

BNY Mellon Asset Management
Sub-fund of UK-authorized Oeic

Report Issued: January 2009

Peer Group:

South East Asian Equities

Fund Manager/Adviser:

Jason Pidcock (since launch)

Location:

London

Launch Date: November 2005

Fund Size (October 2008):

£123m

Group Contact No:

+44 500 660 000

Website:

www.bnymellonam.com

S&P ID Number: SB219091

Share class screened:

Ord

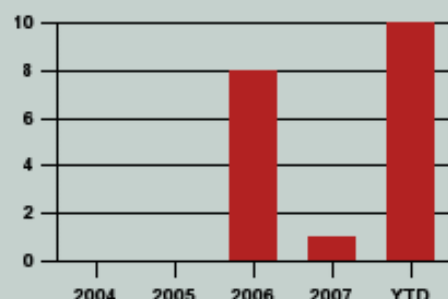


INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

AS THE FUND IS UNDER THREE YEARS OLD THERE IS INSUFFICIENT PERFORMANCE DATA FOR RISK/RETURN ANALYSIS.

CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Further information on S&P's fund coverage can be found at www.funds.standardandpoors.com

Performance Data Source - © 2008 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 30/09/2008 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (DECEMBER 2008)

Newton Asian Income Fund aims to provide a yield of at least 35% above that of the FTSE AW Asia Pacific ex-Japan. Subject to the yield criteria, Jason Pidcock runs the fund in line with his S&P-rated Asian equity mandates, with which it has around a 50% commonality.

Pidcock is a pragmatic investor and his thematic approach sits well with the established in-house Newton style. He has 15 years' experience and is supported by a team of two portfolio managers, in addition to Newton's global research team of 20 experienced equity analysts who cover most of the large- and mid-cap stocks in the region.

Portfolio construction combines the identification of themes (house themes where they are relevant to the region) with stock selection, to result in a portfolio of 45-55 names.

Performance relative to the S&P South East Asia peer group is not particularly meaningful, given both the fund's income bias and its significant exposure to Australia (which differentiates the Newton mandates from most of the sector). The yield requirement kept the fund out of India and China (to any significant extent) in 2007, when these markets were among the best performers.

Although performance appears volatile compared to the peer group and the non-income mandates also managed by Pidcock, this is largely a function of the fund's more constrained mandate. The fund has performed broadly in line with the few Asian income peers over the period since launch. Moreover, the manager is experienced and well-supported, so the fund retains S&P A status.

FACT FILE

Group: BNY Mellon Asset Management International distributes the investment capabilities of 16 asset management subsidiaries to a wide range of investors globally. Total assets under management exceeded \$1.1trn in September 2008.

Team: Pidcock heads the Asian team of three, who have nearly 10 years' average experience in the region. They are supported by Newton's 20-strong team of global sector equity analysts.

Fund Manager: Pidcock joined Newton in August 2004 from BP Investment Management where he

ran the bulk of Asian assets in the BP Pension Fund. He has 15 years' experience in the region.

Style: The fund aims to provide a yield 35% above the FTSE AW Asia Pacific ex-Japan index. A portfolio of 45-55 holdings is built bottom-up within the team's thematic approach. There is often a mid-cap bias.

Performance: Since launch to 30/09/2008, the fund has returned 15.0%, compared with 10.3% for the sector median and 14.4% for the index**, ranking 208/609.

FUND MANAGER & TEAM

Newton has a team of three directly responsible for the group's Asian ex-Japan assets. Pidcock is lead manager, assisted by Ewan Markson-Brown, who is the alternate manager for this fund, and Zoe Kan. Each has specific geographical coverage (Pidcock covers Australia, Brown India, China and Taiwan, and Kan Korea). They also act as generalists. Further support is gained from Newton's strategy team, in addition to the 20-strong team of global sector equity analysts. The analysts directly cover a large part of the universe and Pidcock also uses them in assessing his own mid-/small-cap ideas.

Jason Pidcock - government (Essex University), has 15 years' Pacific ex-Japan investment experience. He was assistant fund manager at Henderson from 1993 and 1996, before moving to BP. There he was responsible for stock selection and asset allocation in Asia Pacific ex-Japan for the BP Pension Fund, before joining Newton in August 2004.

Ewan Markson-Brown - CFA, joined the group in 2006, after having spent four years at Merrill Lynch covering Asian equities. He started his career at Global Strategy & Economics, as an analyst.

Zoe Kan - economics & German (University of London), CFA, joined Newton in September 2000. She covers all Asia Pacific ex-Japan markets, but has particular experience of Korea, Taiwan, Hong Kong and China. Her wider knowledge is being built through visits to the region.

PORTFOLIO CHARACTERISTICS

No. of holdings	50
Turnover ratio (%)	N/A
% in top 10	33

TOP 10 HOLDINGS (01/10/08)

	%
Telstra	5.0
Santos	4.3
Taiwan Mobile	3.6
Taiwan Semiconductor Manufact	3.5
Hutchison Whampoa	3.1
Macquarie Airports Management	2.9
QBE Insurance	2.9
Hopewell Highway Infra	2.8
HTC Corporation	2.7
PA	2.6

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/10/08)

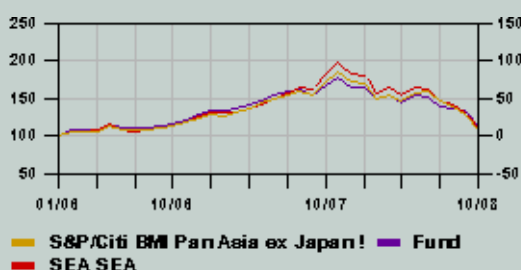
	Fund %
Australia	29.0
Cash	3.0
China	4.0
Hong Kong	15.0
Indonesia	1.0
Malaysia	4.0
Philippines	4.0
Singapore	14.0
South Korea	4.0
Taiwan	15.0
Thailand	7.0

Units III permits net fund exposure to be less or greater than 100%.

PERFORMANCE STATISTICS

	Launch
Fund	15.0%
Standard & Poor's Peer Median	10.3%
Index**	14.4%
Fund Rank	208/609
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

CUMULATIVE PERFORMANCE



BNY MELLON INVESTMENT FUNDS - NEWTON ASIAN INCOME FUND

Peer Group: South East Asian Equities



MANAGEMENT STYLE

The fund aims to provide long-term capital growth plus an income of at least 35% above the FTSE AW Asia Pacific ex-Japan index.

Portfolio construction blends bottom-up stock selection with top-down themes. In keeping with the Newton house style, the strategy team provides thematic guidance to direct stock selection. The fund managers draw stock input from the global analyst team, attending meetings with the management of companies. This is supplemented by their own research ideas and visits to the region.

A portfolio of 45-55 stocks is favoured across the market cap range. Risk is controlled by stock selection criteria, which

includes market/political risk assessment and by maintaining diversification across regions and sectors.

Stock positions range between 1% and 5% and are top-sliced when they exceed 5.5%. Stocks must have a prospective yield greater than the index at purchase and will be sold when the yield falls below a 15% discount.

The fund actively invests in Australia and may also hold London- or US-listed stocks if they generate a significant level of revenue and profit in the Asian region.

The fund is usually fully invested and unhedged.

PORTFOLIO REVIEW

Over the past 12 months, there has been considerable activity in the portfolio and turnover is at the high end of the usual 30-40% range.

At review the manager said he believed the market was reaching a low point. He was investing cash so as not to miss the rebound when it happened. (This is because 10 years ago he was too cautious and missed the most dramatic early days of the rally - he does not want this to happen again.)

The themes are the same in the income fund as in the non-income mandates and the manager noted there was a greater correlation between the funds than was usual, given the availability of yield (and quality), at present. Pidcock had been adding to energy exposure in anticipation of M&A in the sector. Holdings include CNOOC and PTT. Nuclear power producer, Doosan, was sold.

The most dominant house themes represented in the portfolio include energy supply and more government (seen as positive for infrastructure).

PERFORMANCE ANALYSIS (OCTOBER 2008)

The fund was launched in November 2005 to take advantage of the attractive yields offered by the Asian markets. It has since achieved strong returns while providing an attractive income. Performance since launch has benefited from sound stock selection within Newton's thematic approach, which has offset some poor country allocation calls, such as underweighting India.

Consumer plays (Publishing & Broadcasting) and toll-way companies (Transurban Group) have added value and overweighting Singapore has also proven successful.

In late 2007, Pidcock reversed the underweight to China (India is still largely precluded), which helped in the final quarter of the year and into 2008. Strong performance has continued to October, from underweighting Korea, Indonesia and financials and overweighting energy and China.

Unlike the non-income mandates, this fund was not heavily overweight in energy and was 10% overweight in telecoms, so did not suffer the same severe underperformance in Q3.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 30/09/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/	34.4	182/612	22.4	655/689	-30.1	74/677
Index**	28.5		25.3		28.7		32.0		-35.8	
Median	15.3		19.6		31.2		36.4		-39.1	

** S&P/Citi BMI Pan Asia ex Japan!

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