



February 2012

BNY MELLON INVESTMENT FUNDS - NEWTON BALANCED 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):

Iain Stewart (since January 2005)

Peer group: asset allocation balanced in GBP

Location: London

Launch date: November 1986

Fund size (January 2012): £2.6bn

Contact group: +44 500 660000 or
www.bnymellonam.com

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

Investment style

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

Performance statistics

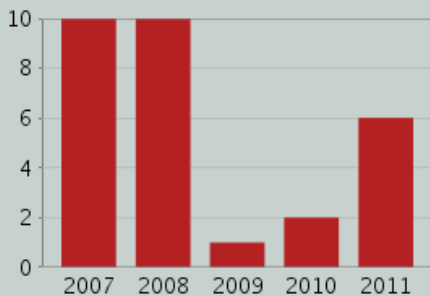
	Three years
Fund	20.3%
Standard & Poor's peer median	29.9%
Fund rank	218/245

Note: returns are cumulative

Risk characteristics

	Three years
Maximum monthly drawdown (%)	-4.6
Volatility	10.8

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 30/12/2011 on NAV to NAV basis, with gross income reinvested, in GBP.

Standard & Poor's opinion (February 2012)

This fund is managed by Iain Stewart, an experienced investor who has worked at Newton for over 25 years. He is central to the group's thematic investment approach and is a key member of the real return team, managing the sterling-based product. That fund is AAA rated by S&P and to some degree the same investment mindset is used in his management of this product.

This fund is managed against the IMA Mixed Investment 40-85% Shares peer group and uses the sector average as a basis for broad asset allocation decisions. That said, the manager is clearly willing to back his own views and the portfolio will often show significant deviations from peer group positioning. The absolute return bias of the manager, coupled with a house view that has been defensive over recent years, has had a clear impact on the relative return profile. Strong outperformance during the weak equity market conditions of 2007 and 2008 was followed by underperformance during 2009 and 2010, when markets posted stronger returns. Longer-term performance remains strong, with five-year numbers in the top decile, but investors should be aware that the product is likely to lag peers when equity markets are stronger.

The fund benefits from an experienced manager with a well-defined style. He is supported by a well-resourced team and makes good use of these resources in constructing the portfolio. Despite an approach that may lead to variable short-term relative returns, the absolute numbers and longer-term track record support the retention of the S&P AA rating.

Fund manager & team

With 26 years' investment experience, Iain Stewart is a senior member of the multi-asset team of which the seven-strong real return team is a subset. Stewart is a member of the investment strategy group which is central to the development of house thematic views. These roles make him ideally placed to receive ideas from across the firm, including the 22 global equity research analysts and the fixed interest team. Those most involved with this fund are:

Iain Stewart - PhD (University of East Anglia), worked for MAFF Directorate of Fisheries for five years before joining Newton in 1985. He has managed multi-asset mandates since 1988.

Matthew Brown - history (Bristol University), joined Newton in 2000.

James Harries - politics (Bristol University), joined Newton in 1995. He moved briefly to Veritas in 2004, where he ran a global income fund, before returning to Newton in 2005.

Management style

This fund is a conservative balanced-managed fund, investing globally but usually with a sizeable bias to the UK. While benchmarked against the IMA Mixed Investment 40-85% Shares sector average, regional and sector deviations from either benchmark can be significant.

Portfolio construction is based on the firm's global multi-asset model, with Iain Stewart having discretion over the precise stock and sector weightings. Commonality of holdings between the fund and the model is typically around 70%, providing a relatively stable core of large-/mid-cap names and reflecting the group's prevailing global themes.

Stock selection outside the core is drawn exclusively from the analysts' recommended list, focusing on sustainable free cashflow, a dominant and growing market share, valuation relative to the market and management quality. Special areas may be accessed via funds or ETFs.

The portfolio is kept broadly diversified, with single positions seldom exceeding 4%. At least 15% of the assets must be in cash or bonds. Derivatives are used. Currency hedging is on the advice of currency specialists and strategists.

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STANDARD & POOR'S



Portfolio & performance analysis (January 2012)

Over the past year, the allocation to equities has been gradually reduced, with the focus remaining on defensive positioning and overweights in gold mining, healthcare and telecoms. Fixed interest exposure has risen slightly. The manager continues to avoid gilts but has added positions in Norwegian and (currency hedged) Australian government debt. The remainder is largely invested in high yield securities in more cyclical areas.

Cash levels have risen substantially over the year and now stand at over 18%, reflecting the manager's cautious world view.

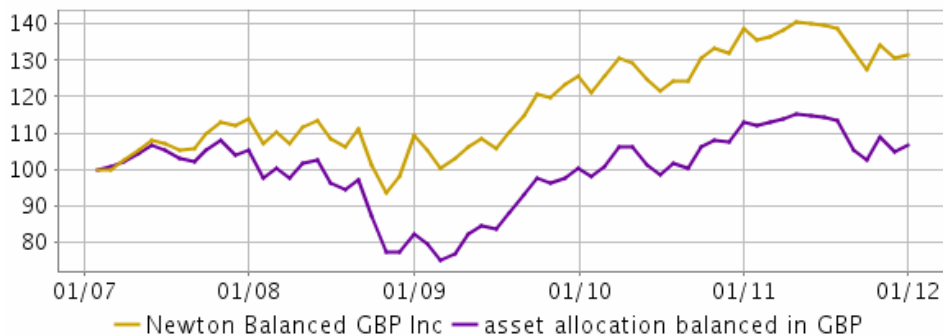
Iain Stewart has managed this fund since January 2005, adopting a similar approach to the one used for the Newton Real Return Fund, but tailored to this fund's specific mandate, which is slightly more constrained and benchmark-aware.

Returns relative to the S&P peer group have been variable over recent years, with the fund only showing strength during weak market conditions. Longer-term performance is still strong, given the relative performance seen in 2007 and 2008, but weakness in more recent years has led to a fourth-quartile ranking over three years.

In 2008, the fund gained from the continued avoidance of banks and from the decision to hold a sizeable cash position, which helped protect the fund in falling markets. 2009 performance was hurt by Stewart maintaining his previously successful defensive positioning and staying underweight cyclicals and financials when these rallied over the second and third quarters, while in 2010 the defensive equity positioning again caused weakness.

Over the past year, there has been some strength relative to the peer group, but, given the defensive strategy, outperformance could have been greater. Positives included the generally defensive equity bias and the continued underweight to financials. Negatives included the gold mining exposure and a lack of gilts.

Cumulative performance



Calendar-year performance

	2007		2008		2009		2010		Year to 30/12/2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	14.4	10/173	-3.8	5/211	14.9	233/245	10.2	234/273	-5.0	128/304
Median	4.7		-21.6		21.6		13.0		-5.9	

Fund benchmark: IMA Mixed Investment 40-85% Shares sector
Share class screened: GB0006778574 (Ord)

Portfolio characteristics (January 2012)

No. of holdings	156
Turnover ratio (%)	49

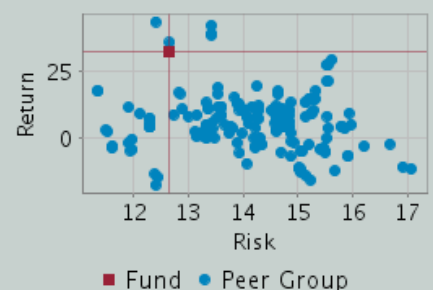
Asset allocation breakdown

	%
Equity	59.59
North America	10.36
United Kingdom	23.20
Europe (ex UK)	15.73
Japan	3.38
Pacific (ex Japan)	3.10
Others	3.82
Fixed interest	17.98
Private equity	0.00
Govts/supranational	8.76
Corporate	9.22
ABS/MBS	0.00
Convertibles	0.00
Others & cash	0.00
Property	0.00
Alternatives/others	3.57
Cash	18.86

Currency breakdown

	%
GBP	54.8
USD	16.6
Other	16.5
EUR	5.1
CHF	5.1
JPY	1.9

Risk return (standard deviation) over five years



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.