



February 2012

## BNY MELLON INVESTMENT FUNDS - NEWTON ORIENTAL 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):

Jason Pidcock (since August 2004)

Peer group: South East Asian equities

Location: London

Launch date: November 1990

Fund size (November 2011): £895m

Contact group: +44 500 660 000 or [www.bnymellonam.com](http://www.bnymellonam.com)

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)

### Investment style

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

### Performance statistics

	Three years
Fund	106.3%
Standard & Poor's peer median	80.4%
Index**	103.6%
Fund rank	134/1098

\*\* S&P Asia Pacific Ex JPN BMI TR USD  
Note: returns are cumulative

### Risk characteristics

	Three years
Maximum monthly drawdown (%)	-14.5
Volatility	24.4
Correlation	1.0
Beta	0.8

### 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.

Performance Data Source - © 2011 Lipper inc. All rights reserved. All statistical data on this report has been run to 1 November 2011 on NAV to NAV basis, with gross income reinvested, in USD.

### Standard & Poor's opinion (November 2011)

Newton Oriental provides investors with exposure to South East Asia, including Australia. Jason Pidcock manages it as a concentrated portfolio of around 50 names, representing his highest-conviction ideas in the region. Positional deviation against the fund's performance benchmark, the FTSE AW Asia Pacific ex Japan index, can be significant. For example, the portfolio excludes Korea (despite its 15% index weighting) and includes an overweight position in Thailand at 5% (against an index weight of just 2%).

Pidcock has managed this fund for seven years with considerable success by pursuing a consistent, disciplined approach based on detailed fundamental company analysis. He is supported by three Asian equity specialists - average experience eight years - and the firm's 21-strong global sector equity research team.

Relative returns have been strong. The fund has beaten its benchmark index and the S&P sector median over all periods, resulting in top-quartile returns over both three and five years cumulatively.

This solid track record supported by Pidcock's clear and decisive investment approach and the strength and depth of his research resources, allows the fund to comfortably retain its S&P AA rating.

### Fund manager & team

Newton's Asia ex Japan team, which manages \$5.7bn, comprises Jason Pidcock (lead manager), Zoe Kan, Caroline Keen and Wilfred Frost, who recently transferred from the charities team. The team's average investment experience is eight years. All act as research generalists, discussing ideas and reviewing portfolios formally on a weekly basis. Further support is provided by Newton's three-man strategy team and the 21-strong team of global sector equity analysts who have an average of 14 years' investment experience. The analysts directly cover a large part of the universe, and may also be used by Pidcock to assess his mid-/small-cap ideas.

Jason Pidcock - government (University of Essex), has 17 years' Pacific ex Japan investment experience. He was assistant fund manager at Henderson from 1993 to 1996, then moved to BP, where he was responsible for stock selection and asset allocation in Asia Pacific ex Japan for the BP Pension Fund, before joining Newton in August 2004.

Caroline Keen - BA (Oxford University), joined BNY Mellon in December 2009 after two years as an analyst in BlackRock's global consultant relations group. She is an assistant fund manager focusing on Asia Pacific ex-Japan equities.

### Management style

The fund is managed in a stockpicking, thematic style using the detailed fundamental company analysis the Asian team undertakes and large global sector analytical resources. Stock analysis is supported by regular trips to the region to visit companies and regular contact with management teams. The fund is benchmarked against the FTSE AW Asia Pacific ex Japan index, although the manager is free to pursue his preferred strategies and themes and deviate significantly from the index.

For example, South Korea is currently excluded from the fund, despite its 15% index weighting. The fund is also underweight financials at 20% against an index weight of 33%.

The fund represents the fund manager's highest conviction ideas and typically comprises around 50 holdings. Stock positions range from 1% to 6% of total assets, and a longer-term view of over three years is taken when a stock is purchased.

Cash levels are dictated by tactical decisions. Currency exposures are not hedged.

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## Portfolio & performance analysis (December 2011)

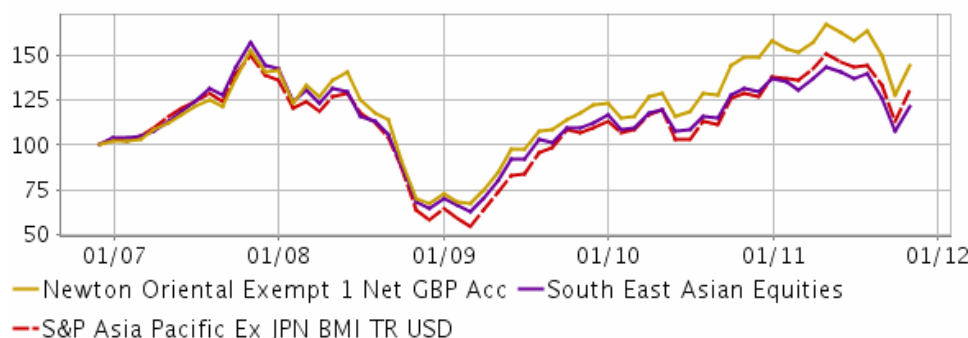
Although the fund size has dropped over the last 12 months from £1.1bn to £895m, the number of holdings has held relatively steady at around 47, as the manager sought to focus on those companies in which he has the highest conviction.

Relative to the index, the fund is overweight Singapore at 9% (against an index weighting of 5%); and Thailand at 5% (versus an index 2%), while staying virtually index neutral India (9%) and zero-weighted South Korea, a market with an index weighting of over 15%. Staying out of Korea reflects the manager's concerns over the economic risk of re-unification and the increasing competition for South Korean companies from China and Malaysia. Stock selection, rather than country preference, has kept the fund underweight Australia at 24% (against an index weight of 26%), and Hong Kong and China, where the fund's combined 23% exposure is relative to an index weighting of 25%.

At sector level, the fund remains strongly underweight financials at 20% versus an index 33%; and IT at 8% against 13%. These are balanced by a near fourfold overweight in healthcare (8%), and industrials exposure of 9% against an index 8%. Cash is currently a high 5%, representing the manager's cautious stance.

The fund has consistently delivered returns above the peer-group median over the past five years, resulting in a top-quartile cumulative ranking over both three and five years to date. Stock selection has been the main driver of value added, including exposure to stocks such as Newcrest Mining, included in the top 10, which performed well on the back of rising gold prices.

## Cumulative performance



## Calendar year performance

	2007		2008		2009		2010		YTD November 2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	38.5	307/815	-48.4	238/959	68.3	473/1125	28.5	93/1247	-8.8	436/1398
Index**	32.0		-52.7		76.4		21.3		-5.4	
Median	36.0		-51.0		66.3		18.1		-11.6	

\*\* S&P Asia Pacific Ex JPN BMI TR USD

Fund benchmark: FTSE AW Asia Pacific ex Japan

Share class screened: GB00B01XJS86 (1 Net Inc GBP)

# STANDARD & POOR'S



## Portfolio characteristics (November 2011)

No. of holdings	47
% in top 10	44.7
Turnover ratio (%)	33

## Top 10 holdings

	%
Noble Group *	5.6
Standard Chartered *	5.4
TSMC *	5.1
Newcrest Mining	4.9
BHP Billiton *	4.8
Santos *	4.8
Belle International *	3.9
Sands China *	3.6
WorleyParsons	3.5
Apollo Hospitals *	3.1

\* In top 10 holdings a year ago

## Sector allocation

	%
Basic materials	14.0
Consumer goods	11.7
Financials	20.0
Healthcare	8.0
Industrials	9.0
Oil & gas	12.0
Technology	8.0
Telecommunications	6.0
Others	6.8
Cash	5.0

## Geographical allocation

	%
Australia	23.7
China	7.0
Hong Kong	16.9
India	8.3
Singapore	8.9
Taiwan	10.8
Thailand	5.2
United Kingdom	10.2
Others	9.0

# 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.