

BNY Mellon Asset Management
Sub-fund of UK authorised Oeic

Report Issued: September 2008

Peer Group:

UK Growth Mainstream

Fund Manager/Adviser:

Christopher Metcalfe (since April 2007)

Location:

London

Launch Date: May 1985

Fund Size (July 2008):

£1bn

Group Contact No:

0500 660000

Website:

www.bnymellonam.com

S&P ID Number: SB067795

Share class screened:

Ord

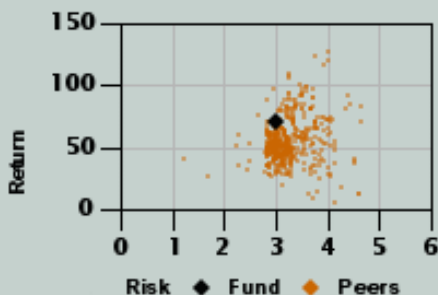
Details of fund charges and other share classes can be found on www.funds-sp.com.



INVESTMENT STYLE

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

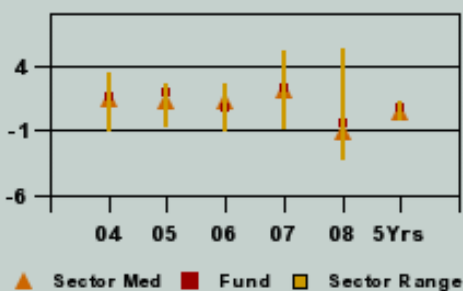
RISK RETURN (STD DEVIATION) OVER 5 YEARS



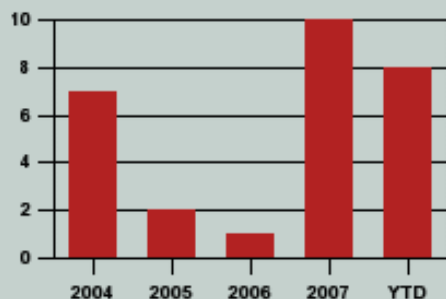
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-10.9
Volatility	Medium	12.1
Correlation	High	0.9
Beta	High	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.

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

All statistical data on this report has been run to 30/06/2008 on NAV to NAV basis, with gross income reinvested, in UK sterling.

STANDARD & POOR'S OPINION (SEPTEMBER 2008)

The fund has performed strongly since being taken over by Christopher Metcalfe in April 2007. In 2007 as a whole it rose over 18%, ranking top percentile in its S&P peer group and outperforming the median fund by over 15%. Although it has fallen 8.7% in the first half of 2008, it has proven more resilient than its peers (median fund -11.2%). Performance has been achieved by avoiding both the volatile financial and mining sectors, focusing instead on stocks with earnings visibility and sustainability.

Performance has been driven by strong in-house thematic choices and astute stockpicking by the analytical team within that top-down framework. It also reflects a much more focused managerial approach. Metcalfe has reduced the number of holdings sharply, from 83 to 47. He is benchmark-aware but will not hold index constituents if he has no

conviction in them. He values and uses the analysts' stockpicks effectively and seems to be very comfortable in the collegial Newton environment. His established style of buying good quality growth businesses at reasonable prices dovetails nicely with the Newton approach.

Metcalfe is a highly experienced manager and previously ran the Schroder UK Equity Fund, rated AA by S&P, in a similar manner to this fund. His focused, measured approach has already produced enhanced returns on this Newton fund. Also, we are increasingly impressed with the coherence, consistency and quality of the analytical process, implemented by a team that now appears both settled and stable. All these factors underpin the fund's upgrade to an S&P AA rated status.

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 exceeded \$1.1trn in June 2008.

Team: UK mandates are managed by a team of seven managers based in London and Leeds. They draw on the research and ideas of 19 global sector analysts, whose research responsibilities include UK equities.

Fund Manager: Christopher Metcalfe joined Newton in 2006 with over 20 years' investment

experience. He is responsible for funds totalling £1.3bn (the Newton income and various pension fund mandates).

Style: Despite the name, the fund is managed for total return, targeting the FTSE All-Share index plus 1-1.5% net. 20% of the fund may be invested overseas.

Performance: Over the five years to 30/06/2008 the fund has returned 80.2%, compared with 62.4% for the sector median and 71.0% for the index, ranking 102/515.

FUND MANAGER & TEAM

Newton's UK equity team is responsible for over £10bn. The team comprises seven fund managers split between London (Chris Metcalfe, Tineke Frikkee, Richard Wilmot and Paul Stephany) and Leeds (Simon Nichols, Ben Russon and Robert Shelton). Robert Marshall-Lee focuses on special situations.

Metcalfe, Russon and Wilmot are now responsible for creating the UK model portfolio that is the guideline for all the UK mandates. The team draws heavily on the research of the 19 global sector analysts, who have UK equity research responsibilities. It can also use input from three strategists, three credit analysts and three SRI specialists.

Christopher Metcalfe - history, MBA (Manchester Business School), joined Newton in June 2006 with over 20 years' investment experience, with nine years at Henderson and the rest at Schroders, where he led the UK equity prime team and chaired the UK equity stock selection committee.

PORTFOLIO CHARACTERISTICS

No. of holdings	47
Turnover ratio (%)	83
% in top 10	45

TOP 10 HOLDINGS (01/07/08)

	%
Royal Dutch Shell	8.9
Vodafone	7.1
BG	5.0
Scottish & Southern Energy	4.0
British American Tobacco	3.7
BHP Billiton	3.5
BAE Systems	3.4
Standard Chartered	3.3
Cable & Wireless	3.2
Unilever	3.1

* In top 10 holdings a year ago

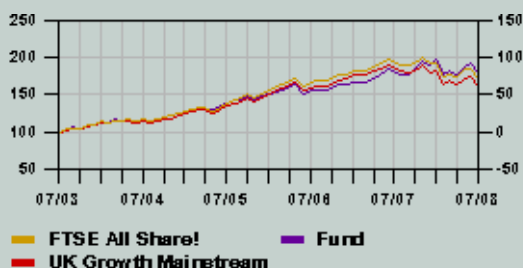
ALLOCATION BREAKDOWN (01/07/08)

	Fund %
Consumer discretionary	4.0
Consumer staples	12.0
Energy	16.0
Financials	9.0
Industrials	11.0
Materials	8.0
Healthcare	7.0
Information technology	0.0
Telecommunications services	15.0
Utilities	9.0
Cash	9.0

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	30.0%	80.2%
Standard & Poor's Peer Median	19.8%	62.4%
Index**	23.2%	71.0%
Fund Rank	124/604	102/515
Standard Deviation	12.1	-
Relative Standard Deviation	1.0	-
Volatility Adjusted Ranking	110/604	-

CUMULATIVE PERFORMANCE



BNY MELLON INVESTMENT FUNDS - NEWTON INCOME FUND

Peer Group: UK Growth Mainstream



MANAGEMENT STYLE

• Despite its title, this portfolio is essentially a core UK equity mandate managed for a total return. There is no formal income requirement, nor is any specific level of income targeted. The fund aims to achieve first quartile relative returns over rolling three-year periods and to outperform the FTSE All-Share index by 1-1.5% a year net of fees.

• The approach follows the well-established Newton process, with a top-down thematic overlay providing the context for stock selection. The team looks for companies with good quality, sustainable earnings and strong cashflow.

• The portfolio of 60-75 holdings is constructed in a benchmark-aware fashion, with positions taken on an 18- to 24-month horizon. There are no formal sector limits but stock deviations tend to be within +/-5% of benchmark and the tracking error is generally kept below 4%. Exposure to smaller companies is limited to 5%. Stocks are sold when they reach their target price.

• Up to 20% can be invested abroad on a stock-specific basis. Overseas investments are often triggered by valuation anomalies between UK and similar overseas companies. Short-term cash may be taken up to 10%.

PORTFOLIO REVIEW

This £1bn fund has become much more focused, with 47 names against the 83 that Christopher Metcalfe inherited. Fund positioning continues to reflect the in-house thematic overlay, which is largely unchanged since last year. One key development is the All Change! theme, which has grown out of the debt and credit theme, and highlights the risks in the financial system. This fund's response was not only to cut financial exposure to just 9% but also to reduce economically sensitive areas such as retail, property and housebuilding. The fund focused

on earnings visibility, quality and sustainability plus balance sheet strength. This led to a shift up the capitalisation scale, with over 80% in large-caps.

At review, major active positions included BG (oil and gas), Scottish & Southern Energy and Cable & Wireless, as well as German chemical stocks Bayer and K & S. Overseas exposure, which had been near its 20% limit, was cut back to 9% and proceeds held in cash (9%).

PERFORMANCE ANALYSIS (JULY 2008)

The fund has produced strong returns since being taken over by Christopher Metcalfe in April 2007. In calendar year 2007 it rose over 18%, ranking in the top percentile in its S&P peer group and outperforming the median fund by over 15%. It has fallen 8.7% in H1 2008 but has proven more resilient than its peers (median fund -11.2%).

The fund's overall defensive stance proved beneficial and the underweight to financials more than offset the low exposure to mining. Within that thematic overlay, stock selection

drove performance, with strong contributions from K & S, Vodafone and BG. Not holding RBS and HBOS also helped considerably. On the negative side, not holding Rio Tinto hurt and GlaxoSmithKline and BP lagged, but these were far outweighed by outperformance in the broader portfolio. In H1 2008, BG and K & S continued to contribute well.

For a longer-term track record, we note Metcalfe's performance on the Schroder UK Equity Fund, rated AA by S&P.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 30/06/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	12.8	206/537	17.8	513/582	10.5	593/628	18.0	3/704	-8.7	190/748
Index**	12.8		22.1		16.7		5.3		-11.2	
Median	11.7		20.9		16.4		2.8		-11.2	

** FTSE All Share ! (The Industry Classification Benchmark is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use.)

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