Newton Offshore Strategy Fund Global Balanced

Investment Report

First Quarter 2008

NEWTON
The Power of Ideas

➢ A BNY MELLON ASSET MANAGEMENT COMPANY℠

Contents

Statutory Disclosure of Discrete Past Performance - Percentage Change

From To	31/03/03 31/03/04	31/03/04 31/03/05	31/03/05 31/03/06	31/03/06 31/03/07	31/03/07 31/03/08
Newton Offshore Strategy Fund Global Balanced	10.5%	12.5%	23.6%	0.7%	9.7%

Source: Lipper, as at 31 March 2008, total return, bid to bid, gross income reinvested, without initial charges, net of management fees. Lipper fund returns are based on midday prices.

Risk Factors

This is a financial promotion and is not intended as investment advice. Past performance is not a guide to future returns. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested. The value of overseas securities will be influenced by fluctuations in exchange rates. Current yields are not indicative of future yields. If the portfolio invests in sub-investment grade bonds that typically have a low credit rating these carry a high degree of default risk, which can affect the capital value of your investment. If the portfolio has exposure to hedge funds, gold, private equity and property via publicly quoted transferable securities, there are additional risks associated with these sectors.

Source: Newton

Your Fund

Newton Offshore Strategy Fund Global Balanced

Objective

The objective of the Fund is to maximise the total return both of capital and income provided to investors through investment in a diversified portfolio of both global equities and fixed interest securities.

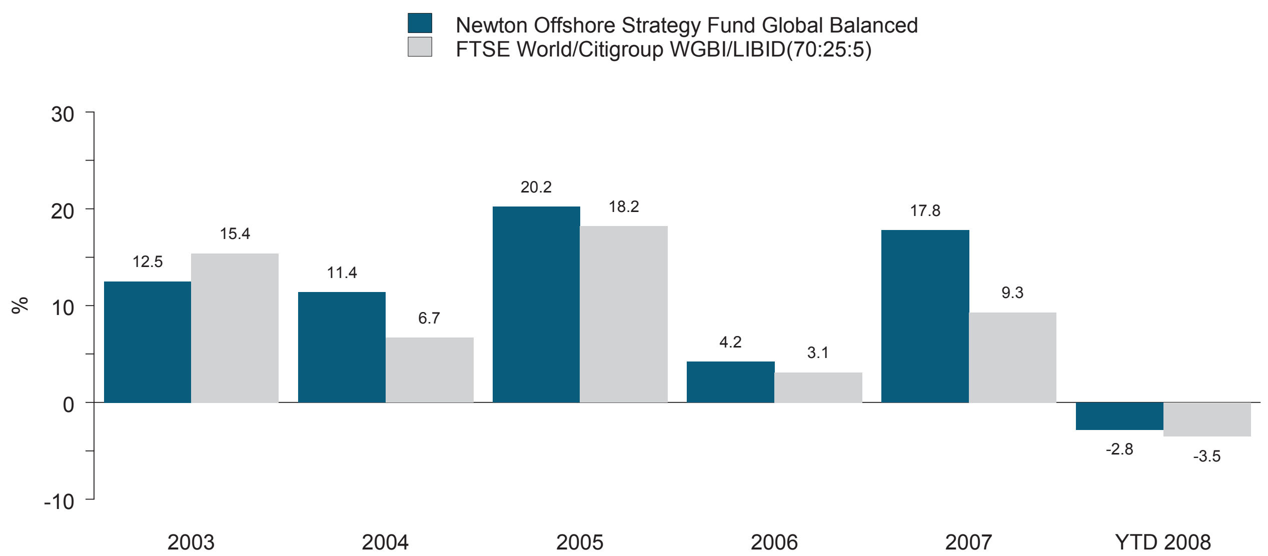
The composite benchmark for NOSF Global Balanced is the FTSE World Index (70%), the Citigroup WGBI Index (25%) and Libid 1 month GBP (5%).

Investment Philosophy

The Newton Offshore Strategy Fund (NOSF) has been designed by the Private Investment Management (PIM) department as an efficient and cost-effective alternative to direct portfolio management through individual stocks and shares. The Fund is invested in line with Newton's global thematic investment process, the same process that PIM uses for directly invested portfolios. Clients of PIM receive the same high level of service whether they invest in NOSF or directly.

All stock selection decisions are made by the manager of the NOSF fund within guidelines agreed by the board in consultation with PIM.

Performance



Please see Risk Factors and Discrete Past Performance on previous page.

	Latest Quarter (%)	Since Launch 26 January 2001 (%)
NOSF Global Balanced (after fees)	-3.0	25.3
NOSF Global Balanced (before fees)	-2.8	36.2
Benchmark Return	-3.5	17.0
FTSE W World	-8.7	4.9
Citigroup WGBI	9.8	33.6
1 Month £ Libid	1.4	39.4

Dividend Yield: 1.9% as at 31 March 2008 | Last Distribution: 0.8268p per unit as at 28 February 2008

Fund Size (millions): GBP 5 as at 31 March 2008 | Currency: GBP

Ex Dates: 31 Dec, 30 Jun | Pay Dates: 28 Feb, 31 Aug

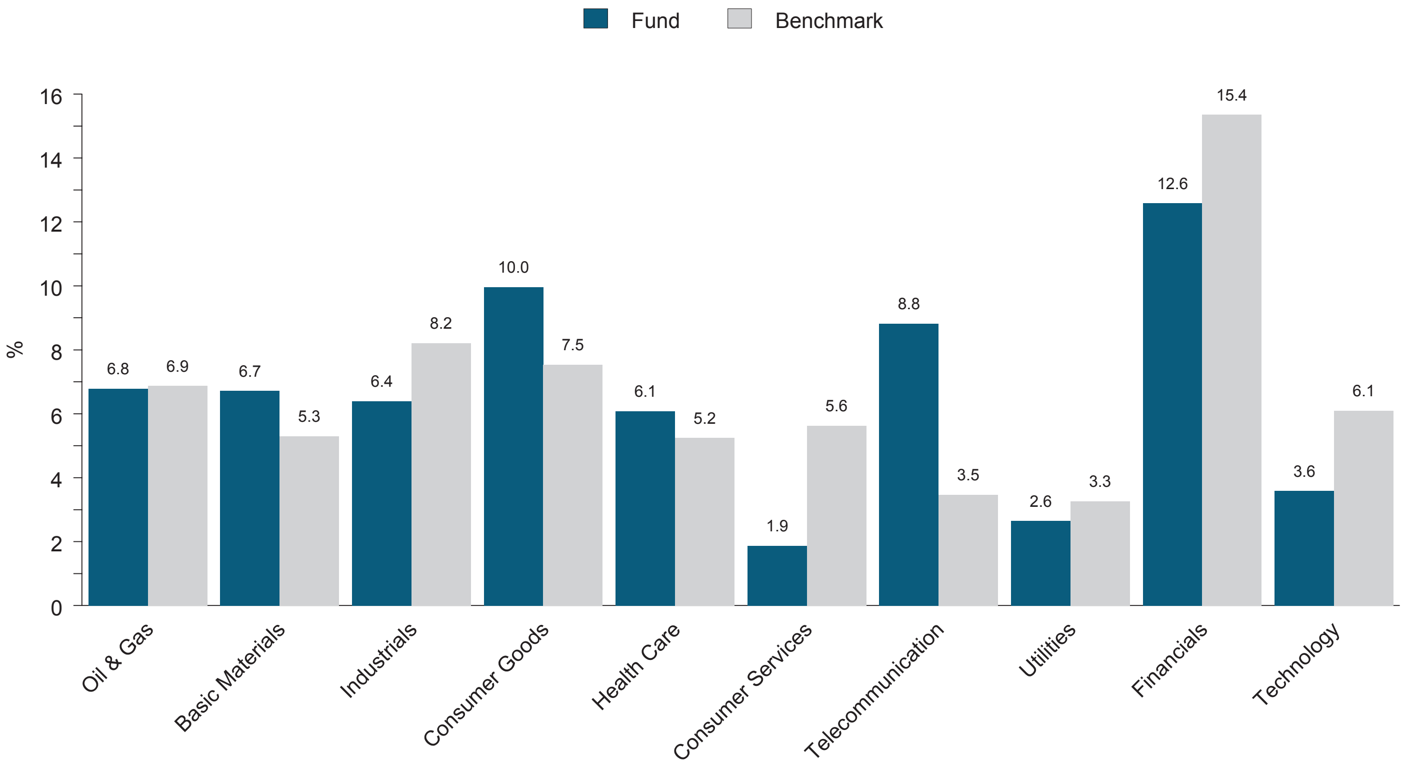
Source: Lipper, as at 31 March 2008, total return, bid to bid, gross income reinvested, without initial charges, unless otherwise stated figures are gross of management fees. Lipper fund returns are based on midday prices, whereas the index is priced at the close of the relevant markets.

Source: Newton

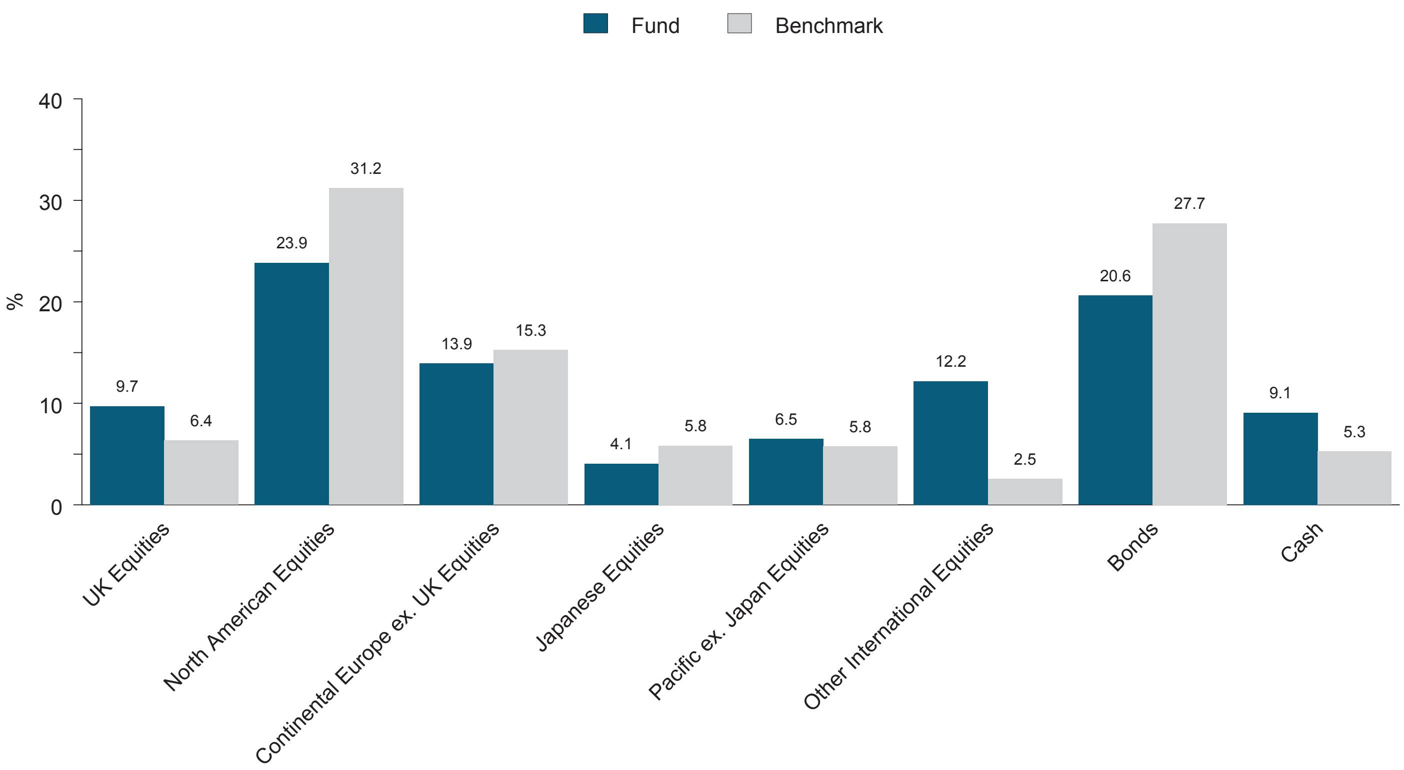
Fund Analysis

Newton Offshore Strategy Fund Global Balanced

Industrial Weightings versus Benchmark



Regional and Asset Class Weightings versus Benchmark



Source: Newton

Fund Analysis

Newton Offshore Strategy Fund Global Balanced

Top 20 Holdings as at 31 March 2008

	%		%
HSBC Finance Corp	8.8	Nestle SA	1.9
Germany (Fed Rep) 6.25% Bds 4/1/2030	3.6	Japan Tobacco Inc	1.9
European Investment Bank 5.375% Bds 15/10/2012	3.2	USA Treasury Notes 3.875% 15/2/2013	1.8
Findlay Park PLC US Smaller Companies (USD)	2.9	Anadarko Petroleum Corp	1.8
Fortum Oyj	2.6	Canadian Pacific Railway Ltd	1.7
Minas Buenaventura SA	2.5	Archer Daniels Midland Co	1.7
Austria (Republic of) 3.8% EMTN 20/10/2013	2.2	DBS Group Holdings Ltd	1.7
Acciona SA	2.0	Vodafone Group PLC	1.7
Standard Chartered PLC	1.9	Reynolds American Inc	1.6
Mosaic Co	1.9	Bangkok Bank PCL	1.6

Major Contributors to Relative Performance During the Quarter

Positive	%	**Negative**	%
Minas Buenaventura SA	0.49	Millicom Intl Cellular	-0.30
Tele Norte Leste Participacoes	0.41	ICAP PLC	-0.27
Bangkok Bank PCL	0.35	Cable & Wireless PLC	-0.26
S&P 500 Index Sep 08 SPX 1400 PBT (Put Option)	0.26	Vodafone Group PLC	-0.25
Mosaic Co	0.21	Japan Tobacco Inc	-0.25

Significant Transactions

Acquisitions	**Disposals**
Petroleo Brasileiro SA	USA Treasury Notes.4.75% 15/08/2017
	Atlantis Japan Growth Fund Ltd
	Old Mutual PLC
	BHP Billiton PLC
	SAP AG

Source: Newton

Investment Themes

The identification of global themes is a key component of our investment philosophy. Individual economies, industries or companies should not be analysed in isolation. Only by understanding events, trends and competitive pressures worldwide can investment prospects be properly evaluated. We have approximately a dozen investment themes, some of which have changed little over the past few years whilst others are fairly recent additions. A number of these themes are illustrated below with examples of individual holdings.

Earth Matters

Environmental issues have moved to centre stage in the minds of the public and policy makers. Current growth trends in the developing world suggest significant additional stress on resources and the environment.

Beneficiaries: Acciona, Mosaic, Fortum, Archer Daniels Midland

Global Realignment

Stronger growth and increasing economic influence of the developing world is challenging the western industrialised nations' domination in terms of wealth, consumption of both natural resources and finished goods and market capitalisation of global stock markets. Some realignment over time is inevitable reflecting the developing world's accumulation of foreign exchange reserves and trade surpluses.

Beneficiaries: Pacific Basin Shipping, MTN Group, Parkway, Findlay Park Latin American Fund, Axa Asia Pacific

Debt and Credit

The transition from high to low inflation and interest rates has triggered a super-cycle of credit growth which has boosted economic activity in the West. It has extended the economic cycle and left households, corporations and administrations increasingly highly indebted. This contrasts with a developing world where households and, increasingly, corporations are significantly less indebted. In sectors such as banking (among others), we favour companies with exposure to the developing world.

Beneficiaries: Standard Chartered, Unicredito Italiano, Old Mutual, DBS Group, Bangkok Bank

Energy Supply

Following decades of underinvestment in oil and gas infrastructure, surplus production and refining capacity is limited. Strong current and forecast demand for energy implies a structurally higher real oil price. This has implications for the oil industry, infrastructure, and alternative energy sources as well as significant macro effects.

Beneficiaries: Neste Oil, Anadarko Petroleum, BP, ConocoPhillips

Source: Newton

Fund Manager's Report

There Will Be Blood was an Oscar-winning production this year. A film carrying the same title, to portray current events in the world's stock markets, with globalisation as an enviably efficient distributor of pain to every region, may meet with some success in future years.

The first quarter of 2008 proved to be one of almost unremitting gloom. The challenges of a capital-constrained financial sector seemed, at first, to have limited implications for the broader global economy. The linkages between commercial and investment banks, between 'monoline' insurers, 'prime brokers', hedge funds, insurance companies, pension funds and other institutional/individual investors had been perceived previously to be benign, by spreading risks and sharing rewards amongst the participants. Indeed, in the 'Becalmed' atmosphere of low inflation and low interest rates, financial institutions had grown accustomed to borrowing 'short' so as to lend 'long'. Comparatively low capital bases were maintained and returns were enhanced by taking on multiples of debt to transact ever higher volumes of business. Refinancing only proved a problem when, as a result of unexpected losses (and of fears of further losses) amongst the lenders, credit became increasingly expensive and scarce. At such a point the 'Fire Risks' inherent in such behaviour became appreciated: apparently attractive assets became cumbersome, unfunded liabilities, particularly when 'marked to market'. The market itself seized up, leading to the disposal of such and other better quality assets at increasingly indiscriminate and distressed prices.

Such forced liquidations continued throughout the quarter, some more voluntary than others, with UBS, Societe Generale, Credit Suisse and the hapless Bear Stearns the most notable participants/victims. Increased intervention by central banks, via interest rate cuts (spearheaded by the Federal Reserve which reduced rates dramatically from 4.25% at the end of 2007 to 2.25%) and via the provision of monetary assistance to a broader range of financial institutions, had only limited impact, however.

Such monetary authority intervention, which improved only marginally the provision of credit within the wider, global economy, raised concerns instead over the sustainability of current levels of consumption, over the relative valuations of currencies (the US dollar in particular) and over the corresponding willingness of the authorities to stifle commodity-price-driven inflation pressures.

Market volatility has risen and confidence undermined by the continuing travails of the financial sector, by concern that the credit squeeze will reduce economic activity to a recessionary level within the United States and perhaps elsewhere in response to diminished demand; and by fears of untameable inflation, on the back of soaring prices for oil, metals, chemicals and agricultural products.

We believe that we should measure such bearishness with care: imagine the condition of markets, had the US authorities not intervened. As if to coincide with the fifth anniversary of the outbreak of the Iraqi conflict, the US government and the Federal Reserve demonstrated their 'shock and awe' tactics to financial markets: dramatic interest rate cuts; provision of emergency finance to a wider group of financial institutions; acceptance of less-than-perfect collateral; mortgage purchases by government-sponsored enterprises; and a $160 billion handout to US households. There is no doubting the authorities' common desire to preserve the health and wealth of the US economy. This will not be enough, alas, to cure all ills, but it is a start. Perhaps a Leviathan combination of Resolution Trust (which rescued US savings & loans institutions in the late 1980s) and Equitas may be necessary to run off currently undesired liabilities.

These remedies will have ramifications for the US dollar. If the approach is unsuccessful, there will be further US dollar weakness; if the authorities are successful, the trade deficit (already in improving mode) and the budget deficit will play second string to a revived economy and US dollar.

Inflation should give way also to disinflation. Reduced demand and the labour force's generally weak bargaining power should lead to spending constraint. In the developing world, inflation should be subdued by currency appreciation and the limited availability of credit; interest rates and reserve requirements have been raised already in Russia, China and India. It will be a more difficult balancing act for the developing world, given the need for subsidies for food and fuel so as to avoid further

Source: Newton

civil unrest, subsidies which tend to stoke demand for scarce resources.

In stock market terms, such stabilisation measures should weaken the demand for bonds and raise the demand for equities. Equities have been in a retreat for longer than market indices suggest: in the year to March, 2008, for instance, the FTSE All-Share Index fell, superficially, by 7.7%. Strip out the multinational element, and the fall becomes 21.8%. Over the same period, in local currency/index terms, the European market is down 16.7%, Japan 29.2% and the United States 6.9%. In contrast, gilt-edged have appreciated by 7.6%, UK index-linked by 13.1% and overseas sovereign bonds by 19.2%. The yield on equities compares well with bond yields in the UK, for instance: the All-Share Index yields 3.7% compared to gilt-edged redemption yields of 4.4% and, on an earnings yield basis (earnings divided by price), equity markets in many places offer more than double the prospective returns obtainable from bonds. Merger and acquisition activity has slowed, but Microsoft sees value in Yahoo, for instance. Share buy-backs continue advantageously at depressed price levels and dividend growth has been pleasantly robust.

Herakles was set twelve tasks by the gods in response to the murder of his children, the fifth of which was to clean the Augean stables, rather as financial institutions are being cleansed currently of their poorer assets/collateral. We are close similarly to the half-way stage in the current purge of markets; in the meantime, investors might choose to make the most of Keats's beaker full of the warm south,/full of the true and blushful Hippocrene.

Source: Newton

Portfolio Valuation

Newton Offshore Strategy Fund Global Balanced

	% WEIGHT
Nosf Global Balanced	100.00
Equities	**69.46**
Oil & Gas	**6.79**
Oil & Gas Producers	**6.79**
Anadarko Petroleum Corp	1.75
BP PLC	1.41
ConocoPhillips	1.48
Neste Oil Oyj	1.20
Petroleo Brasileiro SA	0.94
Basic Materials	**6.72**
Chemicals	**3.32**
Air Liquide SA	1.42
Mosaic Co	1.90
Industrial Metals	**0.87**
Companhia Vale do Rio Doce	0.87
Mining	**2.54**
Minas Buenaventura SA	2.54
Industrials	**6.39**
Construction & Materials	**1.99**
Acciona SA	1.99
Aerospace & Defence	**1.53**
Northrop Grumman Corp	1.53
Industrial Transportation	**2.87**
Canadian Pacific Railway Ltd	1.73
Pacific Basin Shipping Ltd	1.14
Consumer Goods	**9.96**
Food Producers	**3.57**
Archer Daniels Midland Co	1.71
Nestle SA	1.86
Household Goods	**1.29**
Henkel KGaA	1.29
Personal Goods	**1.61**
Gildan Activewear Inc	1.61

Source: Newton

Portfolio Valuation

Newton Offshore Strategy Fund Global Balanced

	% WEIGHT
Tobacco	**3.50**
Japan Tobacco Inc	1.86
Reynolds American Inc	1.64
Health Care	**6.08**
Health Care Equipment & Services	**2.00**
Fresenius Medical Care AG	0.70
Parkway Holdings Ltd	1.30
Pharmaceuticals & Biotechnology	**4.08**
Finsbury Worldwide Pharma Tst	1.45
Johnson & Johnson	1.50
Sawai Pharmaceutical Co Ltd	1.13
Consumer Services	**1.87**
General Retailers	**1.87**
eBay Inc	0.91
Inchcape PLC	0.96
Telecommunication	**8.82**
Fixed Line Telecommunications	**4.18**
Cable & Wireless PLC	1.37
Tele Norte Leste Participacoes	1.47
Telefonica SA	1.33
Mobile Telecommunications	**4.64**
Millicom Intl Cellular	1.58
MTN Group Ltd	1.40
Vodafone Group PLC	1.67
Utilities	**2.65**
Electricity	**2.65**
Fortum Oyj	2.65
Financials	**12.59**
Banks	**5.23**
Bangkok Bank PCL	1.63
DBS Group Holdings Ltd	1.69
Standard Chartered PLC	1.90
Nonlife Insurance	**1.36**
Jardine Lloyd Thompson Group	1.36

Source: Newton

Portfolio Valuation

Newton Offshore Strategy Fund Global Balanced

	% WEIGHT
Life Insurance	**1.96**
AXA Asia Pacific Holdings Ltd	0.93
Principal Financial Group	1.03
Real Estate	**0.73**
IRSA Inversiones Y Representca	0.73
General Financial	**3.31**
Deutsche Boerse AG	1.51
ICAP PLC	1.05
Keefe Bruyette & Woods Inc	0.76
Technology	**3.59**
Technology Hardware & Equipment	**3.59**
Canon Inc	1.09
Cisco Systems Inc	1.05
Samsung Electronics Co Ltd	1.45
Unitised / Structured Investments (Equities)	**4.00**
North America	**2.86**
Findlay Park PLC US Smaller Companies (USD)	2.86
Other / Non Region Specific	**1.15**
Findlay Park Funds PLC Latin American USD Fund (Inc)	1.15
Bonds	**20.63**
Government Bonds	**7.68**
Overseas Bonds	**7.68**
Austria (Republic of) 3.8% EMTN 20/10/2013 EUR 144A	2.25
Germany (Fed Rep) 6.25% Bds 4/1/2030 EUR0.01	3.63
USA Treasury Notes 3.875% 15/2/2013 USD1000	1.80
Corporate Bonds	**12.02**
Overseas Corporate Bonds	**12.02**
European Investment Bank 5.375% Bds 15/10/2012	3.18
HSBC Finance Corp FRN 16/02/2011 JPY '2BR'	8.84
Unitised / Structured Investments (Bonds)	**0.94**
UK Bond Funds	**0.94**
New City High Yield Fund Ltd Ord NPV	0.94

Source: Newton

Portfolio Valuation

Newton Offshore Strategy Fund Global Balanced

	% WEIGHT
Cash	**9.08**
Derivative Instruments	**0.82**
Options	**0.82**
S&P 500 Index Sep 08 SPX 1400 PBT (Put Option)	0.82

Source: Newton

Risk Factors

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Source: Newton

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