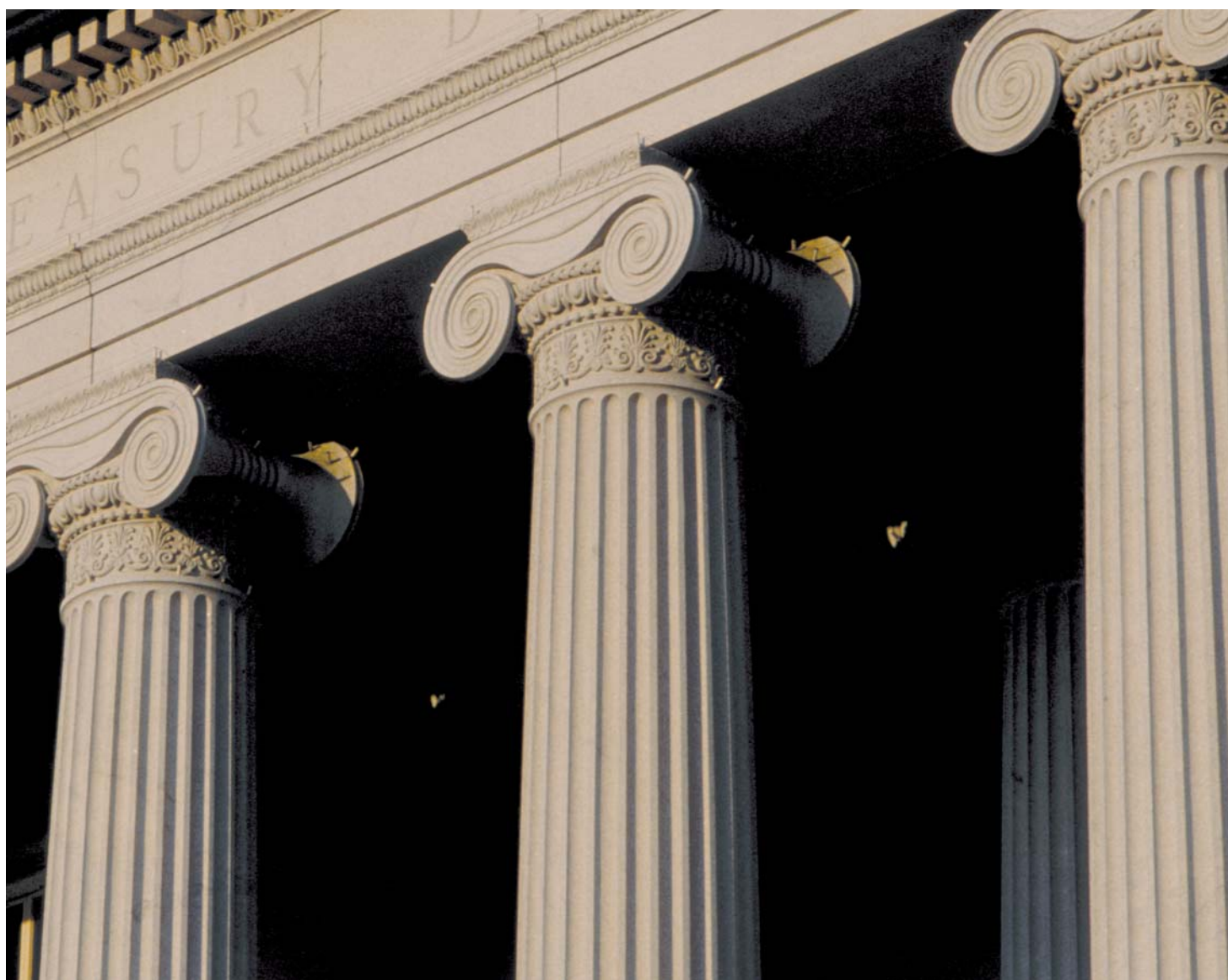


Newton Phoenix Fund

Investment Report - First 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 28.7% since relaunch (11 April 2003), which is equivalent to 4.3% per annum. 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 54	Ex dividend dates:	01 Feb, 01 Aug
Annual management charge:	0.8%	Pay dates:	20 Mar, 21 Sep
Total expense ratio:	0.86%	Last distribution:	1.2205p per unit
Base currency:	GBP	ISIN	GB00B0Z86D35
Dividend yield:	2.8%	Sedol	B0Z86D3

Focus on the latest quarter

Performance over three months

Newton Phoenix Fund	-0.3%				
1 month £ Libor +2% p.a.	0.9%	ARC Balanced Asset (est)	-4.0%	IMA Cautious Managed	-5.5%
FTSE W World	-10.7%	ML £ Non-Gilt Index £	-5.1%	FTSE All Share	-9.1%

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

Significant transactions

Acquisitions	Disposals
Treasury 4.25% Stk 7/06/32	HBOS PLC 4.875% Bds 20/3/15
Treasury 4.75% Stk 7/09/15	Danske Bank A/S 4.25% FRN MTN 20/6/16
Treasury 4.75% Stk 7/03/20	Harewood Structured BNP Par Absolute
Treasury 5% Stk 7/03/25	France Telecom SA 7.5% (9%) Bd 14/3/11
Gold Bullion Securities Ltd	Treasury 4.25% Stk 7/06/32

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

Fund managers' report

The fund fell by only 0.3% in the first quarter of the year against a backdrop of continuing market weakness. UK and world equities fell around 10% each, many other assets also fell, only hedge funds and sub investment grade bonds showed any worthwhile price gains. The fund demonstrated the benefits of diversification as at its lowest point during the quarter it was down 2.8%, while equity markets were down around 20%.

The downturn in global economic activity intensified in the first three months while governments continued a range of policy responses ranging from interest rate cuts, printing more money and purchasing fixed interest assets. However, the 'shock value' of poor financial and economic headlines seems to have lessened and there was something of a recovery in risk assets in March. Sterling was broadly flat against the US Dollar but strengthened against the Euro and Yen.

Interest rates were cut by 1.5% in the UK and 1% in Europe. Amongst the largest nations, interest rates are at or near zero with the exception of Europe (1.5% at quarter end).

Government bonds were very weak in January suggesting that investors had become over excited about this asset in the fourth quarter. Having started with just 2.4% of the fund in gilts, we used this opportunity to add gilts (with a range of maturities) to around 12% by the quarter end. Gilts rallied from late January to mid March before falling back to end slightly down. Longer dated bonds underperformed shorter dated bonds, but bounced more strongly from the January lows. We also purchased a call option on the US government long bond – spending 0.2% of the fund's value. This reflects our view that quantitative easing will drive down government bond yields but that such action is ultimately inflationary (bad for bond yields). The

option will benefit if government bond yields fall, but we will lose only 0.2% if we are wrong and yields rise.

Corporate bonds fell during the quarter, surprisingly the highest quality and lowest quality bonds performed better than the medium quality bonds. Financial sector bonds were notably poor performers. There were a considerable number of new bonds issued and we used this as an opportunity to refresh our list of bonds – generally reducing financials bonds and buying medium dated bonds across a range of industries. The vast majority of our bonds mature in less than ten years.

Sub investment grade bonds rose sharply in January as the heightened risk aversion at the end of last year eased. However, they fell back in February before rallying in March to end the quarter ahead.

Index linked bonds were weak for two months before rallying in March. We bought an eight year index linked gilt in early March.

Equities were weak in January and February before rallying in March. We increased equity exposure in late February and again in early March. While we retain our focus on companies with strong balance sheets, positive cashflows and healthy dividend yields, we are also starting to venture into companies with greater risk. For now, these shares remain a rather small minority, but we are wary of being too defensive when the market turns.

Listed funds of hedge funds rose sharply in January, unwinding much of the poor performance of the last quarter. They fell back in March but ended the quarter well ahead. We have taken a number of tough decisions to sell some funds of funds that we consider to be invested in less liquid underlying funds. These will struggle to counter low share prices by returning capital to shareholders. The majority of funds of hedge funds we own have firm plans to return capital to shareholders.

Commodities were initially weak before rallying a little in March. Our main activity here was the addition to the gold exchange traded fund that mirrors the price movement of gold bullion. This reflects our view that inflation will prove a threat in the long term.

Private equity is barely held now – it represents less than 0.3% of the fund. It endured another poor quarter, before enjoying a small rally in March. We will continue to report on this asset, but it will make little difference to the fund for now.

Property shares fell further although property investment trusts gave a positive return on the quarter (the income component making up a good proportion of this). We added to the holding of UK Commercial Property in March when it was yielding around 10% and by the end of the month the share price had risen 10%. Our focus remains on such property companies with minimal or no debt.

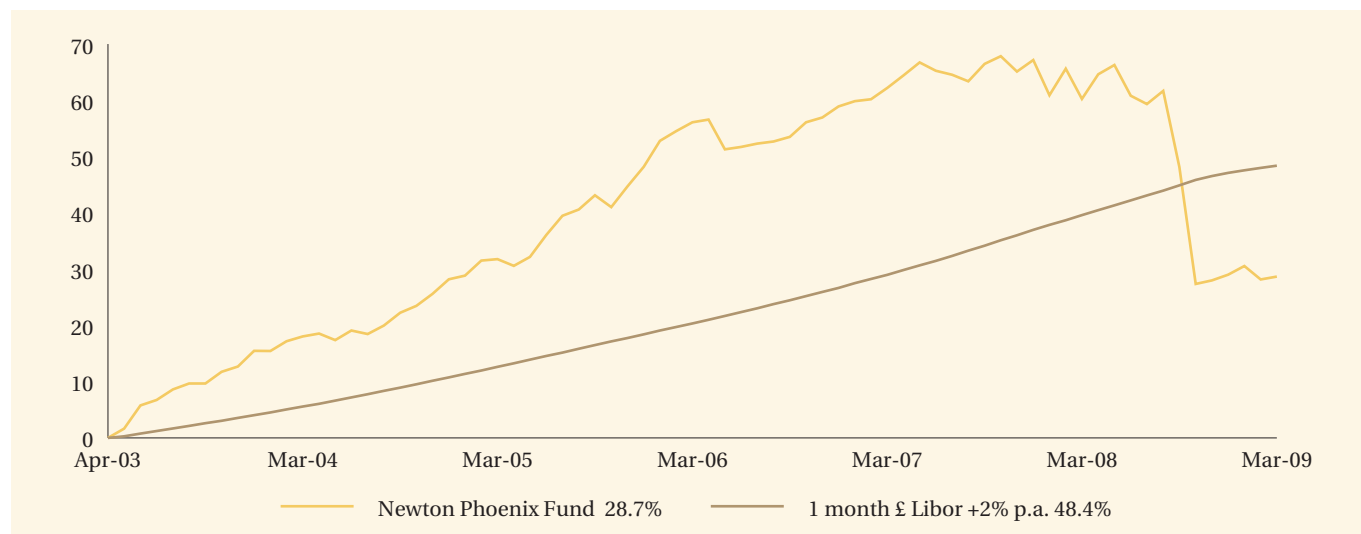
While the Phoenix Fund has fallen this year, the fall is only slight while equities fell around 10%. The lower volatility of the fund is also evident. Markets face a great deal of uncertainty and there is likely to be continued volatility ahead. Against this background, the Phoenix Fund will continue to pursue its aim of returns above cash with volatility 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	YTD 2009
Newton Phoenix Fund	-	-	-	-	11.0	15.6	7.2	5.2	-22.8	-0.3
1 month £ Libor +2% p.a.	-	-	-	-	6.5	6.9	7.0	8.1	7.4	0.9

Discrete past performance - percentage change

From	31/03/04	31/03/05	31/03/06	31/03/07	31/03/08
To	31/03/05	31/03/06	31/03/07	31/03/08	31/03/09
Newton Phoenix Fund	11.6%	18.5%	3.9%	-1.2%	-19.7%

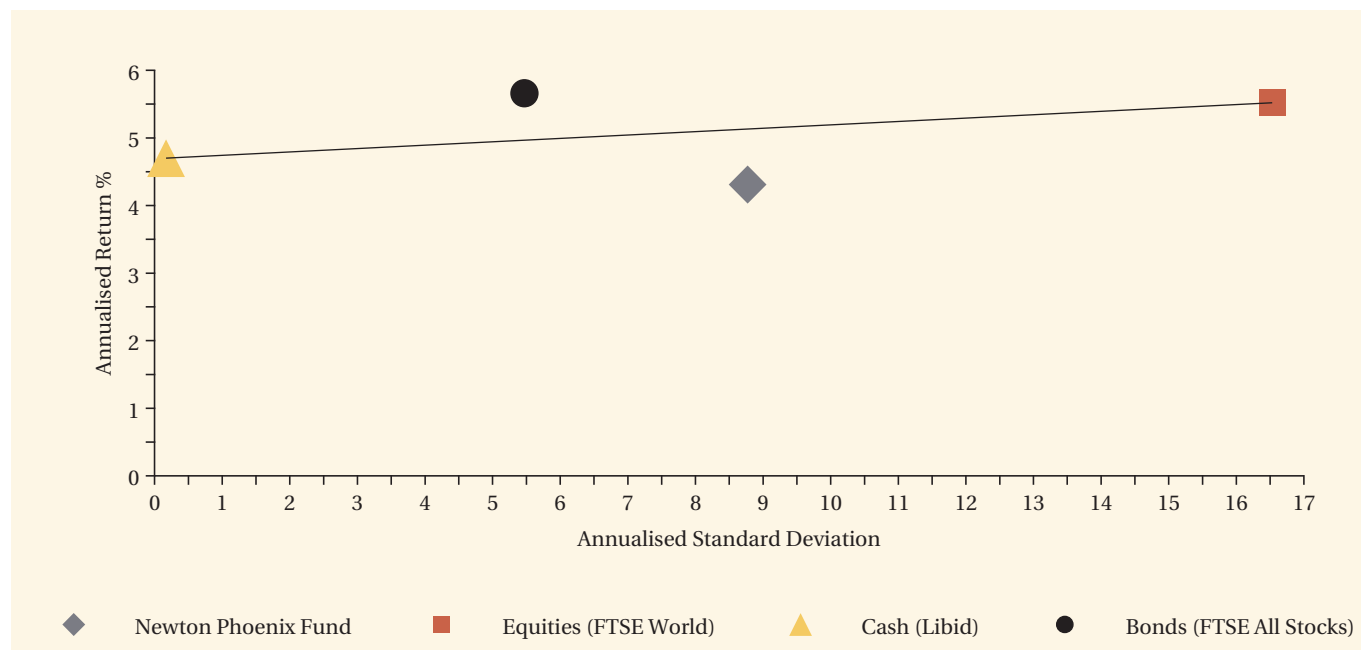
Source: Lipper, WM & Datastream, as at 31 March 2009. Calculation basis: Sterling, total return, bid to bid, without initial charges, net income reinvested, net of management fees.

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 4.3% 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	4.3%	8.8%	0.0%
1 month £ Libor +2% p.a.	6.8%	0.3%	6.9%

Source: Lipper, WM & Datastream, as at 31 March 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.

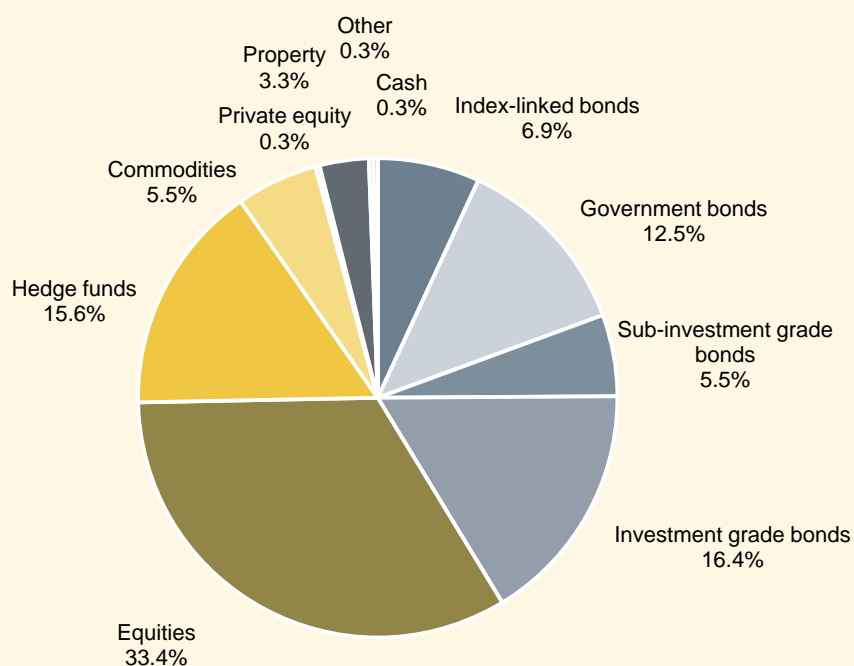
Strategy groups	Representatives from the strategy team, fund managers and research analysts identify global themes and formulate our economic view.
Research team	Global sector analysts, supported by fund managers, identify investment opportunities within the thematic backdrop.
Fund management	Fund managers 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.

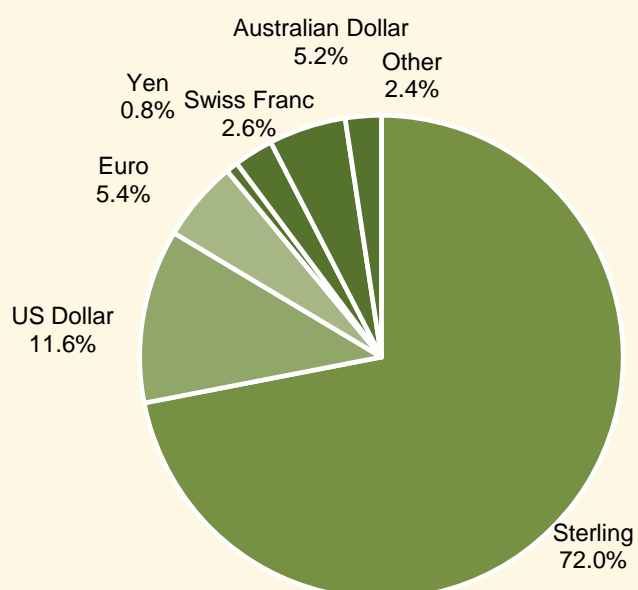
Theme	Factors	Investments
Earth Matters	Environmental issues have moved to centre stage in the minds of the public and policy makers. Current growth trends in the developing world suggest significant additional stress on resources and the environment.	Acciona, Bayer, K+S, Harewood Agrinvest, Ceres Agriculture Fund
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
Networked World	Communications networks have already transformed our lives, but there is great scope for further expansion. Rapid increases in bandwidth continue to increase networks' potential, and this is driving productivity gains. The explosive growth of mobile internet, combined with innovations in sensor technology, will generate profound changes in many industries.	Tele Norte, LG Telecom, Millicom, Sprint Nextel, Telstra
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. This has implications for the oil industry, infrastructure, and alternative energy sources as well as significant macro effects.	BP, XTO Energy, Dana Petroleum, BG

Fund analysis

Asset class weightings



Currency exposure



Source for all charts: Newton, as at 31 March 2009

Portfolio valuation

	Holding (%)
Cash	0.35
Government Bonds	12.50
Treasury 4.25% Stk 7/06/2032	2.79
Treasury 5% Stk 7/03/2025	2.00
Treasury 4.75% Stk 7/09/2015	4.98
Treasury 4.75% Stk 7/03/2020	2.52
US Long Bond Future Jun09 USM9C 128 CBT (Call Option)	0.21
Investment Grade Bonds	16.40
Anglo American Capital PLC 6.875% Bds 1/5/2018 GBP	1.06
BASF SE 5.875% Bds 31/03/2017 GBP50000	0.55
BHP Billiton Ltd 4.75% Bds 04/04/2012 EUR	0.17
British Telecommunications PLC 8%-Var Bds 7/12/16 GBP1000	1.04
Cadbury Schweppes Finance PLC 5.375% Bds 11/12/2014 GBP	0.54
Commonwealth Bank of Australia 4.875% Bds 19/12/2023 GBP	0.78
Daily Mail & General Trust PLC 7.5% Bds 29/3/2013 GBP10000	0.27
Dubai Hldg Commercial Ops 6% EMTN 1/02/2017 GBP50000	0.69
Firstgroup PLC 8.125% Bds 19/9/2018 GBP (Var)	0.98
Gaz Capital SA 6.58% EMTN 31/10/2013 GBP(Var)	1.12
Glencore Finance Europe 6.5% EMTN 27/2/2019 GBP50000	0.61
Imperial Tobacco Finance PLC 4.375% Bds 22/11/2013 EUR50000	1.16
John Lewis PLC 8.375% Bds 08/04/2019 GBP	0.34
London Stock Exchange PLC 6.375% Bds 7/7/2016 GBP50000	0.86
Metlife Global Funding I 5.25% EMTN 9/01/2014 GBP50000	0.95
National Grid PLC 6.125% Bds 15/04/2014 GBP	0.52
Pacific Life Funding LLC 5.125% Bds 20/01/2015 GBP1000	0.99
Santander Issuances SA 5.375% EMTN 25/07/2017 GBP	1.01
Severn Trent Water Utils PLC 6% Bds 22/01/2018 GBP	0.03
Standard Chartered Bank 8.103% Stp Perp 29/5/2049 GBP	0.64
Svenska Handelsbanken AB 4% FRN MTN 20/04/2011 EUR	1.03
Unique Pub Finance Co PLC 5.659% Bds 30/06/2027GBP 'A4'	0.82
Xstrata Canada Financial Corp 7.375% EMTN 27/085/2020 GBP	0.22
Sub Investment Grade Bonds	5.52
Barclays Bank PLC 0% FTSE AutoCall 27/06/2013	0.92
BCM Ireland Preferred FRN 15/02/2017 EUR50000 RegS	0.09
Breeze Finance 6.708% Bds 19/04/2027 EUR 'B'	0.23
Collins Stewart Tullett PLC 8.25% Bds 12/08/2014 GBP RegS	0.62
CRC Breeze Finance SA 5.29% Bds 8/05/2026 EUR50000	0.51

Portfolio valuation

Edcon Holdings Proprietary Ltd FRN 15/06/2015 EUR (Var)	0.18
Elders (Merrill Lynch Intl) 9% High Yield Shs Cls 24A	0.32
Elders (Merrill Lynch Intl) Floating Rate Income Shs 24C	0.45
Kensington Group PLC 9% Bds 21/12/2015 GBP50000	0.10
New City High Yield Fund Ltd	0.07
Saphir Finance PLC 6.8509% Perp 4/07/2049 GBP	0.23
Societe Generale Acceptance NV 0% FTSE 100 Autocall 31/1/2014	0.59
Stena AB 6.125% Bds 1/02/2017 EUR RegS	0.48
Virgin Media Finance PLC 9.75% Nts 15/04/2014 GBP1000	0.73
Index Linked	6.86
Anglian Water Services Finance 4.125% I/L Nts 28/7/2020 GBP	1.09
National Grid Gas PLC 4.1875% Index-Linked 14/12/22	1.66
Tesco PLC 4% Idx Lkd Nts 8/09/2016 GBP	1.06
Treasury 1.25% Index-Linked 22/11/2017	1.58
USA Treasury Notes 1.875% TII 15/07/2013 USD1000	1.46
Equities	33.45
Acciona SA	0.52
Air Liquide SA	0.80
Altria Group Inc	0.58
Ariba Inc	0.30
BAE Systems PLC	0.42
Bayer AG	0.49
BG Group PLC	0.82
BHP Billiton PLC	0.45
BP PLC	0.93
British American Tobacco PLC	0.56
Cable & Wireless PLC	0.94
Capita Financial Managers Morant Wright Japan B (Acc)GBP	0.69
Centrica PLC	0.65
Cisco Systems Inc	0.61
Cobham PLC	0.44
Companhia Vale do Rio Doce	0.27
Dana Petroleum PLC	0.23
DBS Group Holdings Ltd	0.45
Deutsche Post AG	0.36
Deutsche Telekom AG	0.90
eBay Inc	0.20
Elders (Merrill Lynch Intl) Japan Cap Protected 111 17B	0.60
ESCO Technologies Inc	0.36

Portfolio valuation

Fresenius Medical Care AG	0.68
GlaxoSmithKline PLC	0.90
Goldman Sachs Group Inc	0.51
GVT Holding SA	0.27
Harbin Power Equipment Co	0.15
HSBC Infrastructure Co Ltd	0.40
HTC Corporation	0.21
ICAP PLC	0.50
Japan Tobacco Inc	0.54
K+S AG	0.30
Kroger Co	0.49
L3 Communications Inc	0.32
LG Telecom Ltd	0.35
Lilly (Eli) & Co	0.44
Lonza Group AG	0.45
Makhteshim-Agan Industries Ltd	0.23
Medtronic Inc	0.26
Millicom Intl Cellular	0.47
Nestle SA	0.55
Newcrest Mining Ltd	0.77
Novartis AG	0.76
Opera Software ASA	0.23
Petroleo Brasileiro SA	0.42
Prudential PLC	0.41
QBE Insurance Group Ltd	0.22
Reynolds American Inc	0.42
Roche Hldgs AG	0.90
Scottish & Southern Energy PLC	0.49
Serco Group PLC	0.20
Smith & Nephew PLC	0.25
Smiths Group PLC	0.33
Sprint Nextel Corp	0.86
StatoilHydro ASA	0.26
Taiwan Semiconductor Manufact	0.33
Takeda Pharmaceutical Co Ltd	0.26
Tele Norte Leste Participacoes	0.36
Telstra Corp Ltd	0.71
Tesco PLC	0.81
Total SA	0.78
VeriSign Inc	0.29

Portfolio valuation

Vodafone Group PLC	1.03
Wal-Mart Stores Inc	0.43
Wyeth	1.05
XTO Energy Inc	0.29
Hedge Funds	15.56
Absolute Return Trust Ltd	0.47
Alternative Inv Strategies Ltd	0.81
BH Global Limited	1.57
BH Macro Ltd	0.91
Bluecrest Allblue Fund Ltd	3.00
Dexion Trading Ltd	1.68
F&C Event Driven Limited	0.30
FRM Credit Alpha Ltd	2.32
Goldman Sachs Dynamic Opps Ltd	1.25
Signet Gbl Fxd Inc Strategies	1.19
Tapestry Investment Co PCC Ltd	2.06
Commodities	5.48
Barclays Bank PLC 0% Prot Agric GCSI Div 26/3/13	0.45
Ceres Agriculture Fund Limited	0.49
ETFS Physical Gold 0% Secured Note (AUD)	3.50
ETFS Physical Gold 0% Secured Note (USD)	0.40
Harewood Structured Invest PCC BNP Paribas Agrinvest Prf Shs	0.64
Private Equity	0.29
JP Morgan Private Equity Ltd	0.11
Pantheon Intl Participations	0.07
Pantheon Intl Participations	0.12
Property	3.26
F&C Commercial Property Trust	0.95
Hongkong Land Holdings Ltd	0.20
Invista Foundation Prop Trust	0.26
Mapletree Logistics Trust	0.24
UK Commercial Property Tst Ltd	1.60
Other	0.35
Alternative Asset Opps PCC Ltd US Traded Life Interests Fund	0.11
Ruffer Investment Co Ltd	0.23

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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