



February 2012

BNY MELLON INVESTMENT FUNDS - NEWTON MANAGED FUND

Sub-fund of UK-authorized Oeic

Fund owner: BNY Mellon Fund Managers

Fund manager/adviser: Newton Investment Management Ltd

Named portfolio manager/adviser(s):

Christopher Metcalfe (since March 2011)

Peer group: asset allocation aggressive in GBP

Location: London

Launch date: March 1990

Fund size (January 2012): £1.26bn

Contact group: +44 500 660 000 or www.bnymellonam.com

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

Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

Performance statistics

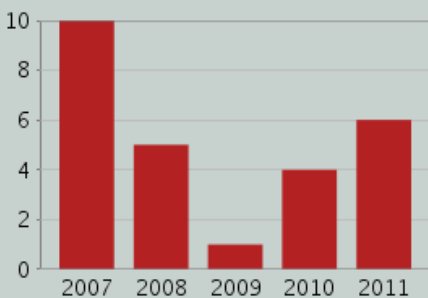
	Three years
Fund	21.8%
Standard & Poor's peer median	29.9%
Fund rank	140/152

Note: returns are cumulative

Risk characteristics

	Three years
Maximum monthly drawdown (%)	-6.7
Volatility	13.0

Calendar-year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine with tenth decile as rank one.

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Standard & Poor's opinion (February 2012)

Chris Metcalfe moved into the multi-asset team to manage this fund in March 2011. He is an experienced investor with 26 years in the industry, but the majority of this has been covering UK equities. He joined Newton in 2006 and took over the Income fund in April 2007. That fund is primarily a UK equity product, but has scope to invest up to 20% in overseas names - something Metcalfe used. In selecting overseas ideas for that product, he gained knowledge that is clearly useful in his current role. This managed fund has a high equity content and a bias to UK equities, which suits Metcalfe's experience, but non-UK equity exposure is greater here than in any other fund he has previously run, and this product also includes fixed interest.

Metcalfe is well supported at Newton and makes full use of the resources available. He works closely with members of the multi-asset team, and takes input directly from the global analyst team and from the global equity team. In addition, the multi-asset team has close links with the fixed interest team who provide recommendations in that space.

In this portfolio, Metcalfe primarily follows the house and team views, but is able to influence team decisions and has some flexibility to impose his own stock selection criteria.

Performance for the short period of time since March 2011 has been slightly above our sector median, reflecting the defensive positioning. Metcalfe's experience, coupled with good use of the significant resources available to him, results in the retention of the S&P A (New) rating.

Fund manager & team

Christopher Metcalfe is a member of Newton's London-based multi-asset desk. The desk has seen recent additions, but Metcalfe continues to work most closely with Nick Moss, Matthew Brown and Robert Stewart. Nick Clay is the alternate manager, but he is no longer part of the multi-asset team. They all work closely with the investment strategy group, the 22 global equity research analysts and the fixed interest team.

Christopher Metcalfe - MBA (Manchester Business School), joined Newton in June 2006 with 26 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.

Nick Moss - hotel management (Oxford Brookes University), joined Newton in 1992 originally as an allocation assistant, before moving across to the global funds team in 1996.

Robert Stewart - economics (Durham University), joined CIN in 1989, specialising in Japan, then moved to Goldman Sachs (Tokyo) in 1996, returning to London to co-head the European portfolio management team and run the technology research group. He joined Newton in 2003.

Management style

The fund is managed in a thematic fashion in line with the longer-term views of the house. Its objective is to be first quartile within the IMA Flexible Investment sector on a rolling three-year basis.

The starting point is the group's multi-asset model. The fund will have very high commonality with the model in terms of stocks and sector weightings. Added value is expected to come from aggressive positions in favoured areas and tactical trading of thematic holdings.

Stock selection relies heavily on the group's global sector analysts and focuses on quality management, dominant and growing market share and value relative to market. Cashflow is considered key in assessing a stock's potential total return. A limited number of stock ideas are initiated by the managers, particularly ideas in Asian markets.

Sterling assets must represent at least 50% of the fund. UK equity exposure generally ranges from 30% to 80%, Europe 5-20%, US 3-15% and Japan and Far East 5-25%. Significant deviations from peer group weightings are common both at the country and sector levels.

The fund may hold up to 20% in fixed interest and in cash, but weightings are usually much lower.

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Portfolio & performance analysis (January 2012)

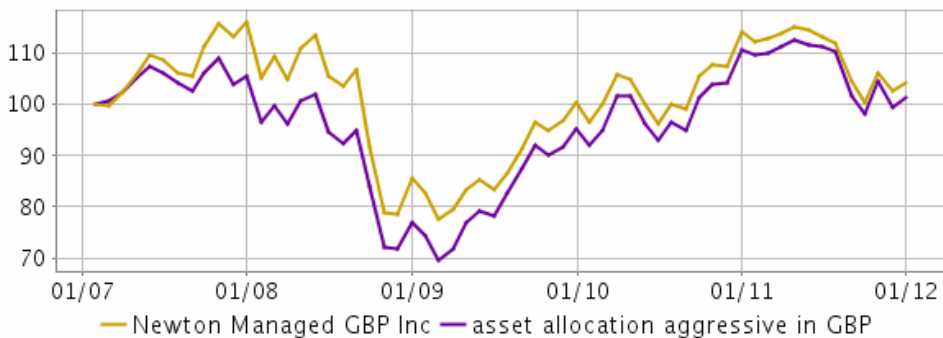
The portfolio is currently defensively positioned, reflecting the views of the house and manager. The portfolio is underweight equities, with this allocation gradually reduced over the past year. The team does not favour gilts and has therefore selectively added to corporate bonds, holding a mixture of investment grade and high yield names. There has also been an increased allocation to cash, which stands at just over 10%.

Within the equity component, the clear bias to the UK remains, and at the sector level, there is a bias away from financials towards utilities and healthcare. Low-beta stocks with good financials as well as sustainable earnings and cashflow are favoured.

Christopher Metcalfe took over as lead manager from Nick Clay on 1 March 2011. Performance prior to this date, therefore, has reduced relevance going forward. Returns for the short period of time since Metcalfe took over have been reasonably good, and the fund has slightly outperformed our peer-group median. The underweight to financials and, within that, the selection of Asian stocks has been a positive along with the allocations to utilities and tobacco. The fund has generally benefited from defensive positioning in terms of asset allocation and equity stock selection.

Metcalfe's main fund responsibility up until the end of January 2011 was the Newton Income Fund, which he managed from the beginning of April 2007. Over the entire period of his tenure, the fund's cumulative performance was in the top decile, despite relative underperformance in 2009. This was primarily a UK equity mandate, but it did hold up to 20% in non-UK stocks.

Cumulative performance



Calendar-year performance

	2007		2008		2009		2010		Year to 30/12/2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	16.3	5/110	-26.4	71/124	17.4	144/152	13.6	112/178	-8.7	79/189
Median	5.7		-25.0		24.1		14.7		-9.4	

Fund benchmark: IMA Flexible Investment Sector

Share class screened: GB0006780984 (Ord)

STANDARD & POOR'S



Portfolio characteristics (January 2012)

No. of holdings	136
Turnover ratio (%)	35

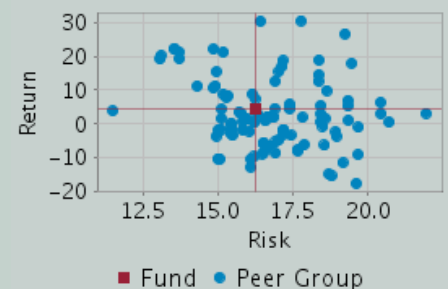
Asset allocation breakdown

	%
Equity	75.44
North America	11.81
United Kingdom	42.05
Europe (ex UK)	12.29
Japan	0.00
Pacific (ex Japan)	2.90
Others	4.90
Private equity	0.00
Fixed interest	12.11
Govts/supranational	6.27
Corporate	5.84
ABS/MBS	0.00
Convertibles	0.00
Property	0.00
Alternatives/others	1.78
Cash	10.67

Currency breakdown

Not available	-
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Risk return (standard deviation) over five years



STANDARD & POOR'S

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Symbols and Definitions

Long-only fund ratings

- AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings

Absolute return fund ratings

Specialist fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Ucits III flexible beta fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

All fund ratings

- Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.
- Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.
- (New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.
- Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.
- Long-term fund management rating The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

- V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.
- V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.
- V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.
- V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.
- V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.
- V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.