

Sub-fund of UK-authorized Oeic

Fund owner: BNY Mellon Fund Managers

Fund manager: BNY Mellon Asset Management

Named portfolio manager(s):

Philip Collins (since launch)

Peer group: Cautious Managed

Location: London

Launch date: April 2003

Fund size (January 2010): £155m

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



Report date March 2010

Investment style

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

Performance statistics

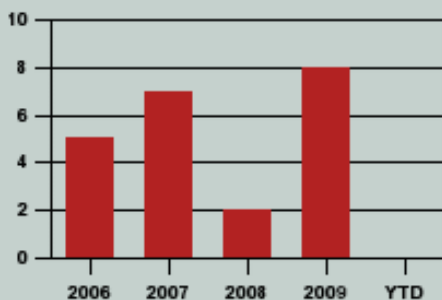
	3 Years
Fund	-3.6%
Standard & Poor's peer median	1.5%
Fund rank	101/140

Note: returns are cumulative

Three-year risk characteristics

Maximum drawdown (%)	Medium	-23.1
Volatility	Medium	10.7
Correlation	High	0.6

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 - © 2009 Morningstar Inc. All Rights Reserved. All statistical data on this report has been run to 31/12/2009 on NAV to NAV basis, with gross income reinvested, in UK sterling.

Standard & Poor's opinion (February 2010)

Although launched in 2006, this fund adopts an approach that has been used on a similar mandate since 2003. The track record of that fund has been attached to this product.

Manager of this strategy, Philip Collins, is an experienced investor with over 20 years in the industry, particularly managing assets for private clients. This fund reflects the strategy he has used for many of these clients over time. It is a diversified collection of assets that aims to dampen the volatility of returns, with an expectation of cash plus 2% over a three year period. The fund has not met this target recently however, primarily due to weakness seen in 2008. We are, however, pleased to see some relative strength over the past year as market conditions normalised and improved.

As a result of the performance in 2008, some subtle changes have been made to asset allocation control ranges, and the manager is also looking to increase the use of options contracts for defensive purposes. Both are intended to improve capital preservation in poor market conditions.

Collins continues to make good use of the resources at the group, with significant input from the equity and bond teams together with the members of the private client team who have alternative asset research responsibilities. He essentially selects their best ideas, looking for this combined stock selection approach to drive portfolio returns, rather than large asset allocation calls.

The experience of the manager, the use of group resources and the improved recent returns result in the retention of the S&P A rating.

Fund manager & team

The Phoenix products draw on the input from all Newton's desks. Manager Collins leads the debate and is supported by Charles Insley, who leads on structured products, and Sam Arnold. They work closely with the global thematic research team on equities, as well as with Paul Brain and his team on fixed income. Alternative assets specialists include generalist Ben Ward, Will White who focuses on hedge funds, Aidan Butler, Peter Hensman and Paul Flood on commodities, Helen White on private equity and John Hair, Charles French and Tim Lucas on property.

Philip Collins - began his career in 1985 at Leopold Joseph. He moved to Capital House as a fund manager in 1990 and to Newton in 1994 when the two firms merged. He heads investment within the team of private client asset managers and is lead manager of the multi-asset Phoenix product range.

Management style

Based on Newton's diversified private client model, the fund aims to deliver a rolling three-year return 2% ahead of Libor and with low volatility. Volatility is minimised by diversification through multiple asset classes with low inter-correlation. Asset allocation was historically set at a neutral position of one-third each in equities, cash & bonds and alternatives (including funds-of-hedgefunds, private equity, property and commodities). Now each sub-component is expected to remain within the range seen over the history of the fund since re-launch.

Collins retains final responsibility for all stock selection and asset allocation, but draws heavily on input from specialists within Newton, including the global equity and bond teams and alternative asset class specialists within the private client team.

Stocks are selected bottom-up (equities up to 1%, investment-grade bonds 1%). There is a bias to the UK, but geographical and sector exposure comes from stock selection. Bond exposure is hedged back to sterling. Alternatives exposure is mainly through external funds (maximum 3%). Options are used to provide portfolio protection.

BNY MELLON INVESTMENT FUNDS - NEWTON PHOENIX MULTI-ASSET FUND

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STANDARD & POOR'S



Portfolio & performance analysis (January 2010)

The absolute return oriented hedge funds finally provided some protection and relative strength during the weak market conditions in early 2009. The equity portfolio followed the house view and was therefore defensive, with little in financials and overweights to healthcare and telecoms. This positioning also paid off during the early part of the year, however it did result in some relative weakness as markets rallied from March. The manager reacted by gradually increasing exposure to Asia and emerging markets as well as non-banking financials.

The above moves and the gradual increase to equity exposure from July added value and contributed to the outperformance seen over the year as a whole. Management of the fixed interest portfolio was also good, with credit exposure being increased early in the year.

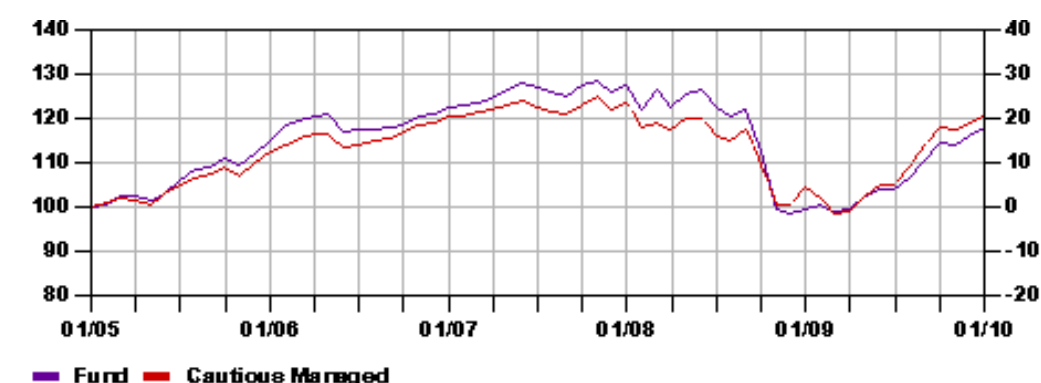
The fund currently holds some portfolio protection in the form of FTSE puts that cover 6% of the overall fund value. Calls are also held on long-dated bonds, where there could be gains in weak markets but downside potential is significant.

Looking further back, performance has been mixed relative to peers. In 2007 good performance came largely from equity exposure in Asia and in telecoms but out of banks. In alternatives, trading closed-end funds-of-hedge-funds on discount moves added value as did agricultural commodity exposure.

But 2008 was a more difficult year, in both relative and absolute terms, and the fund slipped behind its Libor +2% target. During the financial crisis the protection expected from broad diversification and from hedge fund exposure did not deliver. Within the latter, some NAV weakness was exacerbated by trusts trading at premiums moving to historically wide discounts due to a lack of demand. As a house, global equity selection was also under pressure.

Launched in November 2006, this fund was allowed to carry the performance record of Newton Phoenix fund, which has used this approach since April 2003.

Cumulative performance



Discrete performance (calendar years)

	2006		2007		2008		2009		YTD 31/12/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	6.6	74/122	4.2	58/150	-21.8	152/174	18.4	48/175		
Median	7.2		2.8		-14.9		16.2			

Fund benchmark: Cautious Managed

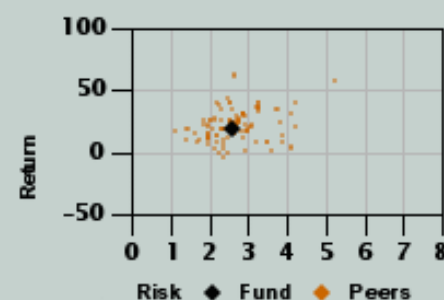
Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
Inc Registered for sale	4.00	0	1.50	N/A	1000		GB00B1GJ9L14
		Austria, Germany, Jersey, Spain, United Kingdom					

Portfolio characteristics

No. of holdings	179
Turnover ratio (%)	N/A

Risk return (standard deviation) over five years



Currency breakdown (01/01/10)

	%
CHF	2.1
EUR	8.3
GBP	61.8
JPY	0.7
Others	11.8
USD	15.3

Asset allocation breakdown (01/01/10)

	%
Equity	42.5
North America	8.3
United Kingdom	12.7
Europe ex UK	6.8
Japan	1.5
Pacific ex Japan	5.5
Others	7.7
Fixed Interest	32.0
Govts/Supranational	N/A
Corporate	N/A
ABS/MBS	N/A
Convertibles	N/A
Others & Cash	N/A
Property	2.7
Alternatives/Others	22.6
Cash	0.2

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 performance consistency of the management team and/or approach 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-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.

Absolute Return 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.

Specialist Fund Ratings

AAA

The fund demonstrates the highest standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

AA

The fund demonstrates very high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

A

The fund demonstrates high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

All Fund Ratings

NR Funds designated as NR (Not Rated) currently do not meet the requisite performance standards and/or the minimum qualitative criteria.

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

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.

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 comprised of 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 comprised of 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 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.