

#### Peer Group:

Balanced Managed

#### Fund Manager/Adviser:

Caroline Lindsay (since November 2004), Julie-Ann Ashcroft (since April 2009)

#### Location:

London

#### Launch Date:

December 1998

#### Fund Size (May 2009):

£175m

#### Group Contact No:

+44 500 440 000

#### Website:

www.newton.co.uk

#### S&P ID Number:

SB048336

#### Share Class screened:

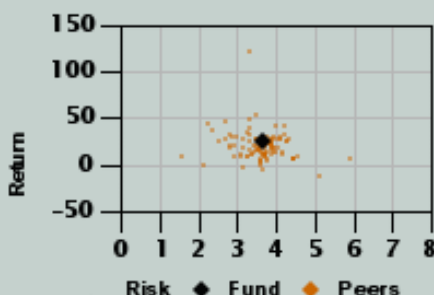
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### INVESTMENT STYLE

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

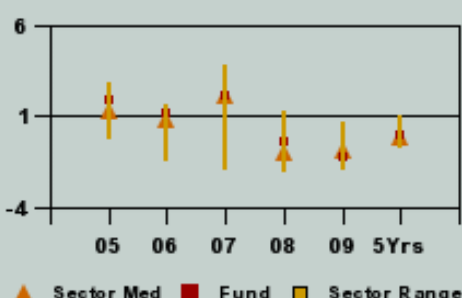
### RISK RETURN (STD DEVIATION) OVER 5 YEARS



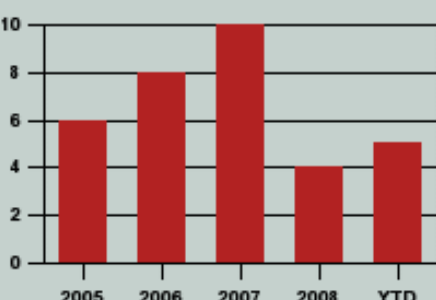
### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown	Medium	-28.2
Volatility	Medium	14.8
Correlation	High	0.7

### 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.

Please see page 2 for required research analyst certification disclosure.

Further information on S&P's fund coverage can be found at

[www.FundsInsights.com](http://www.FundsInsights.com)

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### STANDARD & POOR'S OPINION (JULY 2009)

This fund, designed for wealthy UK-based private clients, aims to provide a competitive total return (including a rising income stream) relative to its peer group, the WM Private Client Balanced Indicator. The fund invests predominantly in equities with a bias to UK blue chips. Around 25% may be in other assets such as fixed interest, property and cash. Limited use is made of alternative asset classes, such as funds-of-hedge-funds and structured products, to diversify the portfolio and mitigate volatility.

The fund continues to be run by Caroline Lindsay, now with the assistance of Julie-Ann Ashcroft after the transfer of previous co-manager Robert Hay to the global team in March 2009. Under Lindsay's tenure the fund has established a consistent track record, ranking clearly second quartile over five

years cumulatively with a return of 26% (7% in excess of the peer median) with lower-than-average volatility. Performance in the equity portion has been driven by stock selection, with Lindsay making effective use of Newton's in-house analytical resource, which that impresses with the consistency and quality of its process. Portfolio construction is disciplined, with the fund based around Newton's high net-worth private client growth model. Lindsay has input into this model, adding her own ideas over and above this in a risk-aware fashion, drawing on Newton's well-established thematic approach.

We are impressed by the strength of the in-house resource and the consistency and discipline of approach applied by a skilful manager. The fund is upgraded to an S&P AAA 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:** Lindsay works with co-manager Ashcroft to implement the strategy set by Newton Private Investment Management, drawing on the global analyst and the institutional/retail fund teams.

**Fund Manager:** Lindsay has 10 years' investment experience and has run this fund since November

2004. She is supported by Ashcroft, who was appointed co-manager on 1 April 2009.

**Style:** Aimed at investors with a minimum of £100,000 to invest, the fund aims to provide wealthy private clients with a portfolio of holdings similar to those managed for high net worth clients.

**Performance:** Over the five years to 30/06/2009, the fund has returned 26.3%, compared with 19.1% for the sector median, ranking 36/111.

### FUND MANAGER & TEAM

Newton's investment strategy is reviewed at formal monthly meetings of the investment strategy group (ISG), which includes various economists and senior representatives from the private client, institutional and retail teams. The private client team adapts these recommendations for their clients through a number of live models, ensuring Newton's global themes are applied consistently.

Lindsay draws heavily on Newton's team of global research analysts and the specialists on the private client team. She is supported by Ashcroft, who was recently appointed co-manager following the transfer of Hay (previous co-manager) to the global equity team.

Caroline Lindsay - economics (Cambridge University), CFA, began her investment career on joining Newton in 1998.

Julie-Ann Ashcroft - fund manager - BSc pharmacology (University of Sheffield), IMC, joined Newton's private investment management division as a fund manager in 2007, specialising in smaller pension schemes and private client portfolios. Before this she was a performance analyst at Mellon Global Investments. She was appointed co-manager on this fund on 1 April 2009.

## PORTFOLIO CHARACTERISTICS

No. of holdings	108
Turnover ratio (%)	32.28
% in top 10	21

## TOP 10 HOLDINGS (01/05/09)

	%
Vodafone	3.4
GlaxoSmithKline	2.9
BP	2.8
Treasury 2.5% Index-Linked 16/08/2013	2.0
BHP Billiton	1.8
Centrica	1.7
Royal Dutch Shell	1.7
Scottish & Southern Energy	1.5
StatoilHydro	1.5
BG	1.4

\* In top 10 holdings a year ago

## ALLOCATION BREAKDOWN (01/05/09)

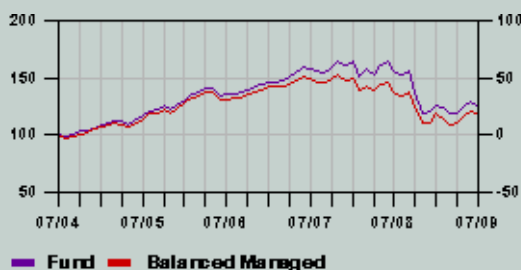
	Fund %
<b>EQUITY</b>	
North America	10
United Kingdom	31
Europe ex UK	14
Japan	3
Pacific ex Japan	3
Others	5
<b>FIXED INTEREST</b>	17
<b>PROPERTY</b>	1
<b>ALTERNATIVES / OTHERS</b>	5
<b>CASH</b>	11

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

## PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	-7.5%	26.3%
Standard & Poor's Peer Median	-9.4%	19.1%
Fund Rank	49/122	36/111
Standard Deviation	14.8	-
Relative Standard Deviation	1.0	-
Volatility Adjusted Ranking	47/122	-

## CUMULATIVE PERFORMANCE



# NEWTON BALANCED BRIDGE FUND

Peer Group: Balanced Managed



## MANAGEMENT STYLE

- This balanced fund aims to provide a competitive total return, including a rising income stream relative to its peer group in the form of the WM Private Client Balanced Indicator. Around 40% is invested in non-equities and 60% in equities.
- The private client team adapts the Newton strategy group's recommendations to the risk tolerance of their clients through a number of live models, all of which draw heavily on the research of the global sector analyst team. The fund is based around the income and growth model. It allows deviations of +/-10% at the asset allocation

and main regional equity market levels relative to the WM index, with global sectors limited to +/-5%. While the fund has some flexibility around these levels, the managers' focus is on monitoring downside risk, and they make limited use of put options and structured products to that end.

- The fund seeks around 100 holdings and includes ideas from specialists in the private client team. The 40% non-equity portion comprises bonds, cash and property and may include limited exposure to structured products, specialist collectives, options (puts) and lower-risk hedge funds.

## PORTFOLIO REVIEW

The fund was cautiously placed at review, with 66% in equities, 17% in bonds, 5% in alternatives/other and 11% in cash.

The equity part of the fund retained its UK bias (reflecting both its client base and the structure of the benchmark). Most of the top 10 holdings comprised UK large-caps. UK exposure rose from 36% to 47% but was still underweight against benchmark (69%) as a consequence of low exposure to banks (the fund only held HSBC and Standard Chartered). Stock additions in 2008 were made in areas deemed defensive, with

pharmaceuticals and telecoms reinforced. Favoured names included Novartis, Wyeth, Deutsche Telecom and Sprint Nextel. These additions led to an increase in the overweight to both Continental Europe (22%) and the US (15%).

In the non-equity portion, alternatives/other comprised mostly hedge funds, but also included a gold ETF. The rise in bond exposure (8% to 17%) reflected the addition of index-linked gilts and corporate names, such as Marks & Spencer.

## PERFORMANCE ANALYSIS (JULY 2009)

2008 looked a disappointing year for the fund as it undershot its own benchmark and the S&P median fund by nearly 4% and 2% respectively. However, the underperformance was concentrated in the second half of the year. In equities, the fund hurt by its positioning in oil and gas stocks (a long-term favoured Newton theme) and by falls in specific stocks such as Sprint, Inchcape and Gildan.

In the bond portion of the fund, exposure to corporate rather than government bonds proved negative, while in alternatives/other,

hedge funds performed poorly. However, H1 2009 has seen some improvement, with the fund just behind peer group median as at end June 2009.

The longer-term track record shows stronger returns, achieved with below-average volatility. Over five years cumulatively the fund ranks clearly second quartile, having returned 26%, over 7% in excess of the peer group median. Performance was driven by consistently solid stock selection in the equity portion of the fund.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 30/06/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	20.6	57/118	11.6	36/122	12.0	9/127	-23.0	89/135	0.0	77/137
Median	20.2		10.3		5.5		-21.2		0.4	

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