

BNY Mellon Asset Management International Ltd

Sub-fund of UK-authorized Oeic

Report Issued: May 2008

**Peer Group:**

European Mainstream ex UK  
Equities

**Fund Manager/Adviser:**

Raj Shant (since December 2007)

**Location:**

London

**Launch Date:** January 2007

**Fund Size (February 2008):**

€37.1m, £29.22m

**Group Contact No:**

0500 66 0000

**Website:**

www.bnymellonam.com

**S&P ID Number:** SB219376

**Share class screened:**

Inst Inc

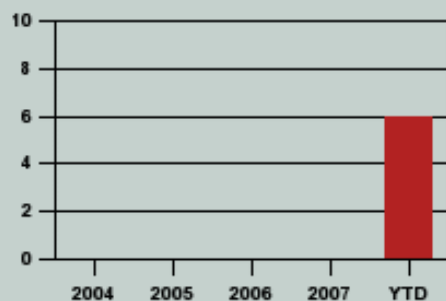


### INVESTMENT STYLE

	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](http://www.funds.standardandpoors.com)

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### STANDARD & POOR'S OPINION (APRIL 2008)

From launch until December 2007 this fund was run by Aaron Barnfather, but when he left the group European team head, Raj Shant, took over as named manager. We have good regard for Shant as an effective fund manager with a decent longer term track record managing mainstream Europe ex-UK funds. Although Shant has not run an income mandate before, the change of manager was effectively seamless as he and Barnfather worked closely together for some years. Shant was not only previously deputy manager of this fund, but worked closely on constructing the investment process with Barnfather and other income fund specialists at Newton.

The fund is run as an actively managed, unconstrained Europe ex-UK product that targets long-term capital growth and a growing annual

income. Portfolio construction disciplines are good and are similar to other funds run by the team in that they draw heavily on the group's well regarded long term thematic approach. However, at purchase all holdings must have a prospective yield of at least 15% above their domestic market and the portfolio has an overall target yield of 4-4.4%. Shant also benefits from the support of UK equity income manager Tineke Frikkee. But in the last year there were some additional European team changes: Tom Beevers was promoted to a fund management role and an experienced analyst was replaced with a recently appointed recruit.

Despite these changes Shant's long-term experience, the risk-aware process, thematic analytical input and broad team support allow retention of the fund's S&P A (New) rating.

### FACT FILE

**Group:** BNY Mellon Asset Management International distributes the investment capabilities of 15 asset management subsidiaries to a wide range of investors globally. Total assets under management at June 2007 exceeded \$1.1 trillion.

**Team:** Raj Shant heads the European equities team of three. He works closely with Tom Beevers and a recently appointed Europe analyst, and draws substantially on Newton's global sector research team.

**Fund Manager:** Shant has headed the European equities team since March 2002. He started his investment career in 1991 and has been running European equity portfolios since 1994.

**Style:** Unconstrained bottom-up approach, focusing on equities in the FTSE World Europe ex-UK index on a yield premium of at least 15%.

**Performance:** Since launch to 31/01/2008, the fund has returned -8.8%, compared with -12.4% for the sector median and -9.2% for the index\*\*, ranking 38/329.

### FUND MANAGER & TEAM

The Mellon Newton European equities team in London is led by Raj Shant and comprises two fund managers and a dedicated analyst. It is responsible for assets of around £750m. The team draws heavily on the group's top-down thematic view and the stock suggestions of the 22 global sector analysts and the regional teams.

Raj Shant - team leader - economics (Leeds University), began his career at Midland Montagu, moving to Provident Mutual, Royal Insurance and CSAM, where he was director of European equities. He joined Newton in 2002.

Thomas Beevers - MA natural sciences (Cambridge University), ACA, joined Newton's pan-Europe team in 2004, following five years at PricewaterhouseCoopers.

## PORTFOLIO CHARACTERISTICS

No. of holdings	55
Turnover ratio (%)	N/A
% in top 10	33

## TOP 10 HOLDINGS (01/02/08)

	%
Telefonica	4.2
Total	4.1
E.ON	3.4
France Telecom	3.4
Bayer	3.3
OPAP	3.2
RWE	3.1
ENI	2.8
Unilever	2.8
Enel	2.6

\* In top 10 holdings a year ago

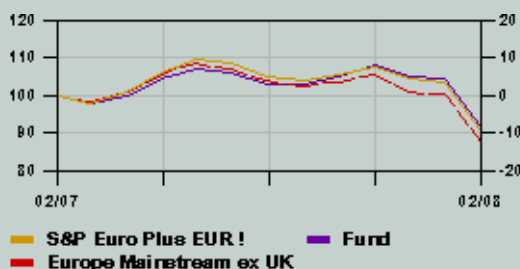
## ALLOCATION BREAKDOWN (01/02/08)

	Fund %
Consumer discretionary	10
Consumer staples	7
Energy	10
Financials	23
Healthcare	6
Industrials	5
Information technology	-
Materials	12
Telecoms	15
Utilities	10
Other	-
Cash	2

## PERFORMANCE STATISTICS

	Launch
Fund	-8.8%
Standard & Poor's Peer Median	-12.4%
Index**	-9.2%
Fund Rank	38/329
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

## CUMULATIVE PERFORMANCE



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

# BNY MELLON INVESTMENT FUNDS - NEWTON EUROPEAN HIGHER INCOME FUND

Peer Group: European Mainstream ex UK Equities



## MANAGEMENT STYLE

This is an actively managed, unconstrained Europe ex-UK equity fund targeting long-term capital growth and a growing annual income. The target yield is 4% to 4.4%. Income is payable in unequal quarterly instalments.

All new holdings must have a prospective yield of at least 15% above their domestic market. Holdings falling below market yield are considered for sale.

Overall, the portfolio must yield at least 15% above the FTSE Europe ex-UK benchmark.

The approach blends the group's top down thematic perspectives and input from the asset allocation committee and strategy

team with the stock ideas of the global sector analysts and the regional specialists, to aid bottom-up stock selection.

A portfolio of 50-60 stocks is favoured, from some 400 names followed in detail. The income discipline favours high yielding liquid, blue chip companies that are financially and commercially sound but trading at a discount. Country and sector weights often deviate significantly from benchmark weights.

Risk is controlled largely by stock selection and market/political risk assessment, and by maintaining broad diversification across regions and sectors.

Currency positions are unhedged.

## PORTFOLIO REVIEW

The portfolio of 53 holdings was broadly diversified by sector and by country. The top 10 concentration of 33% was in line with other funds managed by Shant and there was a bias to large- and mid-cap names. In keeping with the income mandate there was a focus on yield stocks with above average forecast dividend growth.

Portfolio positioning was driven by concern that risks in the financial system may lead to a slowing of GDP growth, leading to a liking for companies and sectors with stable cashflows.

There was no exposure to property stocks and financials generally were underweight, as were industrials and consumer goods. By contrast consumer services and telecoms were overweight. Oesterreichische Post was introduced when it lost a parcel delivery contract. The stock is favoured for its good dividend yield and predictable cashflow and was built to a significant holding.

Style Research shows an expected tilt to dividend yield and a low market beta. Other tilts were fairly moderate.

## PERFORMANCE ANALYSIS (FEBRUARY 2008)

Since launch in January 2007, the fund has delivered performance a little ahead of both our sector median fund and the benchmark FTSE Europe ex-UK index. The change of manager to Raj Shant in January 2008 is unlikely to have any meaningful impact on performance going forward, but the bulk of the record to date was achieved under the previous manager, Aaron Barnfather.

Key performance drivers have been the fund's bias to large-cap stocks - which began to outperform when estimates of GDP growth

began to slow, and 2007 was the first year since 2002 when large-cap stocks outperformed smaller companies.

The thematic input of the analyst team helped frame portfolio construction which benefited from being underweight to banks (because of the perceived risk in the financial system) while exposure to telecoms was helped by good stock picks and consistent earnings growth forecasts. Being underweight to Ireland and Spain was also helpful to relative performance.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 31/01/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/		/		/	-12.4	146/329
Index**	12.3		28.3		21.5		6.2		-12.4	
Median	12.0		27.9		20.9		3.1		-12.7	

\*\* S&P Euro Plus EUR

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