.4	0.4	2.0
3 Months to Mar-11	2.7	2.2	0.5
12 Months	5.2	-5.9	11.1
3 Years annualised	12.2	9.3	2.9
5 Years annualised	7.7	3.1	4.6
Performance since 04-08-2006 annualised	9.4	4.6	4.8

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 generated a positive absolute return, outperforming the FTSE World Index. The primary source of outperformance was the consumer goods sector, in which the US tobacco companies Reynolds American and Phillip Morris both produced positive contributions. Elsewhere, some of the Fund's healthcare sector holdings did well, including Pfizer and Bayer. Pfizer performed strongly after approvals for its pipeline drugs led analysts to re-evaluate the company's future earnings potential. With drug approvals also expected in 2012, there could be further upgrades. The divestment of its nutrition and animal health businesses was also taken well by investors. Meanwhile, after announcing strong results that showed earnings significantly ahead of consensus, Bayer's shares made gains. An underweight allocation to financials was also beneficial to the Fund's relative performance, although exposure to DNB NOR had a negative impact. Areas of weakness included the information technology sector, in which the smartphone manufacturer HTC struggled. The company's share price suffered after its results showed a decline in sales which was primarily due to strong competition from Apple and Samsung, who had both released new flagship products in the preceding months. ICAP guided the market to expect weaker performance towards the end of 2011 as market distress caused a reduction in trading volumes. The shares declined following the news, however the company is still well positioned to benefit from the structural move towards electronic trading and investment should help it expand its post-trade business. Among utilities, Suez Environnement was a notable weak performer.

## Review of activity

A limited number of changes were made to the Fund over the quarter. We sold our position in the Italian oil and gas company ENI following strong performance in response to the resolution of the problems in Libya in which ENI has operations. Although the yield and valuation remain attractive we are concerned about the state of the Italian sovereign balance sheet and fear this will impact further on the Italian equity market should the situation continue to worsen irrespective of stock specific attractions. We also sold Sakari Resources and Mitsubishi Corp to reflect our growing concern about China and its likely negative influence on the coal price. To replace these holdings we purchased shares in the world's biggest security company G4S and the Australian wine producer Treasury Wine Estates. We were able to establish a position in G4S following a failed mooted takeover bid for ISS which was dropped following shareholder disapproval. This depressed the share price to an attractive entry level.

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

Stock	Contribution (%)
Philip Morris Intl Inc	0.75
Reynolds American Inc	0.23
Pfizer Inc	0.21
Link Real Estate Inv Trust	0.21
Bayer AG	0.20

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

Stock	Contribution (%)
HTC Corporation	-0.47
ICAP PLC	-0.24
Suez Environnement SA	-0.23
Hopewell Highway Infra Ltd	-0.20
DNB ASA	-0.20

## ATTRIBUTION BY REGION (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
UK Equities	12.89	8.78	6.10	9.28	-0.38	0.05	-0.33
North American Equities	32.83	51.32	12.54	11.37	0.36	-0.65	-0.29
Europe ex UK Equities	27.99	17.08	7.71	3.60	1.11	-0.44	0.68
Japanese Equities	0.00	8.04	-7.97	-3.63	-0.03	0.93	0.91
Pacific ex. Japan Equities	14.71	9.37	1.04	5.27	-0.64	-0.11	-0.75
Other International Equities	7.60	5.41	6.13	7.69	-0.18	0.02	-0.16
Overseas Corporate	1.99	0.00	4.03	0.00	0.08	-0.15	-0.07
Cash	1.39	0.00	-	0.00	-0.05	-0.12	-0.17
Forward FX	0.60	0.00	-	0.00	-0.21	-0.08	-0.30

## ATTRIBUTION BY SECTOR (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	10.69	10.94	14.99	16.21	-0.12	0.04	-0.08
Basic Materials	4.94	7.49	9.50	4.89	0.21	0.05	0.26
Industrials	6.65	11.86	4.74	10.05	-0.32	-0.13	-0.45
Consumer Goods	18.42	13.01	12.94	6.74	1.05	-0.02	1.03
Health Care	14.84	8.95	11.58	8.32	0.45	0.05	0.50
Consumer Services	2.01	9.92	2.40	9.01	-0.13	-0.09	-0.22
Telecommunication	13.45	4.46	3.77	4.39	-0.07	-0.32	-0.39
Utilities	6.29	4.06	-0.41	2.78	-0.20	-0.12	-0.32
Financials	15.08	18.84	4.90	4.76	-0.01	0.10	0.08
Technology	3.66	10.48	-6.49	7.03	-0.46	0.04	-0.42
Bonds	1.99	0.00	4.03	0.00	0.08	-0.15	-0.07
Cash	1.99	0.00	-	0.00	0.06	-0.21	-0.15

## ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
Reynolds American Inc	5.45	0.07
Philip Morris Intl Inc	5.28	0.53
Bayer AG	3.36	0.21
Roche Hldgs AG	3.24	0.46
SSE PLC	2.47	0.07
Link Real Estate Inv Trust	2.16	0.03
Husky Energy Inc	2.05	0.03
Statoil ASA	2.11	0.13
Clorox Co	2.01	0.03
MTN Group Ltd	2.08	0.13

## ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)

Stock	Fund	B. mark
Exxon Mobil Corp	0.00	1.58
Apple Inc	0.00	1.46
Microsoft Corp	0.00	0.85
International Business Machine	0.00	0.84
Chevron Corp	0.00	0.83
General Electric Co	0.00	0.73
Johnson & Johnson	0.00	0.70
BHP Billiton Ltd	0.00	0.44
Coca-Cola Co	0.00	0.62
Google Inc	0.00	0.61

## TOP TEN HOLDINGS (%)

Stock	Fund
Reynolds American Inc	5.45
Philip Morris Intl Inc	5.28
Bayer AG	3.36
Roche Hldgs AG	3.24
SSE PLC	2.47
GlaxoSmithKline PLC	2.26
Pfizer Inc	2.22
Link Real Estate Inv Trust	2.16
Merck & Co Inc (New)	2.15
Procter & Gamble Co	2.11

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# NEWTON

The Power of Ideas

As at 31 December 2011

## 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 <sup>2</sup>	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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

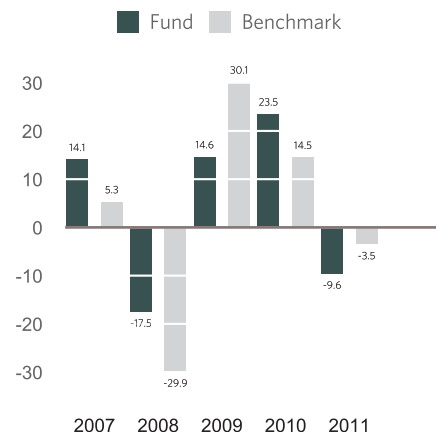
## Client service

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# 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 (%)

Stock	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

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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.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to achieve increasing distributions on a calendar year basis with long term capital growth. The Sub-Fund may also invest in collective investment schemes.

## Fund aim

To outperform the FTSE All-Share 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	Tineke Frikkee
Alternate	Simon Nichols
Fund size (million)	£ 2,379.84

## Historical fund statistics - 3 years

12 Month turnover	109.63
3 Month turnover	10.71
Annualised Sharpe ratio	0.65
Annualised alpha	-0.63
Annualised information ratio	-0.66
Beta	0.77
Ex ante tracking error	5.30
Ex post tracking error	5.55
Fund volatility	13.13
Index volatility	16.28
Jensen alpha	-0.05
R <sup>2</sup>	0.90
Treynor ratio	11.15

## 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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

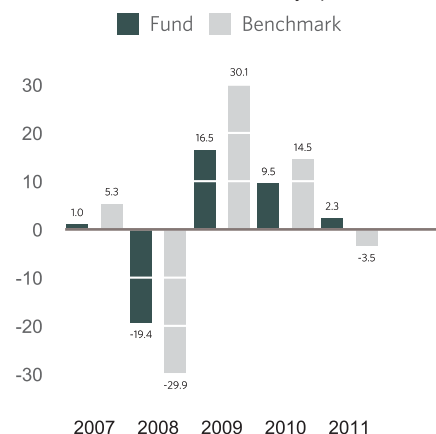
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# Newton Higher Income

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	8.6	8.4	0.2
3 Months to Sep-11	-9.0	-13.5	4.5
3 Months to Jun-11	4.6	1.9	2.7
3 Months to Mar-11	-1.1	1.0	-2.1
12 Months	2.3	-3.5	5.8
3 Years annualised	9.2	12.9	-3.7
5 Years annualised	1.2	1.2	0.0
Performance since 11-10-2002 annualised	10.0	8.2	1.8

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

Against a backdrop of considerable market turmoil, the Fund outperformed the FTSE All-Share Index. Our avoidance of low yielding Lloyds Banking Group was positive. There were concerns about its exposure to European sovereign debt, the sudden temporary leave of absence of its chief executive officer (CEO) 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. Our underweight position in HSBC Holdings also did well, 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 tobacco sector was strong during the period; hence, our overweight positions in British American Tobacco and Imperial Tobacco Group were positive. According to data released by Nielsen, the sector demonstrates resilience to recessionary conditions and attractive cash returns against a backdrop of high macroeconomic uncertainty. There are positive volume and pricing trends in the Italian and UK markets. Our overweight position in GlaxoSmithKline, a holding which has defensive characteristics, also did well. Our overweight holding in the utilities sector held performance back, following profit-taking in Centrica, SSE and Severn Trent. Our overweight position in Cable & Wireless Worldwide was also negative as it suspended future dividends to improve balance-sheet strength, warned on profits and the CEO departed. Elsewhere, the support services companies Compass Group also reduced returns.

## Review of activity

We sold Tate & Lyle and Compass Group after they fell out of our yield universe following a period of strong performance and we also sold Cable & Wireless Worldwide following its dividend cut. Elsewhere, we reduced a number of holdings in the Fund that had significant exposure to developing markets, given our concerns over the sustainability of growth. Hence, we continued to reduce our position in HSBC Holdings in order to reduce our exposure to the Asian property market and the overall volatile banking sector. In addition, we reduced our overweight position in Aberdeen Asset Management as we believe that the challenging market backdrop could risk future capital flows, given its skew towards emerging market and Asian equities. We reduced our overweight holding in Prudential due to the likely risk in its valuation comparison with peers in China (i.e. AIA).

Among other activity, we increased our overweight position in British American Tobacco due to its attractive price and growth profile and increased our holdings in BT Group, Vodafone, National Grid and Imperial Tobacco for their attractive defensive characteristics. We also took advantage of share-price volatility in the utilities sector to increase our holdings in United Utilities Group, Severn Trent and SSE. During the quarter, we used share-price weakness as an opportunity to increase our holding in Land Securities, as its valuation became more attractive.

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

Stock	Contribution (%)
Lloyds Banking Group PLC	0.28
HSBC Holdings PLC	0.23
Reckitt Benckiser Group PLC	0.16
GlaxoSmithKline PLC	0.14
Imperial Tobacco Group PLC	0.11

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

Stock	Contribution (%)
Centrica PLC	-0.22
SSE PLC	-0.19
Compass Group PLC	-0.18
Cable & Wireless Worldwide	-0.14
Rolls-Royce Holdings PLC	-0.12

## ATTRIBUTION BY SECTOR (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	14.84	18.92	21.87	17.34	0.54	-0.40	0.14
Basic Materials	0.65	11.19	14.33	8.35	0.02	0.01	0.03
Industrials	6.71	8.03	7.29	10.34	-0.21	0.01	-0.20
Consumer Goods	13.33	13.37	10.45	8.67	0.24	-0.02	0.22
Health Care	13.33	8.01	8.86	9.00	-0.02	0.04	0.03
Consumer Services	11.95	9.49	7.64	7.10	0.07	-0.05	0.01
Telecommunication	9.40	6.52	7.56	10.63	-0.23	0.07	-0.15
Utilities	11.91	3.93	-0.60	0.40	-0.12	-0.54	-0.66
Financials	12.96	19.08	4.88	1.55	0.46	0.38	0.84
Technology	0.24	1.45	-21.55	4.78	-0.09	0.04	-0.05
Options	-0.01	0.00	-	0.00	0.27	0.01	0.28
Cash	4.68	0.00	-	0.00	0.00	-0.07	-0.06

## ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
GlaxoSmithKline PLC	8.68	4.42
British American Tobacco PLC	6.98	3.56
Imperial Tobacco Group PLC	4.58	1.46
AstraZeneca PLC	4.65	2.29
SSE PLC	3.05	0.71
Tesco PLC	4.03	1.90
Centrica PLC	2.93	0.88
Pearson PLC	1.92	0.58
Vodafone Group PLC	6.65	5.34
3I Infrastructure PLC	1.33	0.05

## ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)

Stock	Fund	B. mark
HSBC Holdings PLC	2.21	5.17
BG Group PLC	0.00	2.74
Rio Tinto PLC	0.00	2.67
BHP Billiton PLC	0.00	2.34
Diageo PLC	0.00	2.09
Standard Chartered PLC	0.00	1.98
Anglo American PLC	0.00	1.86
SABMiller PLC	0.00	1.59
Reckitt Benckiser Group PLC	0.00	1.36
Xstrata PLC	0.00	1.29

## TOP TEN HOLDINGS (%)

Stock	Fund
GlaxoSmithKline PLC	8.68
Royal Dutch Shell PLC	8.53
British American Tobacco PLC	6.98
Vodafone Group PLC	6.65
BP PLC	6.31
AstraZeneca PLC	4.65
Imperial Tobacco Group PLC	4.58
Tesco PLC	4.03
SSE PLC	3.05
Centrica PLC	2.93

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Performance since 11 October 2002 is the date the Newton Exempt UK Equity Alpha Fund was merged into the Newton Higher Income Fund.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

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

## Fund aim

To outperform the FTSE All-Share 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	Richard Wilmot
Alternate	Ben Russon
Fund size (million)	£ 1,143.46

## Historical fund statistics - 3 years

12 Month turnover	101.64
3 Month turnover	2.49
Annualised Sharpe ratio	0.37
Annualised alpha	-4.09
Annualised information ratio	-1.01
Beta	0.76
Ex ante tracking error	4.40
Ex post tracking error	7.04
Fund volatility	13.79
Index volatility	16.28
Jensen alpha	-0.31
R <sup>2</sup>	0.82
Treynor ratio	6.63

## Key dates

Fund launch	01/05/1985
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](http://www.bnymellonam.com/pooledprices) or  
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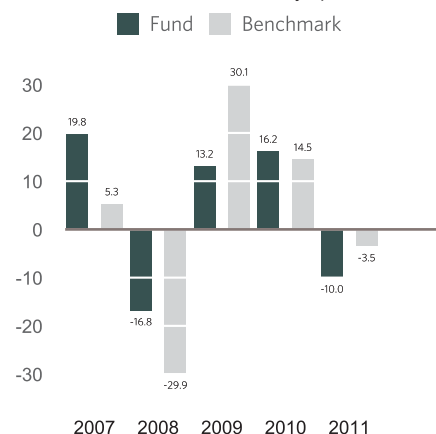
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# Newton Income

## CALENDAR PERFORMANCE (%)



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 (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	6.9	8.4	-1.5
3 Months to Sep-11	-16.7	-13.5	-3.2
3 Months to Jun-11	1.9	1.9	0.0
3 Months to Mar-11	-0.8	1.0	-1.8
12 Months	-10.0	-3.5	-6.5
3 Years annualised	5.8	12.9	-7.1
5 Years annualised	3.4	1.2	2.2
10 Years annualised	6.0	4.8	1.2

## 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.

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## 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.

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Wolseley PLC	0.19
BP PLC	0.18
Reckitt Benckiser Group PLC	0.16

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

Stock	Contribution (%)
Royal Dutch Shell PLC	-0.97
Lloyds Banking Group PLC	-0.77
ICAP PLC	-0.30
Immunodiagnostic Sys Hldgs PLC	-0.24
Bowleven PLC	-0.22

## ATTRIBUTION BY SECTOR (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	13.64	18.92	11.89	17.34	-0.66	-0.37	-1.03
Unit Trusts (UK Equities)	3.04	0.00	-2.59	0.00	-0.07	-0.26	-0.34
Basic Materials	16.45	11.19	10.24	8.35	0.30	0.01	0.31
Industrials	14.73	8.03	15.11	10.34	0.65	0.13	0.78
Consumer Goods	7.86	13.37	8.12	8.67	-0.04	-0.01	-0.05
Health Care	4.20	8.01	-1.92	9.00	-0.43	-0.01	-0.44
Consumer Services	13.54	9.49	5.33	7.10	-0.21	-0.05	-0.26
Telecommunication	0.89	6.52	-13.76	10.63	-0.23	-0.10	-0.34
Utilities	3.40	3.93	0.66	0.40	0.01	0.06	0.07
Financials	14.65	19.08	-0.71	1.55	-0.33	0.30	-0.03
Technology	6.74	1.45	8.90	4.78	0.26	-0.17	0.09
Cash	0.84	0.00	0.46	0.00	0.00	0.00	0.00

## ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
Prudential PLC	2.61	0.95
Barclays PLC	2.84	1.27
Anglo American PLC	3.42	1.86
Rio Tinto PLC	4.21	2.67
Lloyds Banking Group PLC	2.14	0.62
BP PLC	6.65	5.13
BHP Billiton PLC	3.82	2.34
Xstrata PLC	2.72	1.29
Sage Group PLC	1.52	0.23
Pennon Group PLC	1.41	0.15

## 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
Unilever PLC	0.00	1.68
Imperial Tobacco Group PLC	0.00	1.46
Reckitt Benckiser Group PLC	0.00	1.36

## TOP TEN HOLDINGS (%)

Stock	Fund
BP PLC	6.65
Rio Tinto PLC	4.21
BHP Billiton PLC	3.82
BG Group PLC	3.59
Anglo American PLC	3.42
Barclays PLC	2.84
Xstrata PLC	2.72
British American Tobacco PLC	2.64
Prudential PLC	2.61
Tesco PLC	2.41

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# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

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

## Fund aim

To outperform the FTSE World North America 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	Simon Laing
Alternate	Charlotte Ryland
Fund size (million)	£ 55.67

## Historical fund statistics - 3 years

12 Month turnover	64.99
3 Month turnover	8.78
Annualised Sharpe ratio	0.67
Annualised alpha	1.34
Annualised information ratio	0.08
Beta	0.93
Ex ante tracking error	4.10
Ex post tracking error	6.35
Fund volatility	16.80
Index volatility	16.79
Jensen alpha	0.11
R <sup>2</sup>	0.86
Treynor ratio	12.11

## Key dates

Fund launch	31/10/1986
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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

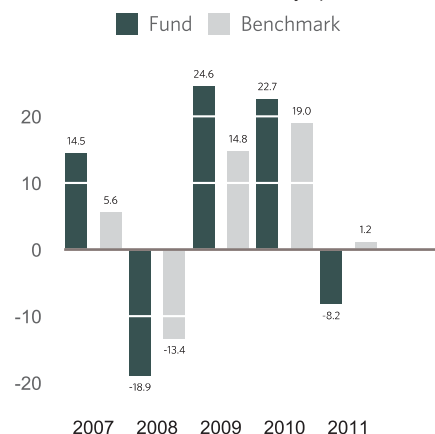
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
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# Newton American

## CALENDAR PERFORMANCE (%)



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 (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	11.3	11.3	0.0
3 Months to Sep-11	-18.1	-11.8	-6.3
3 Months to Jun-11	-1.9	-0.4	-1.5
3 Months to Mar-11	2.7	3.5	-0.8
12 Months	-8.2	1.2	-9.4
3 Years annualised	11.9	11.4	0.5
5 Years annualised	5.4	4.8	0.6
10 Years annualised	2.3	2.7	-0.4

## Performance factors

The quarter's positive absolute return was due to stock selection rather than asset allocation. Although the Fund benefited from its underweight exposure to financials and consumer goods, underweight exposure to oil and gas and an overweight to basic materials detracted from performance. At the stock level, the luxury homebuilder Toll Brothers performed strongly on account of improving volume trends, continued momentum in new orders and the recent positive data on the housing market in general. Shares in SPS Commerce made gains as the company continued to benefit from its status as the leading supply chain management solutions provider for the retail sector. The growth in its customer base accelerated and it showed improving margins in recent results. In the industrial services sector, Shaw Group benefited from an increase in the pace of US nuclear construction, which had suffered in the wake of the Fukushima disaster, and management reaffirming guidance for 2012. The position in Walt Disney Corporation contributed positively to the Fund's returns, as shares rose on account of improving profitability due to increased spending at its theme parks. A void position in the software supplier Oracle also contributed positively to returns.

Sprint Nextel was the Fund's weakest performing holding over the quarter. Shares in the telecoms giant suffered due to rumours about an unfavourable iPhone agreement which were not fully denied at their analyst day, and due to an announcement about increased expenditure for rolling out its 4G network before financing had been secured. The holding was subsequently reduced. Thermo Fisher Scientific, the manufacturer of scientific instruments, consumables and chemicals, detracted from performance. Its shares lost ground because of weak demand in its academic and government segment against the backdrop of impending government spending cuts. The Fund's void position in ExxonMobil also cost performance, as the energy company made significant gains over the quarter.

## Review of activity

In the consumer sector, we established a position in Kraft Foods. The company has stable revenue streams and will benefit from synergies from its Cadbury acquisition this year. Furthermore, we believe that the market is undervaluing its overseas operations. We also acquired a holding in the online retailer eBay, which is well-positioned to benefit from the growing importance of e-commerce. The company has recently been investing in IT development, seeking to improve the customer experience and maintain its strong brand. We also like its PayPal payment business, which is becoming increasingly profitable. A position in EXCO Resources, an oil and natural gas company which boasts high quality assets, strong production growth and a low valuation, was introduced into the Fund.

We sold our holding in Union Pacific, which has performed strongly on account of growth in railroad cargo volumes. We believe that the benefits of this trend have now been priced into the company's share price, prompting us to take profits. The position in cruise ship owner and operator Carnival was sold, on account of the company's deteriorating risk-reward profile.

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

Stock	Contribution (%)
Toll Bros Inc	0.77
SPS Commerce Inc	0.44
Walt Disney Co	0.26
Oracle Corp	0.24
Shaw Group Inc	0.24

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

Stock	Contribution (%)
Sprint Nextel Corp	-1.10
Thermo Fisher Scientific Inc	-0.75
GeoEye Inc	-0.42
Exxon Mobil Corp	-0.17
Applied Materials Inc	-0.14

## ATTRIBUTION BY SECTOR (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Oil & Gas	8.77	12.85	12.51	17.48	-0.40	-0.21	-0.60
Basic Materials	9.00	4.54	5.23	6.99	-0.15	-0.15	-0.30
Industrials	9.10	11.10	14.65	16.51	-0.12	0.01	-0.11
Consumer Goods	8.61	10.53	25.00	10.61	0.86	0.05	0.92
Health Care	18.09	10.24	9.89	10.22	-0.06	-0.04	-0.10
Consumer Services	11.64	12.12	13.53	11.98	0.17	0.00	0.17
Telecommunication	2.09	3.09	-22.14	7.80	-1.00	-0.09	-1.09
Utilities	0.00	3.70	0.00	8.61	0.00	0.10	0.10
Financials	11.04	16.41	17.81	10.11	0.77	0.06	0.83
Technology	18.61	15.42	11.64	7.77	0.69	-0.09	0.59
Cash	3.06	0.00	5.01	0.00	0.07	-0.20	-0.13

## ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
Reynolds American Inc	3.88	0.14
Toll Bros Inc	3.61	0.02
Principal Financial Group	3.32	0.06
Thermo Fisher Scientific Inc	3.14	0.13
Amgen Inc	3.24	0.38
Merck & Co Inc (New)	3.51	0.87
Teva Pharmaceutical Inds Ltd	2.48	0.00
Shaw Group Inc	2.36	0.00
Walt Disney Co	2.75	0.51
Adobe Systems Inc	2.32	0.11

## ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)

Stock	Fund	B. mark
Exxon Mobil Corp	0.00	3.06
International Business Machine	0.00	1.63
Chevron Corp	0.00	1.61
General Electric Co	0.00	1.42
Procter & Gamble Co	0.00	1.38
Johnson & Johnson	0.00	1.36
AT&T Inc	0.00	1.35
Pfizer Inc	0.00	1.25
Coca-Cola Co	0.00	1.21
Google Inc	0.00	1.18

## TOP TEN HOLDINGS (%)

Stock	Fund
Reynolds American Inc	3.88
Toll Bros Inc	3.61
Merck & Co Inc (New)	3.51
Principal Financial Group	3.32
Amgen Inc	3.24
Thermo Fisher Scientific Inc	3.14
Microsoft Corp	3.01
Walt Disney Co	2.75
Teva Pharmaceutical Inds Ltd	2.48
Emerson Electric Co	2.41

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. 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. CP7111-02-08-2011 (6M) Performance since 22 September 2000 is the date the Newton Exempt North American Fund was merged into the Newton American Fund.

# NEWTON

The Power of Ideas

As at 31 December 2011

## 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 <sup>2</sup>	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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

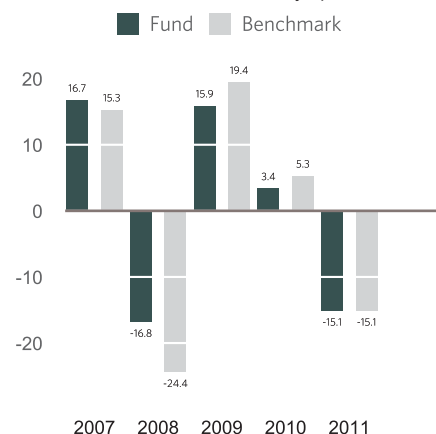
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
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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 (%)

Stock	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

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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.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to achieve capital growth by investing in securities predominantly in Asian and Pacific markets including Australia and New Zealand but excluding Japan. The Sub-Fund may also invest in collective investment schemes.

## Fund aim

To outperform the FTSE-AW Asia Pacific (ex Japan) 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	Jason Pidcock
Alternate	Zoe Kan
Fund size (million)	£ 822.89

## Historical fund statistics - 3 years

12 Month turnover	16.13
3 Month turnover	2.90
Annualised Sharpe ratio	0.89
Annualised alpha	2.27
Annualised information ratio	0.02
Beta	0.88
Ex ante tracking error	5.80
Ex post tracking error	5.64
Fund volatility	19.12
Index volatility	21.00
Jensen alpha	0.17
R <sup>2</sup>	0.93
Treynor ratio	19.46

## Key dates

Fund launch	30/11/1990
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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

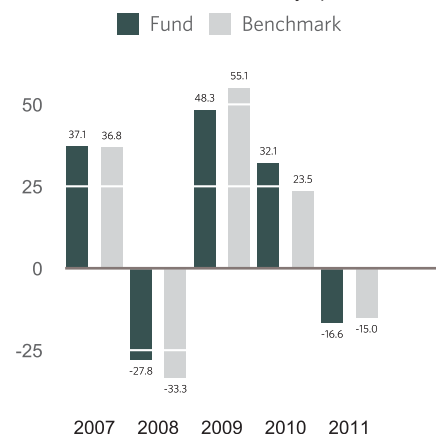
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
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# Newton Oriental

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	1.6	4.4	-2.8
3 Months to Sep-11	-16.4	-18.0	1.6
3 Months to Jun-11	0.1	-0.2	0.3
3 Months to Mar-11	-1.8	-0.5	-1.3
12 Months	-16.6	-15.0	-1.6
3 Years annualised	17.8	17.7	0.1
5 Years annualised	10.1	8.2	1.9
10 Years annualised	12.7	11.5	1.2

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 factors

The Fund's performance suffered from a number of stock-specific developments. Commodities trader Noble Group fell sharply after the company announced its first ever quarterly loss, caused by counterparties reneging on cotton contracts, mark-to-market losses on carbon credits, and the subsequent resignation of its CEO. We continue to hold the stock as we believe the losses are unlikely to recur and the company has the potential to unlock asset value. The share price of smart phone manufacturer HTC Corporation declined as the company came under fire from Apple over alleged patent infringements. HTC was also forced to reduce sales guidance due to increased competition and the weaker global economic environment. Given the stock's high yield and the company's well respected management team, we believe the share price has the potential to recover. The Fund suffered from an underweight position in Samsung Electronics, and White Energy disappointed after the company's joint venture partner reneged on its contract to supply low grade coal at cost, causing delays to an Indonesian project. Newcrest Mining underperformed after downgrading production guidance following disruption at its three largest mines. Overall, the healthcare sector detracted from performance. Indian hospital operator Fortis Healthcare fell on investor concerns over the price paid to acquire the unlisted Fortis International, and the share price of Australian biotech group Mesoblast declined from its 2011 highs following criticisms of recently reported heart failure data. In contrast, the performance of Thai-based Bumrungrad Hospital was positive for the Fund. Oil and gas sector holdings, including Santos, Oil Search and Energy World Corporation were the Fund's best performers, aided by a resilient oil price. Positions in telecoms operators Advanced Info Service and Taiwan Mobile also cushioned returns, as did holdings in consumer goods manufacturer Hengan International Group and hotel/casino group Sands China. Shares in the Macau-based operator rallied towards the end of the quarter following the announcement that an investigation by the Hong Kong securities regulator had concluded and no further action would be taken.

## Review of activity

During the quarter, Singaporean-based United Overseas Bank was added to the Fund, replacing its competitor DBS Group. The cash level was increased following the sale or reduction of positions in smaller, less liquid holdings such as Camelot Information Systems, Housing Development and Infrastructure, White Energy, China Taiping Insurance and Adaro Energy. Holdings of Worley Parsons and Sands China were trimmed following stock price outperformance.

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

Stock	Contribution (%)
Sands China Ltd	0.43
Santos Ltd	0.36
Energy World Corporation Ltd	0.35
Hengan Intl Group Co Ltd	0.33
Taiwan Mobile Co	0.29

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

Stock	Contribution (%)
Noble Group Ltd	-0.89
HTC Corporation	-0.77
Samsung Electronics Co Ltd	-0.71
White Energy Company Ltd	-0.66
Rei Agro Ltd	-0.62

## ATTRIBUTION BY REGION (%)

3 Month attribution	Fund weight	B. mark weight	Fund return	B. mark return	Stock selection	Asset allocation	Net effect
Australia	21.14	23.85	2.13	7.78	-1.24	0.05	-1.19
China	6.27	14.61	2.58	9.54	-0.47	-0.37	-0.84
Hong Kong	16.21	12.44	7.23	5.88	0.18	0.06	0.24
Indonesia	2.23	2.97	1.67	7.29	-0.12	-0.01	-0.13
India	7.41	7.77	-16.93	-14.34	-0.35	0.07	-0.28
South Korea	0.00	15.59	0.00	6.41	0.00	-0.30	-0.30
Malaysia	0.00	4.17	0.00	12.12	0.00	-0.28	-0.28
New Zealand	0.00	0.44	0.00	-1.82	0.00	0.03	0.03
Philippines	1.56	0.59	4.66	8.52	-0.08	0.03	-0.05
Pakistan	0.00	0.10	0.00	-8.86	0.00	0.02	0.02
Singapore	7.76	4.79	-10.92	-0.78	-0.77	-0.18	-0.95
Thailand	4.86	1.83	10.93	11.86	-0.08	0.19	0.12
Taiwan	11.85	10.83	0.88	0.32	0.02	0.03	0.04
United Kingdom	10.38	0.00	8.64	0.00	0.88	-0.47	0.42
Cash	10.32	0.00	-	0.00	0.00	0.03	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	11.91	6.56	13.33	2.05	1.36	-0.11	1.24
Basic Materials	11.72	11.78	-3.56	1.50	-0.64	-0.01	-0.65
Industrials	8.39	11.77	-12.87	4.14	-1.52	0.01	-1.52
Consumer Goods	11.32	9.79	1.04	2.62	-0.17	-0.04	-0.21
Health Care	7.63	1.63	-5.75	3.01	-0.72	-0.16	-0.89
Consumer Services	4.77	6.13	14.06	3.50	0.54	0.01	0.55
Telecommunication	6.51	5.83	9.12	1.56	0.45	0.01	0.45
Utilities	1.56	3.23	4.66	1.71	0.03	0.05	0.07
Financials	17.44	32.49	2.74	6.41	-0.80	-0.26	-1.07
Technology	8.44	10.79	-4.62	8.22	-1.05	-0.09	-1.13
Cash	10.32	0.00	-	0.00	0.00	0.03	0.03

## ACTIVE POSITIONS - TOP TEN OVERWEIGHT (%)

Stock	Fund	B. mark
Standard Chartered PLC	5.14	0.00
Santos Ltd	4.91	0.32
Noble Group Ltd	4.63	0.12
Taiwan Semiconductor Manufacturing	5.87	1.78
Newcrest Mining Ltd	4.27	0.64
Apollo Hospitals	3.48	0.00
Belle Intl Holdings Ltd	3.68	0.30
Taiwan Mobile Co	3.41	0.14
Sands China Ltd	3.31	0.19
Hengan Intl Group Co Ltd	3.29	0.24

## ACTIVE POSITIONS - TOP TEN UNDERWEIGHT (%)

Stock	Fund	B. mark
Samsung Electronics Co Ltd	0.00	3.70
Commonwealth Bank of Australia	0.00	2.19
Westpac Banking Corp	0.00	1.71
Australia & New Zealand Bank	0.00	1.52
National Australia Bank Ltd	0.00	1.45
China Construction Bank	0.00	1.39
Ind & Commercial Bank of China	0.00	1.06
CNOOC Ltd	0.00	0.86
Woolworths Ltd	0.00	0.86
Bank of China (Beijing) Ltd	0.00	0.85

## TOP TEN HOLDINGS (%)

Stock	Fund
Taiwan Semiconductor Manufacturing	5.87
BHP Billiton PLC	5.25
Standard Chartered PLC	5.14
Santos Ltd	4.91
Noble Group Ltd	4.63
Newcrest Mining Ltd	4.27
Belle Intl Holdings Ltd	3.68
Apollo Hospitals	3.48
Taiwan Mobile Co	3.41
Sands China Ltd	3.31

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Performance since 22 September 2000 is the date the Newton Exempt Asia Fund was merged into the Newton Oriental Fund.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to maximum returns through investment in securities issued or guaranteed by the UK Government or the Governments of foreign countries or corporate bodies. The Sub-Fund may also invest in collective investment schemes.

## Fund aim

To marginally outperform the FTSE Actuaries Government Securities (over 15 Years) Index over rolling five year periods.

## General information

Fund type	ICVC
Fund domicile	UK
Type of shares / units	Accumulation
Base currency	GBP
Fund manager	Howard Cunningham
Alternate	Carl Shepherd
Fund size (million)	£ 165.64

## Historical fund statistics - 3 years

12 Month turnover	90.81
3 Month turnover	30.73
Annualised Sharpe ratio	0.76
Annualised alpha	0.50
Annualised information ratio	0.39
Beta	0.97
Ex ante tracking error	n/a
Ex post tracking error	0.66
Fund volatility	11.68
Index volatility	11.98
Jensen alpha	0.04
R <sup>2</sup>	1.00
Treynor ratio	9.14

## Key dates

Fund launch	01/03/1979
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## 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](http://www.bnymellonam.com/pooledprices) or  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

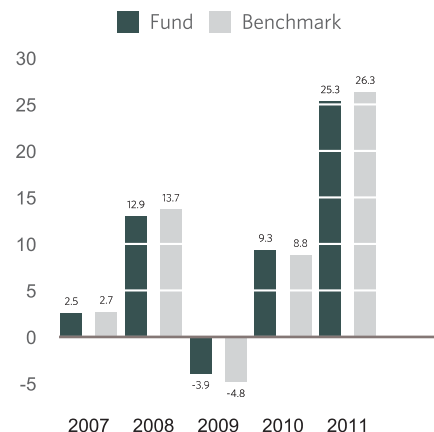
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
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email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# Newton Long Gilt

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	9.4	9.6	-0.2
3 Months to Sep-11	13.7	14.4	-0.7
3 Months to Jun-11	2.3	2.3	0.0
3 Months to Mar-11	-1.5	-1.5	0.0
12 Months	25.3	26.3	-1.0
3 Years annualised	9.6	9.3	0.3
5 Years annualised	8.8	8.8	0.0
10 Years annualised	7.5	7.4	0.1

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

Gilts continued to benefit from significant market concerns and rallied. The yields of UK government bonds with maturities of over 15 years fell by approximately 0.5%, leading to another quarter of positive returns. Against this backdrop, the Fund performed well, registering a return in line with its Index. The Fund lost some performance due to its 4% exposure in investment grade corporate bonds. However, much of this was offset by the strong performance of our index-linked gilts, which represented a 3% weighting in the Fund.

## Review of activity

There was no single dominant theme to trading during the period, much of which was driven by flows. However, over the course of the quarter, we reduced our exposure to very long-dated gilts, with 2055 and 2060 maturities, and increased our exposure to 20-30 year gilts (2039, 2034 and 2038). We also added a small exposure to our non-government bonds via the purchase of KfW, Abbey National and Community Finance.

**TOP TEN HOLDINGS (%)**

Bond	Fund	Rating
UK Treasury Gilt 4.5% 7/09/2034	8.00	AAA
UK Treasury Gilt 4.25% 7/12/2027	7.52	AAA
UK Treasury Gilt 4.75% 7/12/2030	7.42	AAA
UK Treasury Gilt 4.25% 7/12/2040	6.69	AAA
UK Treasury Stk 4.75% 7/12/2038	6.15	AAA
UK Treasury Gilt 4.25% 7/09/2039	5.96	AAA
UK Treasury Gilt 4.25% 7/12/2049	5.81	AAA
UK Treasury Stk 4.25% 7/03/2036	5.76	AAA
UK Treasury Stk 4.25% 7/06/2032	5.57	AAA
UK Treasury Stk 6% 7/12/2028	5.40	AAA

**MATURITY PROFILE (%)**

Years	Fund	B'mark
0-15yrs	0.49	0.00
15-20yrs	22.32	23.70
20-30yrs	41.61	43.43
30+	29.57	32.87
Cash	6.01	0.00

**CREDIT RATING DISTRIBUTION (%)**

Rating	Fund	B'mark
AAA	90.92	100.00
AA	1.31	0.00
A	1.76	0.00
Cash	6.01	0.00

**CHARACTERISTICS**

	Fund	B'mark
Duration	15.8	16.85
No. of issuers	10	1
Yield to Maturity	2.81	2.91

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# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to maximise returns by investment in a portfolio of predominantly sterling index-linked gilts. The Sub-Fund may also invest in collective investment schemes.

## Fund aim

To outperform the FTSE Actuaries Government Securities Index-Linked (over 5 Years) Index over rolling five year periods.

## General information

Fund type	ICVC
Fund domicile	UK
Type of shares / units	Accumulation
Base currency	GBP
Fund manager	Howard Cunningham
Alternate	Carl Shepherd
Fund size (million)	£ 163.19

## Historical fund statistics - 3 years

12 Month turnover	60.14
3 Month turnover	13.51
Annualised Sharpe ratio	1.45
Annualised alpha	0.49
Annualised information ratio	0.46
Beta	0.98
Ex ante tracking error	n/a
Ex post tracking error	0.60
Fund volatility	8.25
Index volatility	8.37
Jensen alpha	0.04
R <sup>2</sup>	1.00
Treynor ratio	12.18

## Key dates

Fund launch	24/02/1998
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## 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)

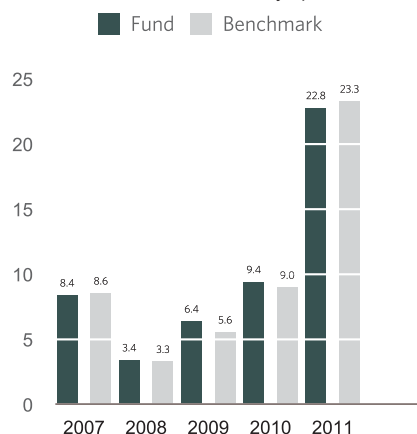
## Client service

Pooled Fund Client Operations  
 Tel: 0844 892 2715  
 Dealing fax: 0844 892 2716  
 email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
 Tel: 020 7163 4549  
 email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# Newton Index Linked Gilt

## CALENDAR PERFORMANCE (%)



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 (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	9.7	9.8	-0.1
3 Months to Sep-11	7.2	7.8	-0.6
3 Months to Jun-11	4.5	4.5	0.0
3 Months to Mar-11	0.0	-0.2	0.2
12 Months	22.8	23.3	-0.5
3 Years annualised	12.7	12.4	0.3
5 Years annualised	9.9	9.7	0.2
10 Years annualised	8.7	8.5	0.2

## Performance factors

UK government bonds continued to benefit from significant market concerns, and rallied. Bond yields fell sharply on both conventional and index-linked gilts across all maturities, resulting in positive returns. However, overall, index-linked gilts outperformed conventional gilts.

During the quarter, the Fund's performance was in line with the Index. The Fund's small short duration bias and the 3% off-benchmark position in index-linked credits slightly reduced returns.

## Review of activity

The Fund enjoyed moderate inflows over the period, particularly in the first few weeks. These flows largely shaped trading activity, with purchases dominating initially, and more sales in the final days as we moved the Fund shorter. Specifically, we added to our existing 2050 index-linked gilts early in the period, before taking some profits at the end of the year. We also reduced our exposure to the 2017 index-linked gilt which will fall out of the over 5-year index within the next year.

**TOP TEN HOLDINGS (%)**

Bond	Fund	Rating
UK Treasury Gilt 1.25% I.L 22/11/2027	8.75	AAA
UK Treasury Stock 2.5% I.L 17/07/2024	8.32	AAA
UK Treasury Gilt 1.125% I.L 22/11/2037	7.92	AAA
UK Treasury Gilt 1.25% I.L 22/11/2055	7.18	AAA
UK Treasury Gilt 1.875% I.L 22/11/2022	7.10	AAA
UK Treasury Gilt 0.625% I.L 22/03/2040	6.95	AAA
UK Treasury Stock 2% I.L 26/01/2035	6.82	AAA
UK Treasury Stock 2.5% I.L 16/4/2020	6.77	AAA
UK Treasury Gilt 0.625% I.L 22/11/2042	6.67	AAA
UK Treasury Stock 4.125% I.L 22/07/2030	5.58	AAA

**MATURITY PROFILE (%)**

Years	Fund	B'mark
0-3yrs	1.49	0.00
5-10yrs	13.10	14.44
10-15yrs	16.19	16.22
15-20yrs	14.33	15.59
20-30yrs	27.93	29.70
30+	23.76	24.04
Cash	3.22	0.00

**CREDIT RATING DISTRIBUTION (%)**

Rating	Fund	B'mark
AAA	94.20	100.00
AA	0.53	0.00
A	1.93	0.00
BBB	0.12	0.00
Cash	3.22	0.00

**CHARACTERISTICS**

	Fund	B'mark
Duration	18.5	19.44
No. of issuers	8	1
Yield to Maturity	-0.16	-0.13

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# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to maximise returns through investment in predominantly sterling denominated fixed interest securities excluding gilts. The Sub-Fund may also invest in deposits, derivative instruments, forward transactions and collective investment schemes.

## Fund aim

To outperform the Bank of America Merrill Lynch Over 10 Years Investment Grade Index by up to 1% 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	Howard Cunningham
Alternate	Jon Day
Fund size (million)	£ 218.11

## Historical fund statistics - 3 years

12 Month turnover	30.42
3 Month turnover	4.86
Annualised Sharpe ratio	1.37
Annualised alpha	1.62
Annualised information ratio	0.40
Beta	0.91
Ex ante tracking error	n/a
Ex post tracking error	1.47
Fund volatility	8.07
Index volatility	8.78
Jensen alpha	0.12
R <sup>2</sup>	0.98
Treynor ratio	12.20

## Key dates

Fund launch	29/06/2000
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## 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)

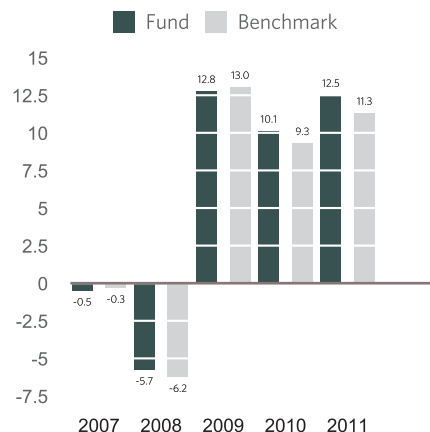
## Client service

Pooled Fund Client Operations  
Tel: 0844 892 2715  
Dealing fax: 0844 892 2716  
email: [pfco@bnymellon.com](mailto:pfco@bnymellon.com)

Newton Institutional Business Development Team  
Tel: 020 7163 4549  
email: [oliver\\_fairfull@newton.co.uk](mailto:oliver_fairfull@newton.co.uk)

# Newton Long Corporate Bond

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Benchmark	Relative
3 Months to Dec-11	3.6	3.5	0.1
3 Months to Sep-11	6.2	5.3	0.9
3 Months to Jun-11	1.9	1.5	0.4
3 Months to Mar-11	0.3	0.6	-0.3
12 Months	12.5	11.3	1.2
3 Years annualised	11.8	11.2	0.6
5 Years annualised	5.5	5.1	0.4
10 Years annualised	6.3	6.1	0.2

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 factors

Long-dated investment grade bonds registered strong returns over the period, but underperformed gilts with similar maturities which were buoyed by further quantitative easing from the Bank of England and a perception of relative safety. During the quarter, the Fund performed well in both absolute and relative terms. The decision to limit the Fund's exposure to peripheral European corporate bonds underpinned performance. While we held a neutral weighting in AAA-rated quasi-government bonds, our exposure was weighted towards Asia and Australasia. We held positions in the investment vehicle of the Singapore government Temasek and Australia's New South Wales Treasury Corp. However, with Europe, we had some exposure to French and Belgian railways, through SNCF and SNCB respectively, as well as the European Investment Bank and the European Bank for Reconstruction and Development. In terms of duration, the Fund was typically between 0.50 and 0.75 years shorter than the Index, reflecting our increasing caution at the extraordinarily low level of long-dated bond yields.

## Review of activity

In the first half of the period, we were generally sellers of corporate bond risk, including Vodafone, Centrica, and Firstgroup, but in December we saw value emerging, particularly in new issues from Amgen, Morrison, Petrobras and ABP Finance in which we participated. These purchases were funded in part from our maturing short-dated bond holdings (Lloyds 2011, John Lewis 2012, Tate & Lyle 2012 and GUS 2013). Reversing the trend of recent quarters, we slightly increased our bank risk via the purchase of Co-op Bank covered bonds.

## TOP TEN ISSUERS (%)

Issuer	Fund
European Invnt Bk	4.69
Temasek Finl	2.79
Elec De France	2.63
Kredit Wiederauf	2.11
Scottish & South	2.09
HSBC Bank Plc	2.02
Wal-Mart Stores	1.94
Tesco Plc	1.88
Lloyds Bank Plc	1.87
Euro BK Recon & Dv	1.81

## MATURITY PROFILE (%)

Years	Fund	B'mark
0 - 5 yrs	1.95	0.00
5 - 10 yrs	9.66	0.00
10 - 15 yrs	26.57	28.92
15 - 20 yrs	19.76	27.24
20 - 25 yrs	19.79	18.18
25 - 30 yrs	17.56	20.04
30 yrs +	4.70	5.62

## CREDIT RATING DISTRIBUTION (%)

Rating	Fund	B'mark
AAA	21.43	21.49
AA	21.15	19.49
A	32.97	38.19
BBB	22.49	20.83
BB	1.73	0.00
Cash	0.22	0.00

## SECTOR ALLOCATION

Sector	%
Asset Backed/Securitisation	25.14
Finance	17.35
Utility	15.36
Govt Guaranteed/Agency	10.04
Supra-national	7.36
Consumer Non-cyclical	6.95
Industrial	4.99
Telecommunications	3.92
Consumer Cyclical	2.78
Media	1.09
Cash	0.22
Others	4.79

## CHARACTERISTICS

	Fund	B'mark
Duration	10.86	11.47
No. of Issuers	87	218

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Newton Exempt Corporate Bond Fund was launched on 29 June 2000 performance prior to this date is based on the Newton Exempt Corporate Bond Fund.

# NEWTON

The Power of Ideas

As at 31 December 2011

## 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 <sup>2</sup>	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](http://www.bnymellon.com/pooledprices)  
[www.newton.co.uk/pooledprices](http://www.newton.co.uk/pooledprices)

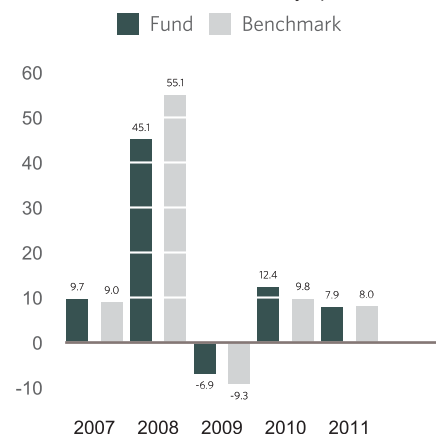
## Client service

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 Tel: 0844 892 2715  
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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](http://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. 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. CP7111-02-08-2011 (6M)

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.

# NEWTON

The Power of Ideas

As at 31 December 2011

## Investment objective

The objective of the Sub-Fund is to maximise the total return from income and capital growth from a globally diversified portfolio of predominantly higher yielding corporate and government fixed interest securities. The Sub-Fund may also invest in deposits, derivative instruments, forward transactions, money market instruments and collective investment schemes.

## Fund aim

To outperform the cash benchmark of 1 month LIBOR +2% p.a., the Fund's target return.

## General information

Fund type	ICVC
Fund domicile	UK
Type of shares / units	Accumulation
Base currency	GBP
Fund manager	Paul Brain
Alternate	Howard Cunningham / Parmeshwar Chadha
Fund size (million)	£ 517.76

## Historical fund statistics - 3 years

12 Month turnover	157.79
3 Month turnover	26.52
Annualised Sharpe ratio	1.94
Annualised alpha	n/a
Annualised information ratio	n/a
Beta	n/a
Ex ante tracking error	n/a
Ex post tracking error	n/a
Fund volatility	6.11
Index volatility	4.29
Jensen alpha	n/a
R <sup>2</sup>	n/a
Treynor ratio	n/a

## Key dates

Fund launch	28/04/2006
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)

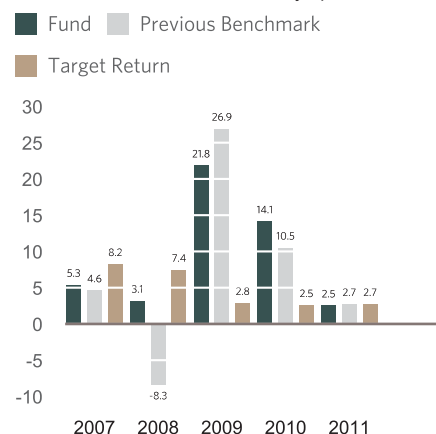
## Client service

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# Newton Global Dynamic Bond

## CALENDAR PERFORMANCE (%)



## PERFORMANCE (%)

Period	Fund	Previous Benchmark	Target Return
3 Months to Dec-11	1.1	0.7	0.7
3 Months to Sep-11	-0.9	0.7	0.7
3 Months to Jun-11	0.9	0.7	0.7
3 Months to Mar-11	1.3	0.6	0.6
12 Months	2.5	2.7	2.7
3 Years annualised	12.5	10.0	2.7
5 Years annualised	9.1	5.0	4.7
Since Fund launch annualised	8.6	5.4	5.0

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 outperformed the cash return. The Fund's diversified bond position, with its mixture of government bonds and credits, proved beneficial during the consolidation towards low yields. The Fund's exposure to investment-grade corporate bonds was the best performing area as spreads contracted. The Fund finished the period with a 25% exposure to corporate bonds. The positions in high yield and emerging market sovereign bonds also made positive contributions. Finally, returns for global government bonds were flat, while the marginal strength of the base currency led to small losses on the currency positions which were unhedged.

## Review of activity

The Fund's overall balance of weightings in the different asset classes changed very little. The riskier markets (high yield and emerging market bonds) were kept at around 31%, the traditionally 'safer' markets (government bonds and investment-grade credits) were kept at around 64%, while the remainder of the Fund was invested in cash. Within these broad asset classifications, we made some minor adjustments to reflect the changing fortunes of the world economy. The Fund's government bond positions were skewed more towards markets that could benefit from interest rate cuts or other monetary policy loosening initiatives, such as quantitative easing. To fund the purchase of Australian and Canadian bonds, we reduced our holding in core European bonds (Germany, Finland and Holland); the growing Eurozone crisis could lead to some form of burden-sharing, which would spread the risk to the core.

Within currencies, we sold our exposure to Asian currencies to purchase the US dollar. This was motivated by concerns over the deteriorating strength of the global economy and, in particular, worries about a slowdown in China.

**TOP TEN HOLDINGS (%)**

Bond	Fund
USA Treasury Notes 2.625% 30/04/2018	3.52
USA Treasury Bonds 4.75% Bds 15/2/2041	3.12
New Zealand Government 6% Bds 15/12/2017	3.10
Canada 3.5% Bds 01/06/2020	3.06
Mexico (united Mexican States) 8% Bds 11/06/2020	2.87
Canada 2% Bds 01/06/2016	2.62
UK Treasury Gilt 1.25% Index-linked 22/11/2017	2.53
Malaysia 4.16% Bds 15/07/2021	2.06
Norway (kingdom of) 4.5% Bds 22/05/2019	1.98
Poland 5.75% Bds 23/09/2022	1.96

**MATURITY PROFILE (%)**

Years	Fund
0 - 3 yrs	26.30
3 - 5 yrs	15.95
5 - 10 yrs	38.75
10 - 15 yrs	8.37
15 +	10.63

**CREDIT RATING DISTRIBUTION (%)**

Rating	Fund
AAA	34.45
AA	14.27
A	11.31
BBB	22.45
BB	4.24
B	8.69
CCC	3.07
Others	1.54

**ASSET ALLOCATION**

Sector	%
Corporate Bonds	25.08
Government Bonds	23.41
Emerging Market Government Bonds	13.94
High Yield	13.71
FRN	8.47
Quasi Government	6.05
Index Linked Government Bonds	4.20
Convertible	1.30
Cash and derivatives	3.86

**CHARACTERISTICS**

	Fund	B'mark
Duration	4.93	-
No. of issuers	162	-
Average Maturity	7.76	-
Annual Yield	6.16	-

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On 1 December 2009 there was a change in index to 1-month LIBOR + 2% p.a.. Prior to that date, the Fund's index was a composite index of four bond indices, fully hedged to Pound Sterling (25% Merrill Lynch Global Broad Market Corporate Index, 25% Merrill Lynch Global High Yield Constrained Index, 25% JP Morgan Government Bond Index, 25% Merrill Lynch Global Emerging Market Sovereign Plus ). Performance data for the composite index prior to 1 December 2009 is available on request.

# Newton's investment outlook

The final quarter of 2011 provided a tumultuous end to an extraordinary year, but little has changed to alter our longer-term perspective. 2011 has clearly been the year in which the world awoke to the reality that the unprecedented levels of debt built up in the Western world needed to be reduced.

The idea that deleveraging sets the tone for the outlook has been central to our thematic framework for some time. We have often described deleverage as a prolonged process resulting in a slower and far more volatile period of growth, with the considerable risk of attendant policy errors. These issues have clearly shaped financial market activity over the last 12 months.

Against this powerful thematic influence – the rolling back of a multi-decade debt super-cycle – we have emphasised the importance of focusing on the structural nature of adjustments. Of course, while this process is unfolding, the economic cycle is not dead, but investors need to be wary of interpreting market responses to policy measures (notably changes in liquidity) as heralding a significant change of trend in the real economy. Policy settings, such as effectively zero interest rates and quantitative easing, which are designed to offset the deflationary implications of deleverage, are highly distorting and suggest that investors should continue to look through the shorter term swings in economic data and market sentiment, until the underlying fundamentals change. With few, if any, of the major global imbalances resolved, patterns of market returns in 2012 may look similar to those in 2011.

## Few places to hide

While the Western world struggles with its own challenges, the ability of the developing economies to sustain their growth has been one of the constant factors of the last decade. However, we have never fully subscribed to the potential for the decoupling of emerging markets from growth trends in the developed world,

given the links established via globalisation, although we have identified many stock-specific attractions in developing markets. A more challenged outlook for developed economies could continue to have negative repercussions in the developing world.

Furthermore, although there is little reason to doubt the long-term potential of these lower-income economies to see their living standards converge with those of the more affluent developed economies, the re-orientation from externally- to internally- driven demand is unlikely to be smooth. The developing world was less affected by the credit crunch because of its ability to stimulate domestic demand, but this is unlikely to mean that these economies are immune to cyclical risk. If anything, instead of demonstrating the permanence of strong growth, the credit expansion and fiscal easing used to combat the last downturn are likely to have increased the cyclical threat in the emerging world. This is especially true in China, where the absence of an economic cycle since 1994 has heightened belief in the superiority of the centrally controlled model.

In this regard, it is not just the developed world that suffers from imbalances; the distortions caused by excessively loose financial conditions are apparent in the developing world too. The contrast with past episodes of cyclical slowdown in the developing world is again one of scale – reflected in our Chinese influence theme. The extraordinary growth of the Chinese economy now means that a cyclical slowdown would have global consequences. With the ability to generate non-inflationary growth since 2002 aided by widespread spare capacity at the end of the emerging-market crises of the 1990s, and with the willingness/ability constrained to replicate a 2008/09-type boost to activity, the general consensus may have underestimated the potential for disappointment in the developing world's economic growth rates.

# Glossary

## **Absolute contribution**

The contribution a stock's performance return has made to the fund's total return.

## **Active positions - top ten overweight/underweight**

These tables show the fund's positions with the largest underweight or overweight relative to an index.

## **Annual yield**

The effective annual income return, taking into account the effect of compounding interest.

## **Annualised alpha**

A mathematical estimate of the risk-adjusted return expected from an investment above and beyond the return of the market.

*Annualised alpha = fund annualised return - beta x benchmark annualised return*

## **Annualised information Ratio**

The Information Ratio is used as a measure of the active investment manager's skill. It assesses the degree to which the risk being taken within a portfolio contributes to its excess return, in other words - the relative performance between a fund and an index. The manager with the higher Information Ratio has earned more excess return per unit of departure from the benchmark.

*Annualised information ratio = the average excess return divided by the tracking error x by the square root of the number of periods*

## **Annualised sharpe Ratio**

The Sharpe ratio (also known as reward-to-volatility-ratio) is a measure of the return achieved above the risk-free rate per unit of risk undertaken. For the purpose of this publication, the risk-free rate is the Libid 1 month return in the fund's base currency.

*Sharpe ratio = annual fund return - annual risk-free return divided by the annualised standard deviation of the fund returns*

## **Asset allocation**

The asset allocation attribution effect measures the investment manager's ability to allocate effectively the portfolio's assets to various sectors, and shows the relative performance of the portfolio versus the return of the index.

*Asset allocation = (portfolio weight - index weight) x (index sector return - index total return)*

## **Attribution by geography/attribution by sector**

Attribution is an analysis of a fund relative to an index to explain why a fund's performance has differed from the index. It shows whether stock selection and asset allocation decisions made by the fund manager have had a positive or negative impact on the fund's overall performance.

## **Average maturity**

The weighted average of the time to maturity of debt securities held in a portfolio.

## **Benchmark**

The index figures displayed on the performance table relate to the benchmark quoted in the Fund Aim section.

## **Beta**

A measure of the sensitivity of an investment's return to changes in the market's return. An investment with a Beta greater than 1 will be more volatile than the market, while an investment with a Beta lower than 1 can be expected to be less volatile than the market.

## **Contribution by minor sector group**

The contribution made by each industrial sector's performance return to the fund's total return.

## **Currency**

All figures displayed are in the base currency of the fund. The base currency of the fund is displayed in the General Information Section under "Base currency".

## **Duration (fixed-income instruments)**

Duration shown in this document is the modified duration of the portfolio. This is a formula that expresses the measurable change in the value of a portfolio in response to a change in interest rates.

**Ex ante tracking error**

Ex ante tracking error is a predicted tracking error calculated using risk models. An ex-ante tracking error of 5% would suggest that the portfolio's returns would be within 5% of the benchmark returns approximately two-thirds of the time.

**Ex post tracking error**

Ex post tracking error measures the standard deviation of a fund's historic excess returns, whether positive or negative.

**Fund volatility**

A measure of the dispersion of a fund's returns, calculated using the standard deviation of the returns.

**Index volatility**

A measure of the dispersion of indices returns, calculated using the standard deviation of the returns.

**Jensen alpha**

Jensen alpha is a measure of the risk-adjusted performance of a fund. The statistic is one way to help determine if a portfolio is earning the proper return for its level of risk. A positive alpha indicates that a fund performed better than would be expected given the market risk. A negative alpha indicates that a fund performed worse than would be expected given the market risk.

*Jensen's alpha = portfolio return - (risk free rate + portfolio beta x (market return - risk free rate))*

**Net effect**

This indicates the contribution by country or industry sector (positive or negative) to the overall return of the portfolio relative to the index.

*Net effect = total asset allocation effect + total stock selection effect*

**Portfolio VaR pa (per annum)/ Portfolio VaR pm (per month)**

Value at Risk (VaR) calculates the maximum expected loss a portfolio might sustain over a given time horizon (the holding period) and at a given confidence level. The confidence level is the probability of the event occurring and for the purposes of this publication is set at 95%. For the purposes of this publication the VaR is expressed in percentage terms.

**Relative contribution**

The contribution, positive or negative, that a stock or sector has made to the excess return of a fund against its index.

**Relative performance (added-value)**

The amount in percentage terms that a fund has outperformed or underperformed an index for a given period.

**Return by sector**

The total return achieved by each sector within the fund.

**R-squared**

R-squared is a measure of the extent to which the variance of the portfolio's return can be explained by market movements. For example, a R-squared of 0.8 indicates that 80% of the variance of the portfolio's returns can be explained by market movements.

**Stock selection**

The stock selection attribution effect measures the investment manager's ability to select securities within a particular sector relative to the benchmark of the portfolio.

*Stock selection = (portfolio sector return - index sector return) x portfolio weight*

**Top ten holdings**

The largest stock holdings within a portfolio expressed as a percentage of the total market value of the portfolio.

**Treynor ratio**

A measurement of the returns earned in excess of that which could have been earned in a risk-free investment (per unit of market risk assumed).

Treynor ratio = (fund return - risk free rate) divided by the fund beta

**3 Month / 12 Month turnover**

An illustration, in percentage terms, of the amount of trading activity that has taken place over a 3-month and 12-month period. For the purpose of this document, the calculation used is the lesser of purchases and sales divided by the average market value for the period.

**Yield to maturity**

The average annual rate of return of the fund's securities when held to maturity, taking into account discounts or premiums paid when a security is purchased, as well as capital gains and losses.





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Certain funds may invest in emerging markets. It should be noted that these markets have additional risks associated with local custody and registration practices that may be less developed than more mature markets. Certain funds take their charges from the capital of the fund. Investors should be aware that there is potential for future capital erosion. Certain funds may hold sub-investment grade bonds that typically have a low credit rating and carry a high degree of default risk, which can affect the capital value of your investment. Certain funds may hold fixed interest securities, which are particularly affected by trends in interest rates and inflation. This may affect the capital value of your investment. Certain funds have a concentrated portfolio of stocks due to investment in a single country and/or geographic area/limited industry diversification/investment in a limited number of securities, giving rise to concentration risk. Certain funds may invest in smaller companies. Smaller companies may be riskier and less liquid than larger companies. This means that their share prices may be more volatile. Certain funds may invest in illiquid securities, which means that there is a possibility that they cannot be readily converted into cash when required. The value of these securities is subject to greater fluctuation if they are not regularly traded. All of the sub-funds may use derivatives for efficient portfolio management (EPM) purposes. EPM restricts the use of derivatives for the reduction of risk, the reduction of cost and the generation of additional capital or income with no or an acceptable low level of risk. EPM transactions must be economically appropriate and the exposure fully covered. Certain funds will, additionally to EPM, make use of the expanded regulations and use derivatives in pursuit of their investment objectives. All of these factors may affect the performance of the Funds. 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