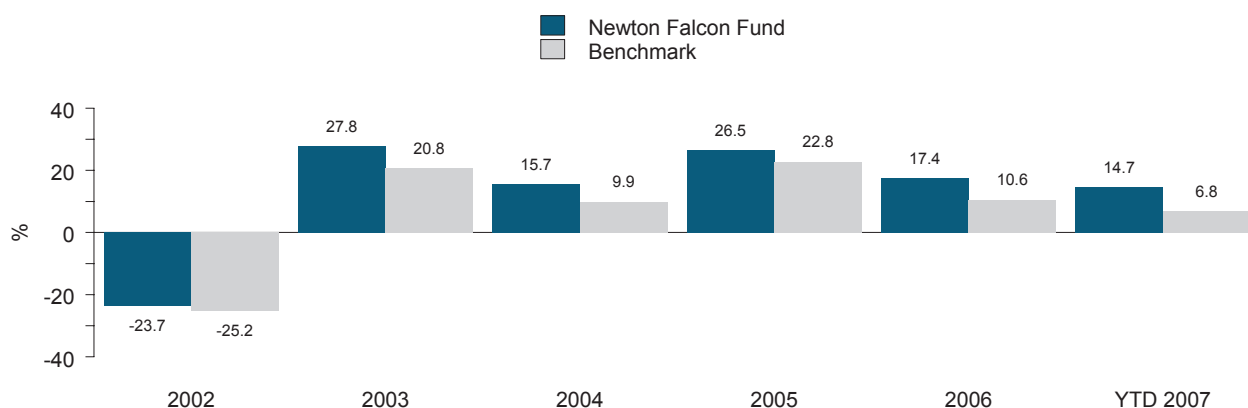


## Objective

The investment objective of the Scheme is to provide long-term capital growth through investment principally in UK and international equities. The Scheme may also invest in collective investment schemes, warrants, deposits, money market instruments, fixed interest securities, derivative instruments and forward transactions.

The benchmark is 50% FTSE All Share Index, 50% MSCI World ex UK Index (Sterling).

## Performance



	Latest Quarter (%)	Since Launch 13 November 1998 (%)
Fund Return (after fees)	2.6	99.5
Fund Return (before fees)	3.0	127.7
Benchmark	-0.3	62.3
FTSE All-Share	-1.8	71.3
MSCI World Ex UK	1.2	52.0

**Source:** Lipper, as at 30 September 2007, total return, bid to bid, net 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.

## Statutory Disclosure of Discrete Past Performance - Percentage Change

From	30/09/02	30/09/03	30/09/04	30/09/05	30/09/06
To	30/09/03	30/09/04	30/09/05	30/09/06	30/09/07
Newton Falcon Fund	19.9%	17.3%	26.7%	12.6%	21.6%

**Source:** Lipper, as at 30 September 2007, total return, bid to bid, net income reinvested, without initial charges, net of management fees. Lipper fund returns are based on midday prices.

## Risk Factors

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.

## Investment Themes

The identification of global themes is a key component in our investment strategy. Some of the themes that we are currently following in this portfolio are illustrated here as well as examples of individual holdings.

## Population Dynamics

A nation's demographic profile has profound implications for its ongoing economic development influencing its patterns of growth, consumption and savings, fiscal policy, healthcare regimes and competitive advantage. Industrialised economies have broadly ageing populations while some developing economies have significantly different profiles.

**Beneficiaries: Allianz, Care UK, GlaxoSmithkline, Old Mutual, Smith & Nephew**

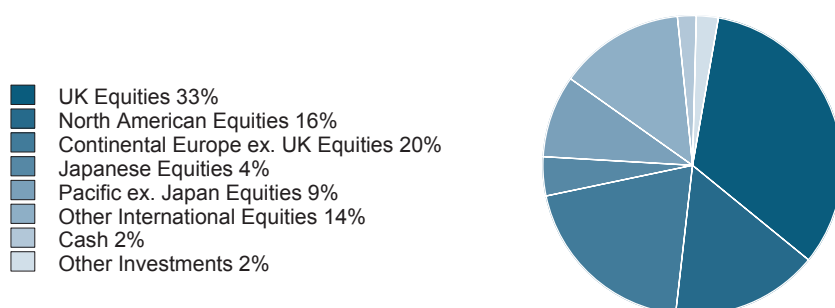
## Global Realignment

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: Bank of Ayudhya, Bursa Malaysia, Millicom, Parkway Holdings, Standard Chartered, Terna**

## Asset Allocation

### Breakdown as % of total market value



Source: Newton. All data as at 30 September 2007  
Figures are approximate and subject to rounding differences

## Significant Transactions

### Acquisitions

Symphony Eurostoxx50 Autocall

Reuters Group

Inchcape

Tele Norte Leste Participacoes

Oil Search

### Disposals

Hartford Financial Services

Veolia Environnement

Samsung Electronics

Cemex

Royal Dutch Shell

Dividend Yield: 0.8% as at 30 September 2007

|Last Distribution: 1.3284p per unit as at 31 October 2006 (inc units only)

Fund Size (millions): GBP 56 as at 30 Sept 2007

|Currency: GBP

Issued by Newton Investment Management Limited. The Falcon Fund is an authorised unit trust operated by Mellon Fund Managers Limited. Newton Investment Management Limited and Mellon Fund Managers Limited are authorised and regulated by the Financial Services Authority and are members of the IMA.

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