

#### Peer Group:

Active Managed

#### Fund Manager/Adviser:

Nicholas Clay (since August 2004)

#### Location:

London

#### Launch Date:

April 1990

#### Fund Size (January 2008):

£1.4bn

#### Group Contact No:

+44 500 660000

#### Website:

www.bnymellonam.com

#### S&P ID Number:

UT067809

#### Share Class screened:

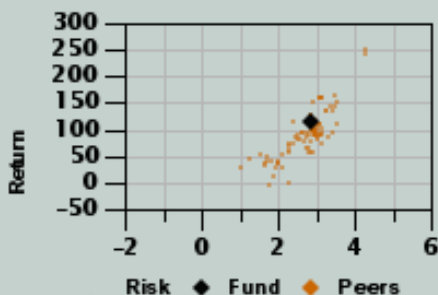
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### INVESTMENT STYLE

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

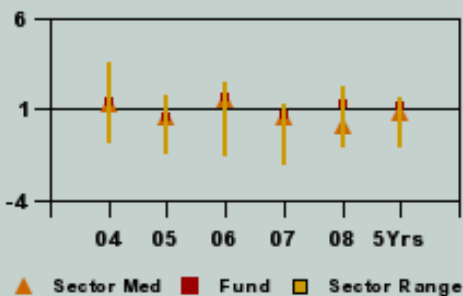
### RISK RETURN (STD DEVIATION) OVER 5 YEARS



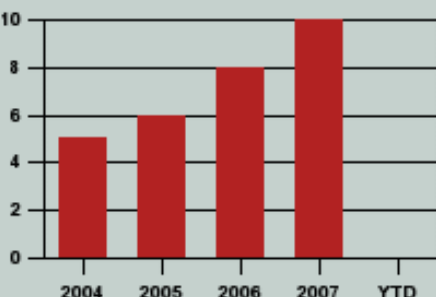
### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown	Medium	-8.0
Volatility	Medium	9.9
Correlation	High	0.8

### 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](http://www.funds.standardandpoors.com)

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Performance Data Source - © 200 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 31/12/2007 on NAV to NAV basis, with gross income reinvested, in UK sterling.

### STANDARD & POOR'S OPINION (FEBRUARY 2008)

Fund manager Nicholas Clay works closely with Nick Moss on this product, with both managers being part of the seven strong multi-asset desk that is headed by Iain Stewart.

Clay plus two colleagues, Jon Bell and Rob Stewart, are responsible for constructing the team's model portfolio and unsurprisingly this fund closely resembles this model. Input is taken from across the desk, but positioning strongly reflects the longer-term themes developed by the house together with the thematically influenced stock selection of the global sector analysts. This team has seen some additions over the past year and is now reasonably well-resourced with a total of 24 equity analysts.

In addition to the house input, Clay and Moss will, to a limited extent, generate their own stock ideas. A limited number of Asian names have fallen into this

category over recent years, with resulting performance being strong.

This product is aimed at UK investors with a minimum of 50% maintained in sterling assets. It is therefore benchmarked against the active managed peer group average and relative to this the past year has been exceptional with strong contributions from all of the longer-term themes reflected in the portfolio. Overall, Clay has produced a good track record since taking over the fund in 2004, with some outperformance of the S&P median in each calendar year.

This record reflects Clay's effective use of house resources and, at the margin, his own portfolio positioning and stock selection. The process and success achieved result in the fund achieving 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 New York, USA. It was Bank of New York Mellon's first substantial acquisition outside the USA.

**Team:** The fund is run within the global balanced team of seven, two of whom specialise in this type of product. Input is also received from 24 global research analysts and regional managers.

**Fund Manager:** Nick Clay has 17 years' investment experience, including 8 at Newton.

**Style:** The fund is run in a thematic fashion, following the team views and tilts in the multi-asset model. The manager is benchmark aware, but not overly constrained.

**Performance:** Over the five years to 31/12/2007, the fund has returned 114.9%, compared with 89.1% for the sector median, ranking 18/85.

### FUND MANAGER & TEAM

Newton's London-based multi-asset desk comprises seven fund managers led by Iain Stewart. Two members focus on the Newton Managed mandate - Nicholas Clay and Nick Moss. The team manage over £6bn across similarly invested funds. Nicholas Clay, Jon Bell and Rob Stewart form the team responsible for the multi-asset model and work closely with the investment strategy group. Stock selection input is taken from the 24 global research analysts.

Nicholas Clay - economics & philosophy (Leeds University), began his career in 1991 on Sun Alliance's UK team, moving to Morley in 1994 where he became deputy head of UK equities. Joined Newton in 2000 and now heads the specialist benchmark funds team.

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.

## PORTFOLIO CHARACTERISTICS

No. of holdings	153
Turnover ratio (%)	45
% in top 10	20

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

	%
Vodafone *	3.3
BP *	2.9
GlaxoSmithKline *	2.5
Standard Chartered *	1.9
Anglo American	1.7
HSBC *	1.6
British American Tobacco	1.5
Siemens	1.5
BG	1.4
Xstrata	1.4

\* In top 10 holdings a year ago

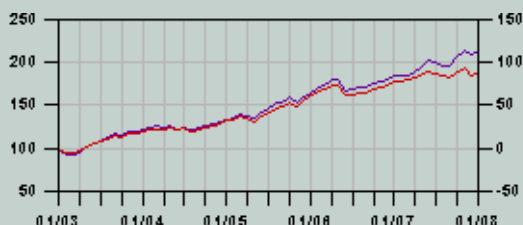
## ALLOCATION BREAKDOWN (01/01/08)

<b>EQUITY</b>	
North America	11
United Kingdom	45
Europe ex UK	17
Japan	4
Pacific ex Japan	9
Others	8
<b>FIXED INTEREST</b>	
United Kingdom	0
Others	0
<b>CASH</b>	6

## PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	60.7%	114.9%
Standard & Poor's Peer Median	41.2%	89.1%
Fund Rank	14/109	18/85
Standard Deviation	9.9	-
Relative Standard Deviation	1.0	-
Volatility Adjusted Ranking	9/109	-

## CUMULATIVE PERFORMANCE



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

# MELLON INVESTMENT FUNDS - NEWTON MANAGED FUND

Peer Group: Active Managed



## MANAGEMENT STYLE

The fund aims to be first quartile within its active managed peer group, on a rolling three-year basis. It is managed in a thematic fashion, in line with the longer-term views of the house.

The starting point is the group's multi-asset model. The fund will typically have 70% to 80% commonality with the model in terms of companies and close to 95% for its 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 in the fund are initiated by the managers, particularly ideas in Asian markets.

Sterling assets must represent 50% of the fund. UK equity exposure may range from 30- 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 can hold 20% in fixed interest and in cash, but weightings are usually much lower.

## PORTFOLIO REVIEW

The fund remains well diversified through 153 stocks, with 20% of the portfolio in the top 10 holdings.

Against the IMA active managed sector benchmark the largest active position at the regional level continued to be the underweight to North America (-4%) with the largest overweight being to UK equities (reflecting the 50% minimum exposure to sterling assets).

The main change over the year has been a reduction in the UK equity exposure to fund

the 6% cash position. There remains no exposure to fixed interest.

At the sector level deviations are larger, reflecting the house themes - earth matters, networked world, energy supply, population dynamics, old economy and developing economies. The largest overweights are to industrials (+5.5%), healthcare (+3.3%) and telecoms (+3.3%), while the largest underweight is to financials (-7%). Basic materials has been increased over the year based on analyst recommendations and healthcare has also been raised.

## PERFORMANCE ANALYSIS (JANUARY 2008)

The fund objective is top-quartile performance over three years, and in the S&P active managed sector the fund has now achieved this goal following a year of exceptional performance in 2007.

In 2005, the fund's defensive bias proved positive initially, but performance suffered in Q4 when cyclical rallied and telecoms were hit.

Clay's slightly less defensive view in 2006 caused performance to be flat relative to peers for the first half of the year. Overweights

to oil, tobacco and transport contributed positively as did the underweight technology. Standout performers include CTRIP (China travel agency) and BOC.

Exceptional relative strength in 2007 reflected a number of themes, with telecom (Sistema, Millicom), agribusiness (Syngenta, K&S, Mosaic) and infrastructure stocks performing well. Underweights to financials and developed market consumer sectors were also positive.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 31/12/2007	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	8.8	62/102	23.4	52/109	11.8	32/110	16.5	5/113		/
Median	9.4		22.8		9.6		5.7			

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