

**NEWTON
Higher Income (OEIC)**

**OBSR Fund Rating
A**



Key Information

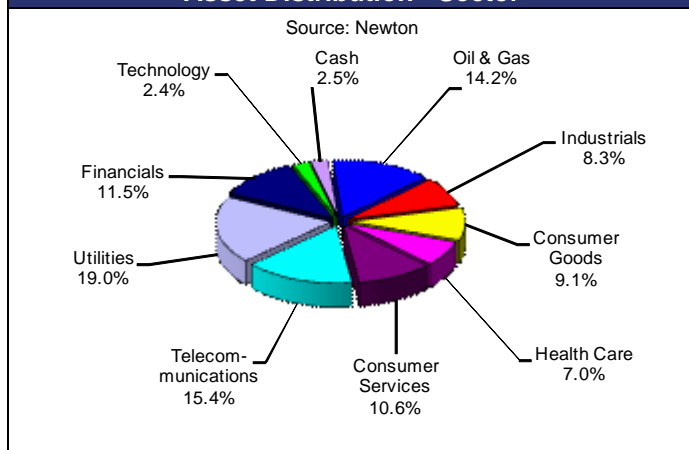
Launch Date	1 June 1987	
Fund Size	£2605.5m	
Type of Shares Available	Income	
Distribution Dates	28 February, 31 August	
Yield	5.30%	
ISA	Yes	
PEP Transfer	Yes	
Standard Fund Management Charges	Initial	4.00%
	Annual	1.50%

Classification

Sector	UK Equity Income
Market Cap / Style	Large Cap Bias / Value Bias
Benchmark/Index	FTSE All-Share
Management/Investment Style	
Fund Manager	Tineke Frikkee (March 2004)

A fund which focuses on above-average income yield coupled with prospects for growth of income and capital over the longer term. A strong sell discipline is deployed.

Asset Distribution - Sector



Investment Objective & Methodology

The aim of the fund is to achieve increasing distributions on a calendar year basis with long-term capital growth. The fund will be managed in accordance with the rules regarding inclusion in the IMA sector classification of UK Equity Income and thus will yield in excess of 110% of the FTSE All-Share Index.

The lead manager for the fund is Tineke Frikkee. She assumed responsibility for the portfolio in March 2004 following the departure of Clive Beagles, having been deputy manager since 1998 (prior to Clive's tenure). She is able to draw upon the teams of research analysts for stock ideas, as well as fellow managers, and Newton is keen to emphasise a team approach to fund management.

Newton's investment process focuses considerable attention on identifying global investment themes and translating these thematic preferences into appropriate sector and stock selection. Newton has long believed that it is better to view investments within a global context, given the progressive erosion of trade barriers and the growth of companies whose country of origin or stock market quotation is an unreliable guide to the scope of their interests.

The fund aims to invest in high-yielding equities with strong cash flow and dividend growth. The manager will invest only in companies yielding at least 115% of the FTSE All-Share Index at purchase, although she aims to buy companies yielding more than 120%. Companies whose yield falls below that of the FTSE All-Share Index will automatically be sold. This ensures a higher than average yield, while still aiming to achieve capital growth through investment in companies with good cash flow and strength in balance sheets and management.

The yield criterion is the last screen undertaken, to ensure that the manager does not fall into a 'yield trap' of investing in companies whose yield has risen on share price weakness and which therefore may not deliver consistent dividends or capital growth in the longer term. These criteria do, however, lead the portfolio to have significant deviations from both the model portfolio of the UK team and the benchmark index.

Formal stock and sector active positions are not implemented but +/-5% and +/-10% respectively are adopted as guidelines. The fund will hold around 55-75 stocks.

Top Ten Holdings

	%
Vodafone Group	8.9
BP	8.1
Royal Dutch Shell - A Shares	6.1
British American Tobacco	6.0
GlaxoSmithKline	5.5
National Grid Transco	5.2
Scottish & Southern Energy	4.9
Centrica	4.5
BT Group	3.7
HSBC Holdings	3.1
Concentration (Top 10)	56.1
Total Number of Holdings	60

Source: Newton

www.obsrfundratings.co.uk

Data as at 30 June 2008
Last Updated July 2008