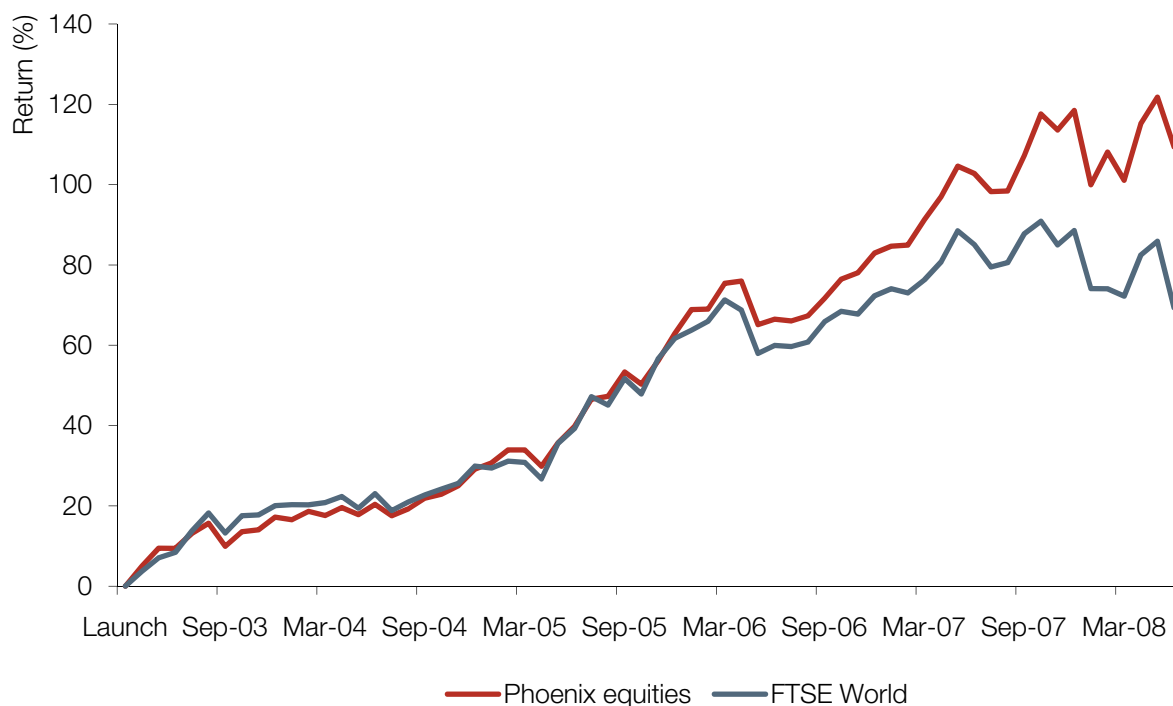


Equity performance within the Newton Phoenix Fund

The performance of some of Newton's equity funds has been very strong recently and we have been asked whether the equity component of the Phoenix Fund has enjoyed similar strength. The answer is that it has, given that we use exactly the same global thematic approach to stock selection within the Phoenix Fund that our colleagues running equity funds use. However, it seemed worthwhile to analyse the data to provide some evidence of this.

The chart below shows the performance of equities within the Phoenix Fund (in red) compared to the total return of the FTSE World Index (in blue). Both data series ignore fees.

Chart 1



Source: Newton, as at 30 June 2008. Calculation basis: Sterling, total return, bid to bid, without initial charges, net income reinvested, gross of management fees.

Over the life of the Fund, our equity portion has delivered a return of 109.4% (to end June 2008, gross of fees). The FTSE World index has returned 69.3% over this period, while the FTSE All Share has returned 85.6% (to end June 2008, total return). The Fund's equities have generally been around half invested in the UK and half overseas.

Much of the outperformance has occurred in the last two years and has been driven by our themes of *debt & credit* and *becalmed*. These themes envisaged that the Western world was heavily indebted and that investors were too complacent about low levels of volatility in recent years. We expected the growth of indebtedness in the West to slow and that volatility would rise. This led us to maintain minimal exposure to UK and US banks (and to favour Far Eastern and emerging market banks) and to be highly cautious about investment in consumer-exposed sectors such as retailers. We are rather more positive on areas such as telecommunications (particularly wireless), health care and oil. We expect these latter sectors to be driven by positive thematic tailwinds. For example, the tight supply of hydrocarbon fuels

and slow progress of alternative energy technology imply structurally higher prices for energy for some time, suggesting a healthy weighting to oil shares will be beneficial.

We remain of the view that the credit crunch that began last summer is long term in nature and we remain nervous of bank shares despite their current 'low' valuations. We would anticipate that sentiment will swing quite wildly in financial markets as views change and further news emerges, and we expect therefore to endure short periods of underperformance at times.

Philip Collins

Investment Director

Newton Investment Management Limited

Discrete past performance - percentage change

| | | | | | |
|---------------------|----------|----------|----------|----------|----------|
| From | 30/09/03 | 30/09/04 | 30/09/05 | 30/09/06 | 30/09/07 |
| To | 30/09/04 | 30/09/05 | 30/09/06 | 30/09/07 | 30/09/08 |
| Newton Phoenix Fund | 11.0% | 16.5% | 7.0% | 8.5% | -11.0% |

Source: Lipper, as at 30 June 2008. **Calculation basis:** Sterling, total return, bid to bid, without initial charges, net income reinvested, net of management fees.

For the latest performance of the Newton Phoenix Fund, please ask for the latest factsheet.

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This is a financial promotion and is not intended as investment advice. Past performance is not a guide to future performance. The value of investments, and income from them, is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment, you may get back less than you originally invested.

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