

Newton Investment Management

Sub-fund of UK authorised ICVC

Report Issued: November 2007

Peer Group:

Global Mainstream Equities

Fund Manager/Adviser:

Alexander Stanic (since launch)

Location:

London

Launch Date: July 2005

Fund Size (May 2007):

US\$516m, £261m

Group Contact No:

+44 500 660 000

Website:

www.bnymellonam.com

S&P ID Number: SB299638

Share class screened:

Inc

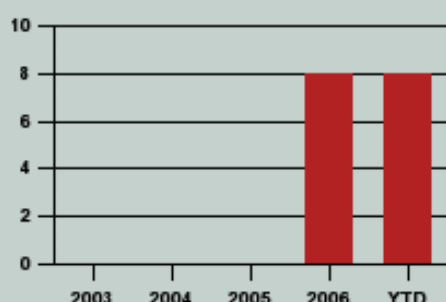


INVESTMENT STYLE

	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

Performance Data Source - © 2007 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 30/04/2007 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (JULY 2007)

This fund, launched in July 2005, is a portfolio of 40-60 of Newton's highest conviction ideas. Managed by Alex Stanic, it is run by exactly the same process used for Mellon Newton's strongly performing Global Intrepid Fund. That fund, run by Stanic since October 2004, has a longer track record, ranking top decile on a three-year cumulative view.

Stanic has been a member of the global equity team since 1999. He has full responsibility for his funds, but works closely with his global fund management colleagues and the wider global research team, drawing on the same themes common to all Newton portfolios to build his portfolios. Prevailing themes include the developing markets, debt & credit, population dynamics and medical advancement. Stock selection within these themes comes from Newton's team of 20 global sector analysts.

Stanic constructs a portfolio of the 40-60 highest conviction ideas bottom-up without reference to the benchmark (FTSE All-World). Consequently, country and sector weights may deviate substantially from both index and peers. At present, for example, the US weighting is just 8% as compared to the benchmark position of 47%.

Performance on this newer fund has started brightly with top-quartile performance in calendar 2006. Whilst this is in part due to the US underweighting, that weighting resulted from stock selection, which is the main driver of performance. Newton's thematic approach to research works well in a global context and Stanic and his colleagues have used the resource astutely. Consequently, the fund easily retains an 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 Pittsburgh, USA. It was Bank of New York Mellon's first substantial acquisition outside the USA.

Team: Paul Butler heads the global equities team of four managers, which draws heavily upon the work of the well resourced global research and regional fund management teams.

Fund Manager: Alex Stanic has over 12 years' investment experience. He started his career at Cazenove in 1995, focusing on European and UK

smaller companies. He moved to Newton in 1999 to run global portfolios.

Style: A stockpicking approach making use of Newton's thematic research, global sector analysts and regional portfolio managers. Significant deviations are taken relative to the FTSE All-World Index.

Performance: Since launch to 30/04/2007, the fund has returned 47.8%, compared with 37.5% for the sector median and 38.7% for the index**, ranking 297/2030.

FUND MANAGER & TEAM

Newton's Global Equity team manages over £8bn in global equity and multi-asset portfolios. The four managers are supported by Newton's 20 global sector analysts and three strategists. A strong collegiate approach is further reinforced by the "twinning" of each fund manager to a chosen analyst. The global team collectively determines a lead portfolio that then guides all its mandates.

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 Butler - team head - natural sciences (Cambridge University), began his career at Newton in 1987, switching to global equities in 1992.

Paul Markham - French & Spanish graduate, began his investment career in 1998 at Newton and joined the global equity team in 2001.

James Harries - politics graduate & MA finance, began his career in Newton's private client dept in 1995. He joined Veritas in 2004 then rejoined Newton's global team in 2005.

PORTFOLIO CHARACTERISTICS

No. of holdings	56
Turnover ratio (%)	328
% in top 10	28

TOP 10 HOLDINGS (01/05/07)

	%
Millicom International Cellular	3.8
Deutsche Post	3.3
ICAP *	2.9
All America Latina Logistica	2.8
Statoil *	2.7
Cable & Wireless	2.6
Telstra	2.6
Unicredito Italiano	2.6
Petroleo Brasileiro	2.5
Standard Chartered	2.5

* In top 10 holdings a year ago

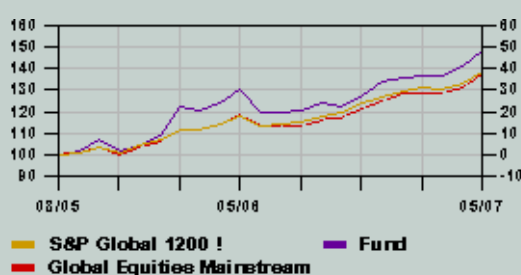
ALLOCATION BREAKDOWN (01/05/07)

	Index %**	Fund %
North America	47	8
Europe (ex UK)	25	40
United Kingdom	10	14
Japan	9	4
Pacific (ex Japan)	7	10
Others	2	22
Cash	-	2

PERFORMANCE STATISTICS

	Launch
Fund	47.8%
Standard & Poor's Peer Median	37.5%
Index**	38.7%
Fund Rank	297/2030
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

CUMULATIVE PERFORMANCE



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

MELLON INVESTMENT FUNDS - NEWTON GLOBAL OPPORTUNITIES FUND

Peer Group: Global Mainstream Equities



MANAGEMENT STYLE

This focused portfolio comprises stocks picked within a thematic framework provided by the global investment group which emphasises economic trends and investment ideas. The team of research analysts conducts fundamental sector research across markets, emphasising solid earnings, good cashflow, quality management and a strong franchise.

Fund manager Alex Stanic selects the most promising stock ideas and supplements them with the team's own research and original thinking. At least 50% of the stock names represent longer-term core positions

whilst the remainder are managed on a more tactical, opportunistic basis.

The resultant portfolio is focused in the 40-60 highest conviction ideas, with the emphasis on absolute returns. Stock-specific risk is much higher than in Newton's broader based equity products. No attention is paid to any index or benchmark. Deviations versus these and peers therefore may be significant. To ensure sufficient diversification, no sector accounts for more than a third of total assets. The control of risk rests on rigorous research into stocks.

The fund is usually fully invested. Currencies may be hedged.

PORTFOLIO REVIEW

The portfolio held 56 names, up only slightly on 2006 (47) despite the fund size quadrupling from £56m to £261m. The top ten concentration decreased to 28% from 31%.

Concerns about US consumer activity led to a reduction in US bank holdings. Increased pharmaceutical regulatory issues caused the manager to divest healthcare stocks Pfizer, Novartis and Sanofi. As a result, the weighting in the US, at 8%, was very low relative to the FTSE All-World (47%) and healthcare - a favoured theme - was scaled back (although

still overweight). Preferred areas included telecoms (22% versus 5% index). After a good run Millicom Cellular was reinforced on weakness and at review was the largest individual portfolio holding at 3.8%. ASML was sold, taking the technology weighting down to 3%. Financial exposure focused on specialist niche players and banks with emerging markets activities (Standard Chartered). Stock choices led to a sharp overweight to Europe ex-UK and emerging markets.

PERFORMANCE ANALYSIS (MAY 2007)

This fund, launched in July 2005, is run in line with the Mellon Global Intrepid Fund, which ranks top decile in the S&P peer group and over 25% ahead of the S&P index over three years cumulatively. The Opportunities Fund itself was just top quartile in calendar 2006. Whilst the outperformance is in part attributable to the fund's underweighting of the US relative to both benchmark and peers, that underweighting results from thematic choice and stock selection and it is the latter which is the main driver of performance.

In 2006, financials (Deutsche Boerse), telecoms (Cable and Wireless) and selected emerging market stocks such as All America Latina (railway monopoly) drove performance. Millicom recovered strongly after the market's initial disappointment at the breakdown of takeover talks. Profits were profits in Ericsson, Broadcom and selected oils. Pharma stocks Pfizer, Novartis and Sanofi were divested after poor performance. Nikko Cordial impacted negatively.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2003		2004		2005		2006		YTD 30/04/2007	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/		/	24.7	527/2108	8.6	640/2309
Index**	32.9		14.9		10.2		21.5		6.9	
Median	32.4		13.3		8.7		20.6		7.3	

** S&P Global 1200

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