

Newton Investment Management Limited
Sub-fund of UK authorised ICVC

Report Issued: October 2009

Peer Group:

Global Mainstream Equities

Fund Manager/Adviser:

James Harries (since launch)

Location:

London

Launch Date: November 2005

Fund Size (June 2009):

US\$941m, £589m

Group Contact No:

+44 0500 66 0000

Website:

www.bnymellonam.com

S&P ID Number: SB219092

Share class screened:

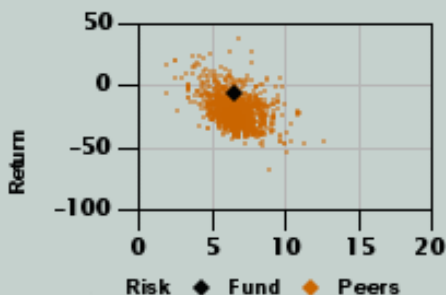
Ord



INVESTMENT STYLE

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

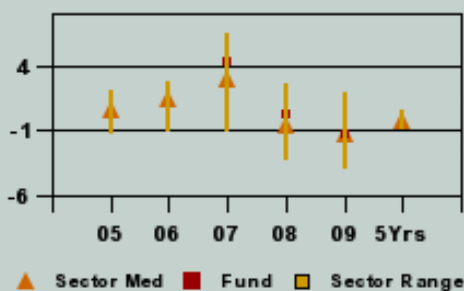
RISK RETURN (STD DEVIATION) OVER 3 YEARS



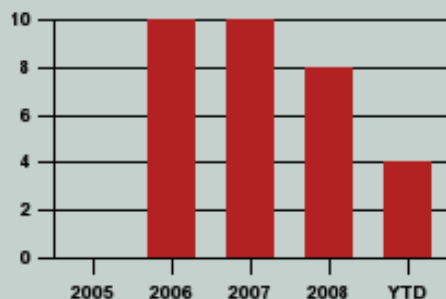
3 YEAR RISK CHARACTERISTICS

| | | |
|----------------------|--------|-------|
| Maximum Drawdown (%) | Medium | -50.2 |
| Volatility | Medium | 22.8 |
| Correlation | High | 0.9 |
| Beta | Medium | 1.0 |

SHARPE RATIO VS PEER GROUP



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.

Please see page 2 for required research analyst certification disclosure.

Further information on S&P's fund coverage can be found at www.FundsInsights.com
Performance Data Source - © 2009 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 29/05/2009 on Bid to Bid basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (SEPTEMBER 2009)

Having outperformed the sector median in each of the last three calendar years, the fund is approaching its fourth anniversary in the enviable position of being in the top decile since launch. Even more impressive is the fact that the record of growing the fund's dividend has so far been maintained.

James Harries is well positioned to run this mandate. He draws on the input from the well-resourced global equities team of 12 managers. While the team has gone through a period of instability, with three managers (two of them senior) leaving in the last two years, this seems to have affected Harries less than others. This is largely due to the fact that while clearly drawing on the team's thematic views, at times Harries has to look for alternative ways to play the same idea while maintaining the focus on income required by the mandate. With many dividends

coming under pressure more recently, Harries has worked closely with the group's credit analysts to select companies able to maintain their payment policies. Being the deputy manager of the Newton Real Return Fund has allowed him to gain more insight into the use of derivatives. This experience has been useful for this mandate, as Harries successfully took a position in put options during the summer of last year.

In typical Newton fashion, the fund is run irrespective of the benchmark and can have some sizable active positions, as currently is the case with emerging markets. The focus on yield however provides increased discipline.

Our regard for manager and process comfortably supports the retention of the S&P AA rating.

FACT FILE

Group: Newton is part of the Bank of New York Mellon Corporation, a leading financial services company based in New York, USA. It was Bank of New York Mellon's first substantial acquisition outside the USA.

Team: Newton's global team of 12 includes seven managers who are primarily focused on global equities mandates. They are supported by four strategists and 20 global sector analysts.

Fund Manager: Harries has 13 years' experience, nine on private investment at Newton. He set up a global equity income fund at Veritas in 2004 but

returned to Newton in 2005, joining the global equity team.

Style: Where possible, Harries tends to select stocks that fit within the team's thematic view while also meeting the fund's yield requirement. Emphasis has been on undervalued growth and emerging markets.

Performance: Over the three years to 29/05/2009, the fund has returned -6.7%, compared with -22.8% for the sector median and -19.0% for the index, ranking 169/2427.

FUND MANAGER & TEAM

Newton's global team has 12 members, including five on multi-asset portfolios and seven primarily on global equities. Experience within the global equities team averages 13 years, although several members have joined the team in the last three years. Jon Bell is mostly responsible for team dynamics and process. They are supported by the wider team of 20 global sector analysts and four strategists, up one from last year. The global equities team manages assets worth £9.9bn.

James Harries - portfolio manager - BSc politics (Bristol University), UKSIP, joined Newton in 1995, after one year in the army. He moved briefly to Veritas in 2004, returning to Newton in 2005.

Jon Bell - MA natural sciences (Cambridge), joined Newton in 1995 and is a director of investment management (global funds).

Paul Markham - alternate fund manager - French & Spanish (University of Sheffield), began his investment career in 1998 at Newton and joined the global equity team in 2001.

PORTFOLIO CHARACTERISTICS

| | |
|--------------------|----|
| No. of holdings | 73 |
| Turnover ratio (%) | 52 |
| % in top 10 | 27 |

TOP 10 HOLDINGS (30/06/09)

| | % |
|--------------------------------|-----|
| Telstra | 3.8 |
| Reynolds American | 3.7 |
| Vodafone | 3.3 |
| Tele Norte Leste Participacoes | 2.7 |
| Deutsche Post | 2.4 |
| Deutsche Telekom | 2.4 |
| Advanced Info Service | 2.2 |
| GlaxoSmithKline | 2.2 |
| Terna Participacoes | 2.2 |
| Cia Saneamento de Minas Gerais | 2.1 |

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (30/06/09)

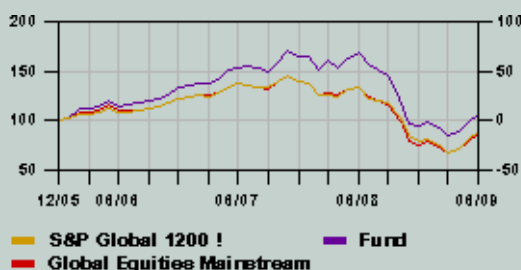
| | Index %** | Fund % |
|------------------------|-----------|--------|
| Basic materials | 6.3 | 3.6 |
| Cash | - | 1.8 |
| Consumer Discretionary | 8.3 | 1.0 |
| Consumer staples | 11.2 | 10.5 |
| Energy | 11.9 | 11.1 |
| Financials | 18.2 | 16.4 |
| Healthcare | 11.4 | 14.3 |
| Industrials | 10.5 | 8.9 |
| Information technology | 10.4 | 3.4 |
| Telecoms | 6.2 | 22.7 |
| Utilities | 5.7 | 4.3 |
| Others | - | 2.0 |

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

PERFORMANCE STATISTICS

| | |
|-------------------------------|----------|
| | 3 Years |
| Fund | -6.7% |
| Standard & Poor's Peer Median | -22.8% |
| Index** | -19.0% |
| Fund Rank | 169/2427 |
| Standard Deviation | 22.8 |
| Relative Standard Deviation | 1.0 |
| Volatility Adjusted Ranking | 160/2427 |

CUMULATIVE PERFORMANCE



GLOBAL HIGHER INCOME FUND

Peer Group: Global Mainstream Equities



MANAGEMENT STYLE

Targeting increasing annual distributions and long-term capital growth, this fund still reflects Newton's thematic views. Stocks must yield at least 25% more than the benchmark FTSE World index at purchase and are sold when the yield drops below market level. Preference is given to out-of-favour growth stocks. With up to 30% in emerging markets (a personal rather than mandated limit), the fund offers a wider sector spread than is usual in income portfolios. Portfolio construction is directionally in line with the model portfolio.

Harries uses the ideas of the research team where these meet the yield

requirement, replacing them with higher yielding alternatives within a given theme where they do not. In either case, selection emphasises solid earnings, good cashflow, quality management and a strong franchise. The fund is unconstrained relative to its FTSE World benchmark and active country and sector positions can be marked. Convertibles are occasionally used.

The fund is diversified across 60-80 names, risk control relying on rigorous stock research and the yield discipline. It is typically fully invested and derivatives (typically currency hedging or put options) may be used.

PORTFOLIO REVIEW

In line with Newton's thematic approach, Harries is favouring stocks that should perform well in a low growth environment with less leverage and increased regulation. This explains the underweight in banks, as many of these not only do not fit the thematic view but also no longer pay dividends. Telecoms and healthcare are the two most notable overweights. Compared to other global equities mandates run by this team, the overweight in telecoms is more pronounced. Philippine Long Dist Telecom is an example of a stock held in this portfolio and not in the

more diversified global equities funds (with no yield requirement) run by the team.

The fund has a bias towards developing markets (over 20% of the total assets) and exposure to Asia is currently three times the benchmark weight.

During the summer of 2008, 20% of the fund (delta adjusted) was hedged through a put option on the Eurostoxx index.

The yield is currently at 5.5%. Style Research confirms the tilt towards dividend yield.

PERFORMANCE ANALYSIS (JUNE 2009)

The fund has a top decile record over the three years to the end of May 2009. Impressively, it has also consistently grown its dividend in each year since launch. Performance over the last 12 months has been slightly below the sector median on a cumulative basis, with a strong 2008 followed by a weaker Q2 2009.

The overweight in healthcare and telecoms proved beneficial in 2008 as was the decision to reduce the market exposure through a put option. However, the fund was hurt by the

rapid depreciation of the US\$. The marked underweight in financials worked well.

Performance since the start of the year has largely reversed, with weak returns resulting from the underweight in banks many of which no longer meet the yield criteria. In contrast, the overweight in emerging markets (Brazil and Asia) has been helpful. Pfizer and Anglo American have been the only two names that have caught Harries wrong footed by cutting their dividend.

DISCRETE PERFORMANCE (CALENDAR YEARS)

| | 2005 | | 2006 | | 2007 | | 2008 | | YTD 29/05/2009 | |
|---------|------|------|------|---------|------|----------|-------|----------|----------------|-----------|
| | % | Rank | % | Rank | % | Rank | % | Rank | % | Rank |
| Fund | | / | 33.0 | 90/2305 | 20.9 | 221/2636 | -39.7 | 707/3067 | 7.6 | 2235/3477 |
| Index** | 10.2 | | 21.5 | | 10.2 | | -40.1 | | 7.4 | |
| Median | 9.5 | | 21.3 | | 10.6 | | -43.7 | | 9.6 | |

** S&P Global 1200 (Industry)

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