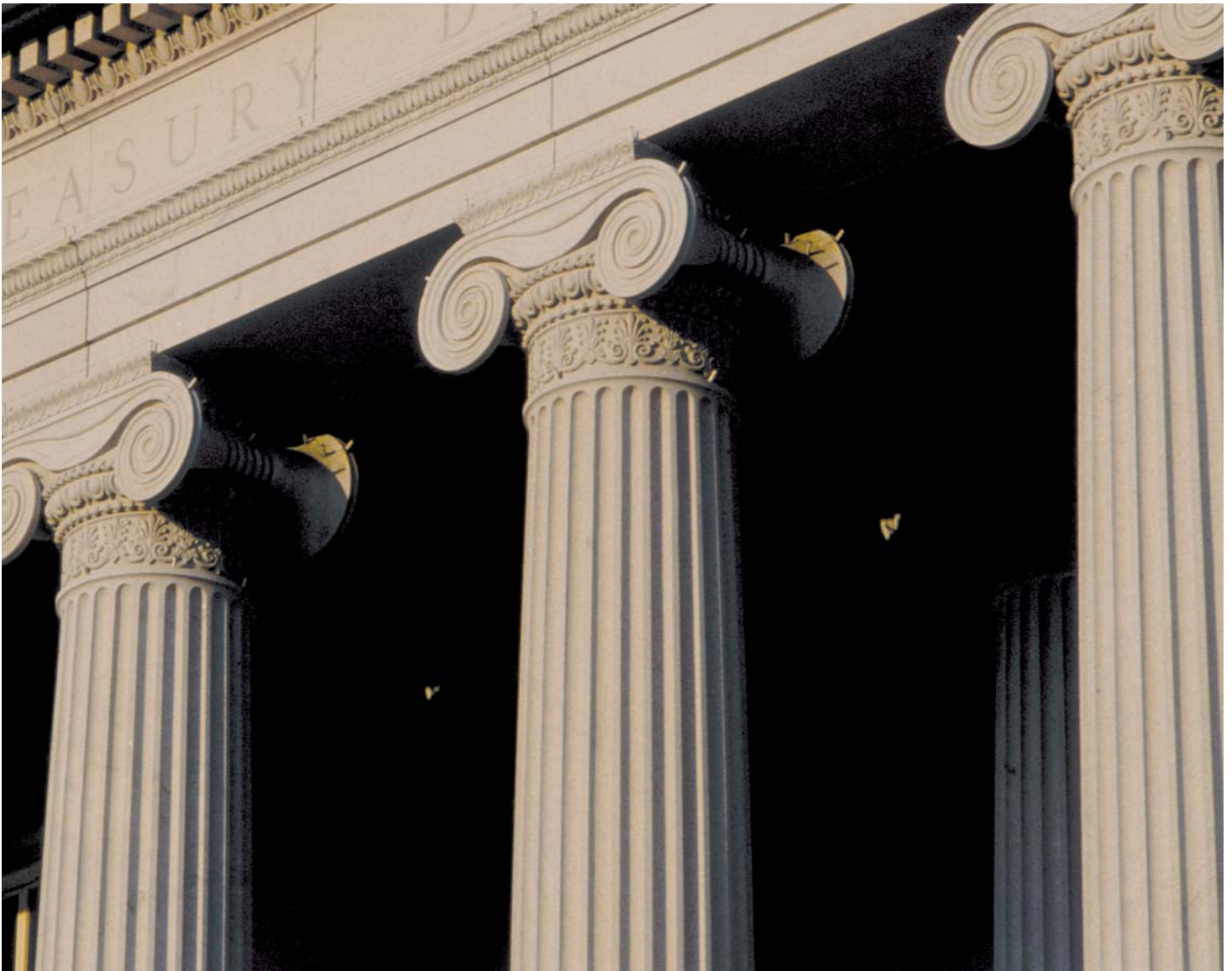


Newton Phoenix Fund

Investment Report - Fourth Quarter 2009

▶ A BNY MELLON ASSET MANAGEMENT COMPANYSM

NEWTON
The Power of Ideas



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Fund information

Long-term track record

The Newton Phoenix Fund has returned 55.4% since relaunch (11 April 2003), which is equivalent to 6.8% per annum. This is an outperformance of 0.4% per annum compared to the fund's benchmark. For more detail on the fund's long-term performance, please refer to page 4.

Aim

To achieve long-term growth in excess of cash returns from a balanced portfolio diversified across a range of assets. The Fund is intended to have significantly lower absolute volatility than traditional equity biased funds, but will exhibit volatility relative to its benchmark.

Expected characteristics

Return: Above cash over the long term; variable in the short term.

Volatility of return: Medium. Investors can expect to experience fluctuations in the value of their holding, though to a lesser degree than is the case for equity markets.

Income: Low, but the dividend is likely to grow over the long term.

Performance references

1 month £ Libor +2% p.a. (benchmark).

Risk profile

Suitable for investors with a medium risk profile.

Fund facts

| | | | |
|---------------------------|--------|--------------------|------------------|
| Fund size (millions): | GBP 41 | Ex dividend dates: | 01 Feb, 01 Aug |
| Annual management charge: | 0.8% | Pay dates: | 20 Mar, 21 Sep |
| Total expense ratio: | 0.87% | Last distribution: | 1.4898p per unit |
| Base currency: | GBP | ISIN | GB00B0Z86D35 |
| Dividend yield: | 2.4% | Sedol | B0Z86D3 |

Focus on the latest quarter

Performance over three months

| | | | | | |
|----------------------------|-------------|--------------------------|------|----------------------|------|
| Newton Phoenix Fund | 3.5% | | | | |
| 1 month £ Libor +2% p.a. | 0.6% | ARC Balanced Asset (est) | 1.8% | IMA Cautious Managed | 1.8% |
| FTSE W World | 3.5% | ML £ Non-Gilt Index £ | 0.4% | FTSE All Share | 5.5% |

Source: Lipper, WM, ARC & Datastream, as at 31 December 2009. Calculation basis: Sterling, total return, bid to bid, without initial charges, net income reinvested, net of management fees.

Significant transactions

| Acquisitions |
|---|
| Phoenix Natural Gas Finance 5.5% 10/7/17 |
| FTSE 100 Index Jun10 5200 (Put Option) |
| National Australia Bank Ltd 5.125% 09/12/21 |
| Rossi Residencial S/A |
| GE Capital UK Funding 5.875% Bds 4/11/20 |

| Disposals |
|--|
| Svenska Handelsbanken 4% FRN 20/04/11 |
| Metlife Global Funding I 5.25% 9/01/14 |
| Santander Issuances SA 5.375% 25/07/17 |
| BAE Systems PLC |
| Treasury 1.25% Index-Linked 22/11/17 |

Note: Portfolio holdings are subject to change at any time without notice and should not be construed as investment recommendations.

Fund manager report

The fund rose 3.5% in the final quarter (in line with the FTSE World index but with much lower volatility). For the full year the fund rose 20.5% (its best year yet) and proved particularly successful at limiting volatility. At the trough in March equity markets had fallen approximately 20% whereas the fund was down less than 3%.

Despite bad news from Greece (credit downgrade) and Dubai (requested a debt standstill on certain bonds), economic and company news was broadly positive. Corporate earnings exceeded low expectations and the US, European and Asian economies grew in aggregate in the third quarter. In contrast, the UK reported economic contraction for a record sixth quarter. The focus on the 'exit strategies' of major central banks increased: the US reiterated exceptionally low interest rates for an extended period whilst Europe described a progressive, timely, gradual phasing out. Sterling

strengthened in the fourth quarter and in 2009 overall.

UK government bonds (gilts) fell as investors worried about the exit plan from quantitative easing, total government debt and the possibility of a downgrade by credit rating agencies. As mentioned last quarter, we had reduced gilts, particularly at the longer end (longer dated gilts performed the worst). We maintain some gilt exposure to offset the volatility inherent in the fund's risk assets. At the end of the quarter, we introduced a call option on the US government long bond. The bond is towards the bottom of its recent price range and is likely to perform well if risk assets retreat from recent highs (which will affect adversely other parts of the fund).

Investment grade corporate bonds were flat, with lower quality bonds rising a little. After a very

strong year, we have been selling such bonds to fund purchases elsewhere, reducing exposure by 3% over the quarter. At the start of 2009 we had 25% of the fund invested in high quality corporate bonds; they now represent only 10%. Similar to gilts, we have focussed the fund on shorter dated bonds of late.

Sub investment grade bonds enjoyed another strong quarter, continuing their rehabilitation after a terrible 2008. In contrast to our actions elsewhere in bond markets, we have continued to build the fund's exposure here, purchasing both individual holdings and the Newton Global High Yield Bond fund (a 1% weighting with no double charging of fees). To date, this has been a rewarding experience, but these bonds carry both illiquidity risk and higher volatility leading us to be wary of increasing much further.

Index linked bonds performed poorly in December giving up the gains of October and November as near term inflation statistics proved benign. We had taken some profits on our holdings in November despite our longer term worries about inflation.

Convertibles remain a small weighting but profitable thus far. We continue to search for attractive opportunities in this asset.

Equities are the largest asset, being more than 40% of the fund and they were strong throughout the quarter. Turnover has remained high, reflecting marked volatility. We remain invested primarily in defensive, higher yielding shares with a lower exposure to 'growth' oriented shares, often in emerging markets. The fund also holds FTSE put options which will rise if equity markets fall.

Commodities were strong, particularly industrial metals and oil. The fund prefers to invest in oil and mining equities to benefit from economic growth and is focussed on agricultural commodities and gold (India bought 200 tonnes of gold in November).

Property shares were strong reflecting a rebound in UK commercial property. The fund has shifted some of its focus to the Far East but property remains less than 3% of the fund's value.

Hedge funds rose due to strong underlying performance and narrowing investment trust discounts. We trimmed our exposure here, partly through sales but primarily as a result of managers returning money to shareholders in order to narrow their discounts. Those hedge funds that survived 2008 have done well but those that refused to allow investors to redeem continue to face tough questions.

Private equity shares were weak and we continue to have less than 1% in this asset.

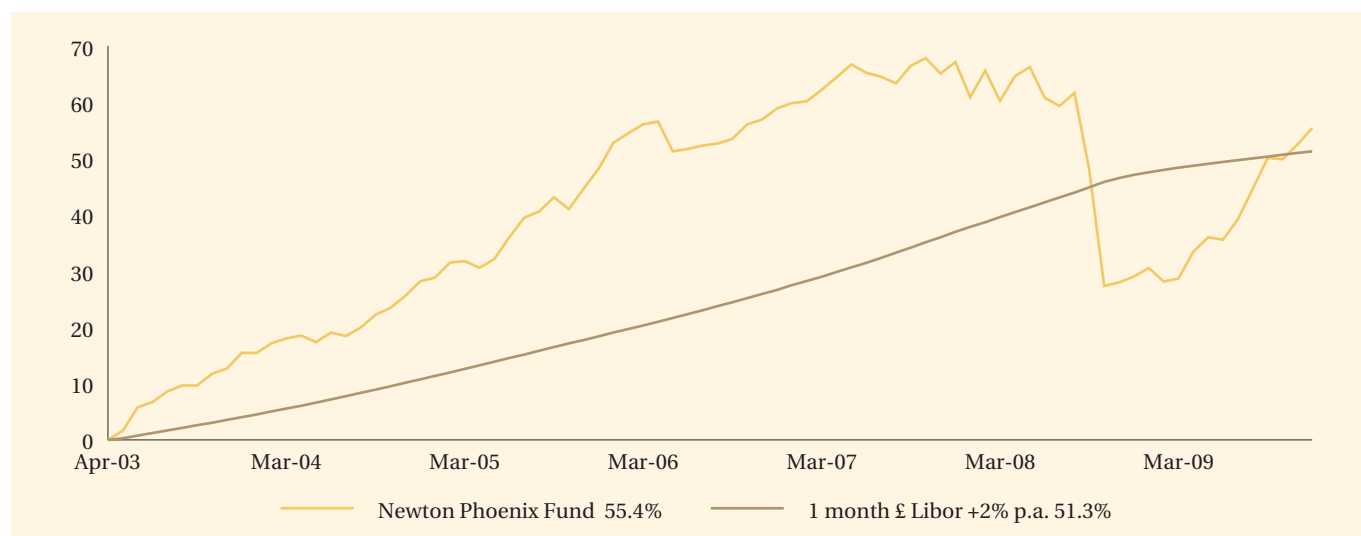
The Phoenix Fund has done its job well this year. It maintains a significant weighting in risk assets (primarily equities and corporate bonds) but balances this with more risk averse assets such as options (on equities, bonds and the US dollar), gilts and gold in its quest for returns above cash with volatility that is considerably lower than equities.

Fund management team:

Philip Collins and Charles Insley

Long-term performance

Performance since launch



| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------------------|------|------|------|------|------|------|------|------|-------|------|
| Newton Phoenix Fund | - | - | - | - | 11.0 | 15.6 | 7.2 | 5.2 | -22.8 | 20.5 |
| 1 month £ Libor +2% p.a. | - | - | - | - | 6.5 | 6.9 | 7.0 | 8.1 | 7.4 | 2.8 |

Discrete past performance - percentage change

| From | 31/12/04 | 31/12/05 | 31/12/06 | 31/12/07 | 31/12/08 |
|---------------------|----------|----------|----------|----------|----------|
| To | 31/12/05 | 31/12/06 | 31/12/07 | 31/12/08 | 31/12/09 |
| Newton Phoenix Fund | 15.6% | 7.2% | 5.2% | -22.8% | 20.5% |

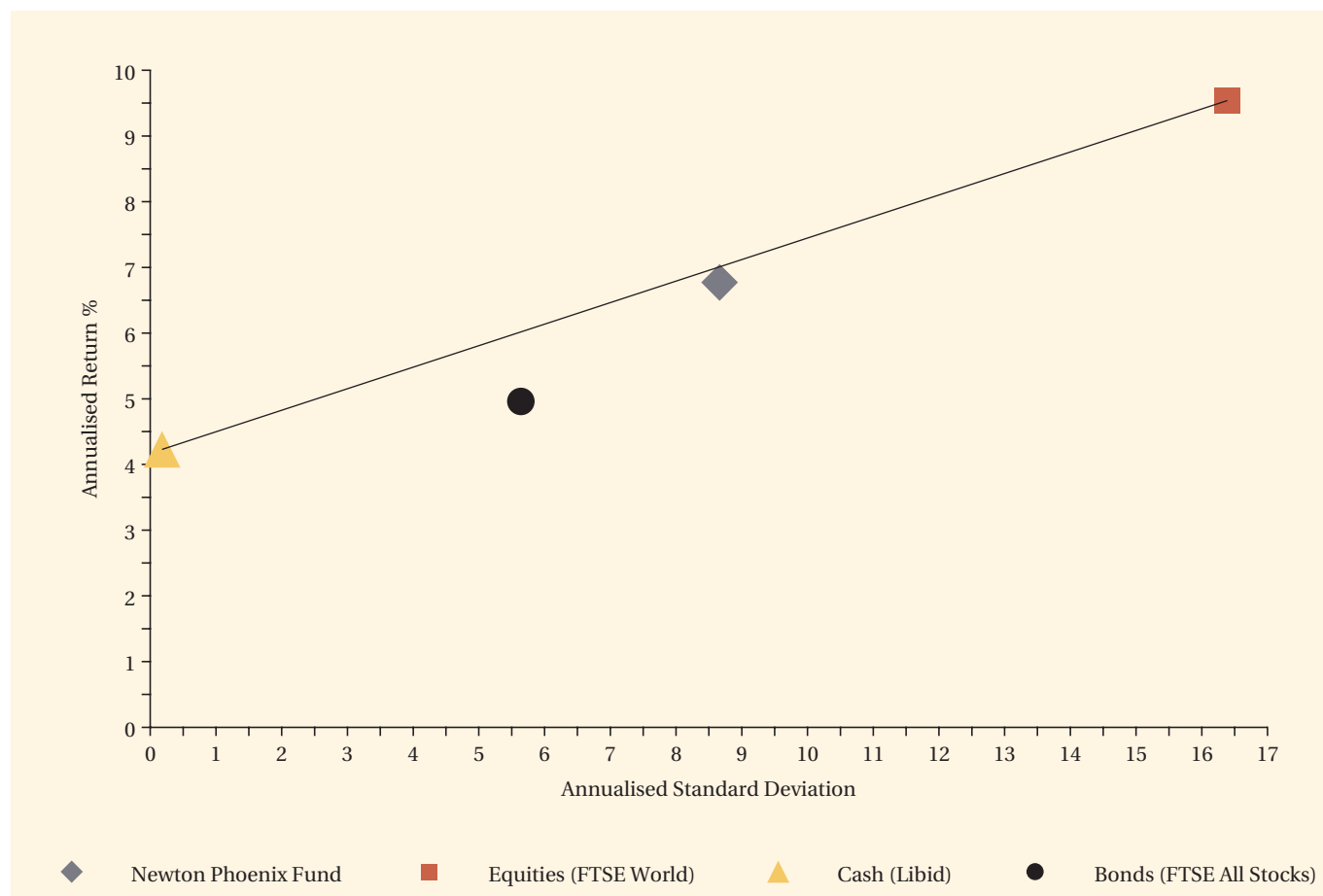
Source: Lipper, WM & Datastream, as at 31 December 2009. Calculation basis: Sterling, total return, bid to bid, without initial charges, net income reinvested, net of management fees.

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. 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.

Long-term performance - risk and reward

Fund return and volatility since launch



This chart shows both return and volatility. The Newton Phoenix Fund has provided an annualised return of 6.8% since relaunch with lower volatility compared to equities. The relaunch date of the fund was 11 April 2003.

Risk and return since launch

| | Annualised Return | Volatility | Sharpe ratio |
|--------------------------|-------------------|------------|--------------|
| Newton Phoenix Fund | 6.8% | 8.7% | 0.3% |
| 1 month £ Libor +2% p.a. | 6.4% | | |

Source: Lipper, WM & Datastream, as at 31 December 2009. Calculation basis: Sterling, total return, bid to bid, without initial charges, net income reinvested, net of management fees.

Newton's investment process

Newton is a global thematic stock picking company. Our style is inclusive and relies on effective communication between all of our investment personnel.

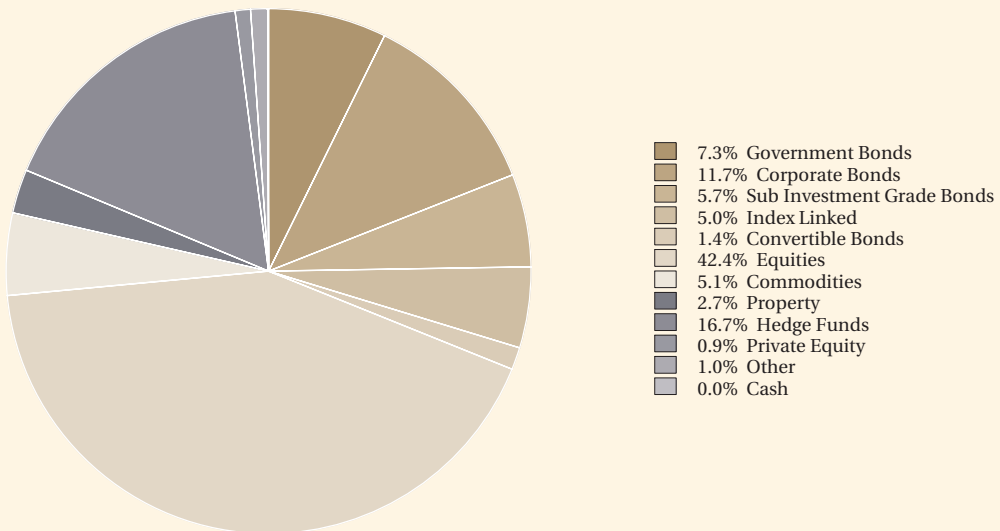
| | |
|-----------------|--|
| Strategy groups | Representatives from the strategy team, fund managers and research analysts identify global themes and formulate our economic view. |
| Research team | Global sector analysts, supported by fund managers, identify investment opportunities within the thematic backdrop. |
| Fund management | Fund managers debate with analysts the appropriate valuations for purchases and sales, then construct portfolios to match up Newton's investment thinking with client objectives and risk profile. |

Several of these themes are listed below, along with examples of individual holdings.

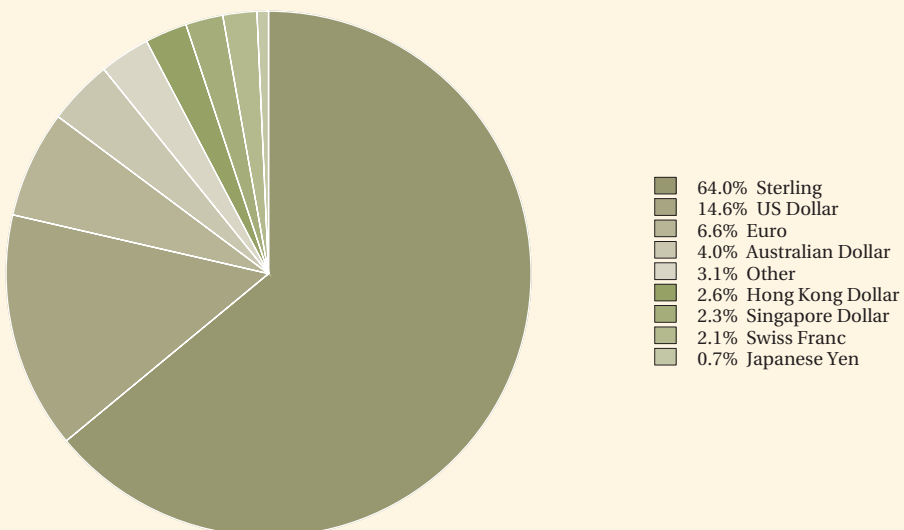
| Theme | Factors | Investments |
|----------------------|---|--|
| All Change | The previously benign period of stable growth, low inflation, and easy credit, which allowed private sector debt and financial leverage to grow to unsustainable levels (as described in a previous theme, "Becalmed") has come to an end. When assessing investments we assume that access to credit will remain difficult, which favours companies with limited financing requirements and argues against exposure to highly-indebted customers. | BP, GlaxoSmithKline, Roche, Vodafone |
| Developing Economies | The influence of the developing world on the global economy continues to grow, and developing economies ultimately are on a convergence course, in terms of demographics and consumption trends, with the industrialised world. This long-term secular trend will depend on the development of Western-style health and social security systems and will involve significant cyclical influences as well as frictions regarding trade policies. | Petrobras, Harbin Power, Anhanguera, Hypermarcas |
| Energy Supply | Following decades of underinvestment in oil and gas infrastructure, surplus production and refining capacity is limited. Despite weak demand currently, forecast supply of energy implies a structurally higher real oil price. | BP, BG, Petrobras, Total |
| More Government | The financial crisis and the recession that has followed in its wake have sharply reversed the trend of reducing the role of the state in the economy, especially in the developed world. With bigger government comes more regulation, higher taxes and the prospect, ultimately, of slower growth and higher economic volatility; local interests will take priority over global. The magnitude of the recent stimulatory policies may have sown the seeds for future inflationary pressures and the unpredictable nature of state intervention increases the risks in all asset classes. | ETFS Physical Gold, Index-Linked Bonds, Avoid state-controlled banks e.g. RBS, Lloyds |

Fund analysis

Asset class weightings



Currency exposure



Source for all charts: Newton, as at 31 December 2009.

Portfolio valuation

| | Holding (%) |
|---|--------------|
| Government Bonds | 7.29 |
| Treasury 8% Stk 27/09/2013 | 1.40 |
| Treasury 5% Stk 7/03/2025 | 1.49 |
| Treasury 4.75% Stk 7/03/2020 | 1.90 |
| Treasury 5.25% Stk 7/06/2012 | 1.37 |
| Treasury 2.25% Stk 07/03/2014 | 0.95 |
| US Long Bond Future Mar10 116 (Call Option) | 0.18 |
| Corporate Bonds | 11.73 |
| Anglo American Capital PLC 6.875% Bds 1/5/2018 GBP | 0.54 |
| Campofrio Food SA 8.25% Bds 31/10/2016 EUR Reg'S | 0.55 |
| CEDC Fin Corp Intl Inc 8.875% Bds 01/12/2016 EUR RegS | 0.35 |
| Cemex Finance Europe BV 9.675% Bds 14/12/2017 EUR RegS | 0.49 |
| Commonwealth Bank of Australia 4.875% Bds 19/12/2023 GBP | 0.81 |
| CRC Breeze Finance SA 5.29% Bds 8/05/2026 EUR50000 | 0.36 |
| Dubai Hldg Commercial Ops 6% EMTN 1/02/2017 GBP50000 | 0.60 |
| Firstgroup PLC 8.125% Bds 19/9/2018 GBP (Var) | 0.78 |
| GE Capital UK Funding 5.875% Bds 4/11/2020 GBP2000 | 0.67 |
| Glencore Finance Europe 6.5% EMTN 27/2/2019 GBP50000 | 0.73 |
| HeidelbergCement AG 8.5% Bds 31/10/2019 EUR1000 | 0.58 |
| Imperial Tobacco Finance PLC 7.75% Bds 24/06/2019 GBP | 0.86 |
| John Lewis PLC 8.375% Bds 08/04/2019 GBP | 0.32 |
| National Australia Bank Ltd 5.125% Bds 09/12/2021 GBP | 0.48 |
| Pacific Life Funding LLC 5.125% Bds 20/01/2015 GBP1000 | 0.88 |
| Phoenix Natural Gas Finance 5.5% Bds 10/7/2017 GBP | 0.90 |
| Standard Chartered Bank 8.103% Stp Perp 29/5/2049 GBP | 0.60 |
| Tesco Property Finance 1 PLC 7.6227% Bds 13/07/2039 GBP | 0.38 |
| Unique Pub Finance Co PLC 5.659% Bds 30/06/2027GBP 'A4' | 0.84 |
| Sub Investment Grade Bonds | 5.72 |
| Abengoa SA 9.625% Nts 25/2/2015 EUR50000 | 0.47 |
| Barclays Bank PLC 0% FTSE AutoCall 27/06/2013 | 0.49 |
| BNY MFM Ltd Newton Gbl High Yld 'X' (Acc) | 1.03 |
| Central Euro Media Enterprises 11.625% Bds 15/9/2016 EUR RegS | 0.53 |
| Smurfit Kappa Acquisition 7.25% Bds 15/11/2017 EUR Reg'S | 0.34 |
| Stena AB 6.125% Bds 1/02/2017 EUR RegS | 0.50 |
| Tullett Prebon Group Holdings 7.04% Bds 06/07/2016 GBP1000 | 0.66 |
| UPC Germany GmbH 8.125% Bds 1/12/2017 EUR Reg'S | 0.42 |
| Virgin Media Finance PLC 9.75% Nts 15/04/2014 GBP1000 | 0.17 |
| Virgin Media Finance PLC 8.875% Bds 15/10/2019 GBP | 0.50 |

Portfolio valuation

| | |
|---|--------------|
| Wind Acquisition Finance SA 11.75% Bds 15/07/2017 EUR RegS | 0.62 |
| Index Linked | 4.98 |
| Anglian Water Services Finance 4.125% I/L Nts 28/7/2020 GBP | 0.98 |
| National Grid Gas PLC 4.1875% Index-Linked 14/12/22 | 1.00 |
| Tesco PLC 4% Idx Lkd Nts 8/09/2016 GBP | 0.98 |
| Treasury 1.25% Index-Linked 22/11/2017 | 0.97 |
| USA Treasury Notes 1.875% TII 15/07/2013 USD100 | 1.05 |
| Convertible Bonds | 1.38 |
| Cable & Wireless PLC 5.75% Cnv Bds 24/11/2014 GBP | 0.53 |
| Interpublic Group of Companies 4.25% Cnv Bds 15/3/2023 USD | 0.28 |
| RWC Partners Ltd Global Convertibles Fd 'B' GBP | 0.57 |
| Equities | 42.41 |
| Acciona SA | 0.30 |
| Agilent Technologies Inc | 0.35 |
| Air Liquide SA | 0.35 |
| Altria Group Inc | 0.55 |
| Amlin PLC | 0.29 |
| AMP Ltd | 0.34 |
| Anhanguera Educacional Part SA | 0.40 |
| Ariba Inc | 0.31 |
| Banco Santander Brasil SA | 0.33 |
| Banco Santander Chile SA | 0.55 |
| Bank of America Corp | 0.19 |
| Bank of America Corp Common Equivalent Security | 0.54 |
| Bayer AG | 0.66 |
| Belle Intl Holdings Ltd | 0.30 |
| BG Group PLC | 0.92 |
| BHP Billiton PLC | 0.42 |
| Bilfinger Berger AG | 0.52 |
| Biotech Growth Trust PLC | 0.11 |
| BNP Paribas SA | 0.32 |
| BP PLC | 0.83 |
| British American Tobacco PLC | 0.51 |
| Bunzl PLC | 0.32 |
| Cable & Wireless PLC | 0.79 |
| Capcom Co Ltd | 0.21 |
| Capita Financial Managers Morant Wright Japan B (Acc)GBP | 0.48 |
| Centrica PLC | 0.70 |
| China Railway Construction Co | 0.17 |

Portfolio valuation

| | |
|--|------|
| Cisco Systems Inc | 0.70 |
| Cobham PLC | 0.41 |
| Corinthian Colleges Inc | 0.49 |
| DBS Group Holdings Ltd | 0.85 |
| Deutsche Post AG | 0.50 |
| Deutsche Telekom AG | 0.79 |
| Elders (Merrill Lynch Intl) Japan Capital Protected II 13C | 0.53 |
| Elders (Merrill Lynch Intl) Japan Cap Protected III 17B | 0.43 |
| Elders (Merrill Lynch Intl) 9% High Yield Shs Cls 24A | 0.52 |
| Elders (Merrill Lynch Intl) Floating Rate Income Shs 24C | 0.38 |
| ESCO Technologies Inc | 0.38 |
| Flir Systems Inc | 0.34 |
| Fresenius Medical Care AG | 0.72 |
| FTSE 100 Index Jun10 5200 (Put Option) | 0.84 |
| Genzyme Corp | 0.26 |
| GlaxoSmithKline PLC | 0.96 |
| Greenhill & Co Inc | 0.73 |
| Harbin Power Equipment Co | 0.35 |
| HSBC Holdings PLC | 0.29 |
| HSBC Infrastructure Co Ltd | 0.96 |
| HSBC Infrastructure Co Ltd C Sh £0.0001 Open Off 16/12/09 | 0.05 |
| HTC Corporation | 0.17 |
| Hypermarcas SA | 0.36 |
| ICAP PLC | 0.59 |
| Indra Sistemas SA | 0.28 |
| Jardine Lloyd Thompson Group | 0.43 |
| Keefe Bruyette & Woods Inc | 0.14 |
| L3 Communications Inc | 0.33 |
| Lamprell PLC | 0.33 |
| Lazard Limited | 0.29 |
| LG Telecom Ltd | 0.29 |
| Lilly (Eli) & Co | 0.37 |
| Medtronic Inc | 0.56 |
| Millicom Intl Cellular | 0.47 |
| MTN Group Ltd | 0.32 |
| Multiplan Empreendimentos Imob | 0.19 |
| Natura Cosméticos SA | 0.45 |
| Nestle SA | 0.41 |
| Newcrest Mining Ltd | 0.82 |
| Nissan Motor Co Ltd | 0.21 |

Portfolio valuation

| | |
|--|-------------|
| Noble Group Ltd | 0.74 |
| Nomura Holdings Inc | 0.32 |
| Novartis AG | 0.90 |
| Oil Search Ltd | 0.10 |
| Opera Software ASA | 0.21 |
| Petroleo Brasileiro SA | 0.44 |
| QBE Insurance Group Ltd | 0.47 |
| Reynolds American Inc | 0.34 |
| Roche Hldgs AG | 0.85 |
| Rossi Residencial SA | 0.63 |
| Sands China Ltd | 0.29 |
| Scottish & Southern Energy PLC | 0.60 |
| Shenguan Holdings Group Ltd | 0.53 |
| Smith & Nephew PLC | 0.32 |
| Smucker (JM) Co | 0.37 |
| Sprint Nextel Corp | 0.63 |
| STR Holdings Inc | 0.37 |
| Taiwan Semiconductor Manufact | 0.35 |
| Tele Norte Leste Participacoes | 0.70 |
| Tesco PLC | 0.92 |
| Total SA | 0.83 |
| Union Pacific Corp | 0.23 |
| Vodafone Group PLC | 0.70 |
| Wal-Mart Stores Inc | 0.32 |
| Commodities | 5.05 |
| Barclays Bank PLC 0% Protect Agric 2 20/10/2014 | 1.27 |
| Ceres Agriculture Fund Limited NPV | 0.31 |
| ETFS Physical Gold 0% Secured Note (AUD) | 2.36 |
| ETFS Physical Platinum 0% Secured Note (USD) | 0.54 |
| Harewood Structured Invest PCC BNP Paribas Agrinvest Prf Shs | 0.57 |
| Property | 2.71 |
| Franshion Properties China Ltd | 0.22 |
| Hongkong Land Holdings Ltd | 0.51 |
| Link Real Estate Inv Trust | 0.17 |
| Mapletree Logistics Trust NPV (Assd Capital Repayment) | 0.00 |
| Mapletree Logistics Trust | 0.75 |
| New World Development Ltd | 0.14 |
| Powerlong Real Estate Holdings | 0.40 |
| UK Commercial Property Tst Ltd | 0.51 |

Portfolio valuation

| | |
|--|--------------|
| Hedge Funds | 16.69 |
| Absolute Return Trust Ltd | 1.04 |
| Alternative Inv Strategies Ltd | 1.06 |
| BH Global Limited | 2.00 |
| BH Macro Ltd Sterling | 0.97 |
| BH Macro Ltd USD | 0.49 |
| Bluecrest Allblue Fund Ltd | 1.80 |
| Dexion Trading Ltd | 2.03 |
| F&C Event Driven Limited | 0.07 |
| FRM Credit Alpha Ltd | 1.80 |
| Goldman Sachs Dynamic Opps Ltd | 0.89 |
| Goldman Sachs Dynamic Opps Ltd GBP Shs NPV (Assnt to Cash) | 0.13 |
| Merrill Lynch Invest Solutions MW Tops UCITS GBP 'B' (Inc) | 1.42 |
| MW Tops Ltd | 0.98 |
| Signet Gbl Fxd Inc Strategies | 1.06 |
| Tapestry Investment Co PCC Ltd | 0.94 |
| Private Equity | 0.95 |
| Ashmore Gbl Opportunities Ltd | 0.56 |
| JP Morgan Private Equity Ltd | 0.06 |
| Pantheon Intl Participations | 0.09 |
| Pantheon Intl Participations Red Shs GBP0.01 | 0.24 |
| Other | 1.05 |
| Alternative Asset Opps PCC Ltd US Traded Life Interests Fund | 0.14 |
| Euro FX Currency Future Mar10 1.40 (Put Option) | 0.08 |
| Goldman Sachs Strategic Inv Dividend-Linked Equity Inc | 0.55 |
| Ruffer Investment Co Ltd Red Ptg Pref Shs GBP0.0001 | 0.28 |
| Cash | 0.05 |

Glossary

ARC Private Client Indicators

ARC Private Client Indicators are unique in that they are based on actual (as opposed to model) client portfolio returns provided by various investment management companies. These portfolio returns are allocated to one of four categories ("Cautious", "Balanced Asset", "Steady Growth" and "Equity Risk", in order of increasing volatility) based on the volatility of the returns relative to world equities, and an average return is calculated for each category. This is a departure from the traditional approach of comparing the performance of portfolios with similar asset allocations. It assumes that investment managers may use whatever asset allocation they deem appropriate to achieve the desired levels of return and volatility.

Bonds

Tradable debt issued by governments, quasi government bodies or companies. Interest is usually fixed until maturity and paid either annually or semi-annually. The bond (debt) is repaid by the issuer at maturity.

Derivatives

Instruments of a fixed maturity, the price of which is dependent upon the price of an underlying asset or variable: most commonly an interest rate, an index, a currency, an equity, a bond or a commodity. Depending on the type of instrument used, derivatives can provide the opportunity to benefit from a fall in the price of the underlying asset or from a rise. Different derivative strategies can therefore be used to hedge exposure to the underlying and to gain exposure to the underlying. Derivatives include futures, forwards, options and swaps.

Dividend yield

The annual income (dividend) received from an equity or an investment fund divided by the price of the equity or the fund, expressed as a percentage. Dividends are typically paid semi-annually.

Equity

Also known as a company share. A security that gives the holder fractional ownership of a company. Equities usually confer the right to vote at shareholder meetings and to receive a dividend if one is paid.

Hedge funds

Unregulated funds with wide investment powers, which typically include the ability to hold short positions (ie, selling an asset the fund does not own in order to profit from a fall in the asset's value), and to use leverage (ie, borrowing to invest, which magnifies profits and losses). There are an enormous number of possible investment strategies. For our clients Newton gains exposure to these funds mainly by investing in listed investment trusts and companies that invest in hedge funds.

IMA sector averages

The Investment Management Association (IMA) classifies pooled funds with similar objectives into broad sectors (eg, Global Growth, Active Managed, UK All Companies). The average performance of all the funds within a sector is calculated over various time periods to provide investors with a performance comparator.

Index-linked bonds

Bonds with interest and capital repayment linked to inflation.

Performance reference

In the context of investment funds, a measure or measures against which the performance of a fund or portfolio can be compared. These tend to be either an index, a combination of indices, or a peer group of comparable funds.

Glossary

Property

In this context we are referring to investment in commercial property. Exposure to this asset class is achieved through investment in property investment trusts and REITs.

Risk

In this context we define risk as the volatility (ie, variability) of returns, as measured by standard deviation.

Risk profiles – Newton definitions

Medium risk: appropriate for clients who are seeking a return in excess of inflation over the long term and are willing to take capital risk to achieve objectives. Portfolios are well diversified (directly, or indirectly through pooled funds) but may contain a high allocation to a single asset class, such as equities.

High risk: appropriate for clients who are willing to take significant capital risk to achieve objectives. This category includes portfolios containing only equities, and those containing significant exposure to high-risk funds, smaller companies, venture capital or private equity. It also includes portfolios that are made up of concentrated lines of stock, which reduces the level of diversification.

Sharpe ratio

A measure of risk-adjusted return. The excess return (in this case, the return above cash) is divided by the standard deviation of returns. A higher number suggests a more efficient mix of returns and volatility.

Standard deviation

A statistical measure of the variability of returns. The higher the number, the greater the variability of returns. For a normally distributed set of data, 68% of the returns are forecast to occur within one standard deviation of the average, 95% within two times the standard deviation. For example, two investments have an average return of 5%, investment A has a standard deviation of 5% and investment B has a standard deviation of 2%. In 68% of cases, we would expect investment A to return between 0% and +10% (average return of 5% +/- 5% standard deviation) and investment B to return between 3% and 7% (5% +/- 2% standard deviation).

Total expense ratio

The total costs of the fund, made up principally of the annual management charge, but also including operating costs such as legal, administration, trustee and audit fees.

Volatility

In this context the variability of investment returns, as measured by the standard deviation. The higher the figure the more variable the return of an investment.

WM private client indicators

The WM Company surveys investment companies to ascertain the exposure of their principal private client model portfolios by asset class (eg, equities, bonds, hedge funds, etc) and geography. From this they derive an average portfolio in each of the categories “growth”, “balanced” and “income”. The appropriate market index return (eg, FTSE All Share, FTSE Government All Stocks) is then applied to the various elements of the three representative portfolios to generate a benchmark return for each category.

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