

BNY Mellon Asset Management  
Sub-fund of UK authorised ICVC

Report Issued: August 2008

**Peer Group:**

Global Mainstream Equities

**Fund Manager/Adviser:**

James Harries (since launch)

**Location:**

London

**Launch Date:** November 2005

**Fund Size (May 2008):**

US\$746m, £377m

**Group Contact No:**

+44 0500 66 0000

**Website:**

www.bnymellonam.com

**S&P ID Number:** SB219092

**Share class screened:**

Ord

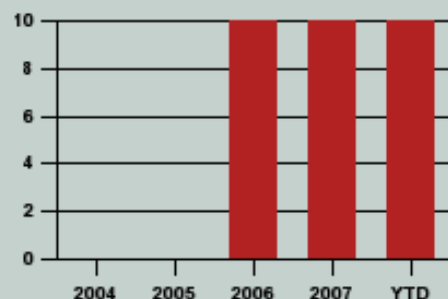


### INVESTMENT STYLE

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

**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 (JUNE 2008)

Although fund manager James Harries adopts a strict yield discipline for this income fund, his focus is on underestimated growth stocks rather than absolute yield. He backs the team's thematic strategy, if necessary finding alternative stock ideas to those recommended by the global research team to fulfil the yield requirement.

Harries clearly enjoys the challenge this presents and has been consistently successful in meeting it since the fund was launched at the end of 2005. He operates with few constraints, as shown by the current US exposure of just 10%, while he will take emerging markets as high as 30%.

Harries has 12 years' investment experience, almost all at Newton. Despite the particular requirements of this mandate, he is well integrated in the team process. The team itself is both large and

experienced, fully leveraging the well-established thematic global research approach, which serves all mandates. No team head has been appointed following Paul Butler's departure in March, but Alexander Stanic continues to chair the strategic debate.

Since launch in 2005, the fund has shown consistent top-decile performance. This is particularly impressive given the underperformance of value since the third quarter of 2007. Newton had a very successful year across the board in 2007, continuing to back well-established themes. It is this fund that has best sustained this year-to-date, also outperforming other income funds in our review. Harries appears to have matured into his role and is well supported by the team process. The fund's rating is raised to S&P AA.

### 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 at June 2008 exceeded \$1.1trn.

**Team:** Newton's global team of 12 fund managers is supported by the global research team of 19 analysts and also draws on the input of regional teams covering Europe, Asia Pacific, the UK and the US.

**Fund Manager:** Harries has 12 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:** A stockpicking approach reflecting the teams's thematic views through purchase of stocks with prospective yields 50% above index. Emphasis has been on undervalued growth and emerging markets.

**Performance:** Since launch to 30/04/2008, the fund has returned 58.7%, compared with 26.3% for the sector median and 29.2% for the index\*\*, ranking 57/2037.

### FUND MANAGER & TEAM

The global equity team numbers 12 fund managers. Four of them, Jon Bell, Alexander Stanic, James Harries and Paul Markham are responsible for the £10bn in retail mandates. The fund management team is supported by the global research team of 19 sector analysts and by the input from the regional fund managers covering US, UK, Europe and Asia Pacific. The global equity fund managers determine a thematically driven lead portfolio, which serves as a guide for all mandates, although fund managers have sole responsibility for their own portfolios.

James Harries - portfolio manager - BSc politics (Bristol University), MSc finance, (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).

Alexander Stanic - MA in social & economic geography (Edinburgh University), joined Newton's global team in 1999 after four years at Cazenove, covering European equities and UK small-caps.

Paul Markham - 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	69
Turnover ratio (%)	52
% in top 10	27

## TOP 10 HOLDINGS (01/05/08)

	%
Telstra	3.4
StatoilHydro	3.2
Reynolds American	3.1
Deutsche Post *	3.0
Fording Canadian Coal Trust	2.9
Parkway	2.4
Evraz	2.3
Cable & Wireless *	2.2
LG Telecom	2.2
Vodafone	2.2

\* In top 10 holdings a year ago

## ALLOCATION BREAKDOWN (01/05/08)

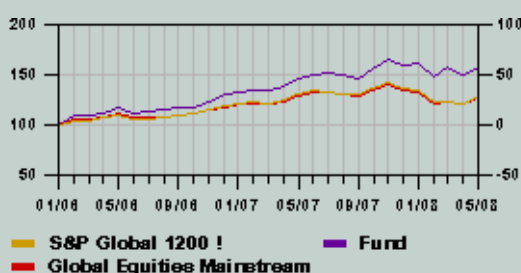
	Fund %
North America	13.0
Europe (ex UK)	26.0
United Kingdom	13.0
Japan	1.0
Pacific (ex Japan)	23.0
Others	21.0
Cash	3.0

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

## PERFORMANCE STATISTICS

	Launch
Fund	58.7%
Standard & Poor's Peer Median	26.3%
Index**	29.2%
Fund Rank	57/2037
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

## CUMULATIVE PERFORMANCE



# BNY MELLON INVESTMENT FUNDS - NEWTON 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 50% more than the benchmark FTSE World index purchase and are sold when the yield premium drops below 25%. However, 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 global 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 currency hedging may be used.

## PORTFOLIO REVIEW

Turnover in the past 12 months has been low, estimated at between 30-40%, as there has been little change in the house themes. These continue to back global realignment, energy supply, "networked world", medical technology and large-cap laggards.

The fund has aimed to avoid highly indebted countries and currencies, with exposure of just 10% in the US against an index weight of 43.2%. The UK falls into the same bracket, but Harries maintained a small overweight placed in globally oriented companies with the

currency cross-hedged in dollar, euro and Swiss francs.

Exposure to emerging markets went up over the year and at end-April accounted for 35% of the portfolio, including 8% in Brazil. Singapore and Thailand were also in the top three positive active positions.

Unusually in an income portfolio, mining came in the top five active sector positions, while banks were the largest underweight (6%), with stock selection skewed to Asia and emerging markets.

## PERFORMANCE ANALYSIS (MAY 2008)

Despite the underperformance of value since the summer of 2007, James Harries has managed to sustain top-decile performance for the fund both in calendar 2007 and year-to-date. The fund ranks 57/2037 in the S&P global universe since launch, making a total return of 40.7%.

Recent success has reflected both the top-down themes that the global team has continued to back and the stock selection made by Harries to fulfil the yield requirement.

Since launch income has contributed 25% of the fund's total return of 40.7% (in sterling terms).

The aggressive underweight to the US was a major contributor to performance over the past 12 months, as was the underweight in financials. Direct and indirect exposure to Latin America and emerging markets helped, providing some of the best stock returns: Banpu, Petrobras, Digi.com, Evraz and Bursa Malaysia stood out.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 30/04/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/	33.0	69/2065	20.9	183/2293	-1.3	273/2486
Index**	14.9		10.2		21.5		10.2		-3.5	
Median	13.5		9.0		20.9		10.3		-5.1	

\*\* S&P Global 1200

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