



February 2012

## BNY MELLON INVESTMENT FUNDS - NEWTON ASIAN INCOME FUND

Sub-fund of UK-authorized Oeic

Fund owner: BNY Mellon Fund Managers

Fund manager/adviser: Newton Investment Management Ltd

Named portfolio manager/adviser(s):

Jason Pidcock (since launch)

Peer group: South East Asian equities

Location: London

Launch date: November 2005

Fund size (November 2011): £1.16bn

Contact group: +44 500 660 000 or

www.bnymellonam.com

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)

### Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

### Performance statistics

	Three years
Fund	133.7%
Standard & Poor's peer median	80.4%
Index**	103.6%
Fund rank	55/1098

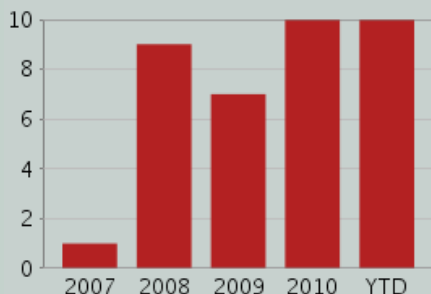
\*\* S&P Asia Pacific Ex JPN BMI TR USD

Note: returns are cumulative

### Risk characteristics

	Three years
Maximum monthly drawdown (%)	-8.8
Volatility	19.7
Correlation	1.0
Beta	0.7

### Calendar-year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine with tenth decile as rank one.

Performance Data Source - © 2011 Lipper inc. All rights reserved. All statistical data on this report has been run to 1 November 2011 on NAV to NAV basis, with gross income reinvested, in USD.

### Standard & Poor's opinion (December 2011)

This fund has grown its dividend distributions to unitholders in each calendar year since launch in November 2005. Capital growth has also been strong, resulting in a total cumulative return that ranks well within the top quartile of competitor funds over both three and five years to date. Relative to a narrower universe of Asian income funds, the fund has consistently delivered superior relative returns.

The manager's clear and disciplined approach: buying only companies that offer a premium of at least 35% above the FTSE AW Asia Pacific ex Japan index yield, and selling when the yield falls below a 15% discount, prompts early purchases and sales. These criteria, together with the fund manager's decisive identification of favoured markets and themes, lead to meaningful bets taken relative to the benchmark. In the current portfolio, this is highlighted by the exclusion of India and an exposure of just 2% to South Korea despite their index weights being 10% and 15% respectively.

Jason Pidcock is supported by an Asian team of three and the firm's 21-strong global sector research team. This ensures regular contact with the management of companies and a clear, consistent approach to stock selection, the main contributor to value added.

This, together with the clear, consistent management style, the resources involved in supporting the fund and the solid performance of both the income and capital accounts, allow the fund to achieve an S&P AA rating.

### Fund manager & team

Newton's Asia ex Japan team, which manages \$5.7bn, comprises Jason Pidcock (lead manager), Zoe Kan, Caroline Keen and Wilfred Frost, who recently transferred from the charities team. The team's average investment experience is eight years. All act as research generalists, discussing ideas and reviewing portfolios formally on a weekly basis. Further support is provided by Newton's three-man strategy team and the 21-strong team of global sector equity analysts who have an average of 14 years' investment experience. The analysts directly cover a large part of the universe, and may also be used by Pidcock to assess his mid-/small-cap ideas.

Jason Pidcock - government (University of Essex), has 17 years' Pacific ex Japan investment experience. He was assistant fund manager at Henderson from 1993 to 1996, then moved to BP, where 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.

Caroline Keen - BA (Oxford University), joined BNY Mellon in December 2009 after two years as an analyst in BlackRock's global consultant relations group. She is an assistant fund manager focusing on Asia Pacific ex-Japan equities.

### Management style

The fund seeks to provide investors with both capital growth and a yield that is at least 35% higher than the FTSE AW Asia Pacific ex Japan index. Any holding in the fund that has a yield that falls below a 15% discount to the index is automatically sold. The fund invests only into equities, unlike a number of competitor products that may include fixed interest investments.

In common with the group's other South East Asia equity funds, this portfolio is managed in a thematic, stockpicking manner. The group's large global sector analytical team provides significant input into the stock names in the fund, supplemented by the team's own ideas based on regular visits to the region and management meetings. Stock selection criteria include above-average earnings growth, quality management and strong cashflow.

A portfolio of around 50 holdings is preferred and cash rarely exceeds 5% of total assets. Risk is controlled pragmatically by scrutinising stock selection criteria, assessing market/political risk and maintaining diversification across regions and sectors.

Stock positions are typically 1-5% but have exceeded this on occasion.

The fund is usually fully invested and unhedged.

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# STANDARD & POOR'S



## Portfolio & performance analysis (November 2011)

Capital growth, together with strong net cash inflows has seen the fund size grow from £634m to £1.2bn since January 2011.

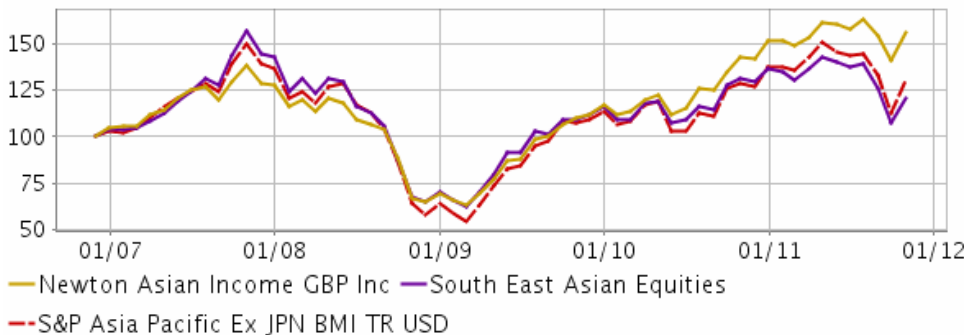
The total number of holdings has crept up from 44 to 46, but the top-10 concentration has held at around 40%.

The fund retains its overweight relative to the index in Australia, Singapore and Thailand and remains underweight South Korea and India where it is zero-weighted. It is also underweight China due to the manager's concerns over future growth in the economy; hence all exposure is through Hong Kong-listed companies. At the sector level, the fund remains focused on telecoms at three times index weight, with double weights in industrials and energy.

As the decile bar chart overleaf shows, bar 2007, the fund has consistently outperformed the broader South East Asian sector median. Relative to a smaller universe of other Asian income funds, it has done well. In 2008, the fund did well as the yield bias of the fund proved resilient in difficult conditions. This positive relative performance trend continued in 2009 when there was a cyclical rally, with good stock selection in the oil & gas, financial and IT sectors adding value. In 2010, the fund managed to avoid some "disaster" stocks and further value was added through good stock selection in the oil & gas, IT and financial sectors. Strong relative returns have continued in 2011, helped by the exclusion of India despite its 9.5% index weighting, the avoidance of mining stocks and the overweight exposure to telecoms.

Since its launch, the fund has successfully grown its dividend each year. In 2008/9 it grew by 7% and in 2009/10 it rose by 22%.

## Cumulative performance



## Calendar year performance

	2007		2008		2009		2010		YTD November 2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	22.4	777/815	-45.7	138/959	69.4	425/1125	28.7	89/1247	3.1	12/1398
Index**	32.0		-52.7		76.4		21.3		-5.4	
Median	36.0		-51.0		66.3		18.1		-11.6	

\*\* S&P Asia Pacific Ex JPN BMI TR USD

Fund benchmark: FTSE AW Asia Pacific ex Japan

Share class screened: GB00B0MY6Z69 (Ord)

## Portfolio characteristics (November 2011)

No. of holdings	46
% in top 10	39.7
Turnover ratio (%)	N/A

## Top 10 holdings

	%
Taiwan Semiconductor Manufacturing	5.2
Hutchinson Port Holdings Trust	4.6
Advanced Info Service	4.5
APA Group	3.7
Linked Real Estate Inv Trust	3.7
Australia & New Zealand Bank	3.7
HTC Corporation	3.7
China Mobile (Hong Kong)	3.6
NWS	3.5
Transurban Group	3.5

\* In top 10 holdings a year ago

## Sector allocation

	%
Basic materials	5.2
Consumer goods	5.2
Consumer services	0.3
Financials	28.3
Industrials	22.0
Oil & gas	12.8
Technology	8.9
Telecommunications	16.3
Cash	1.2

## Geographical allocation

	%
Australia	28.0
China	8.5
Hong Kong	15.1
Philippines	4.5
Singapore	14.6
Taiwan	13.4
Thailand	6.6
Others	9.3

# STANDARD & POOR'S

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## Symbols and Definitions

### Long-only fund ratings

- AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-hedge-funds ratings

#### Absolute return fund ratings

#### Specialist fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

### Ucits III flexible beta fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

### All fund ratings

- Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.
- Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.
- (New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.
- Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.
- Long-term fund management rating The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

### Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

- V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.
- V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.
- V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.
- V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.
- V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.
- V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.