



## **Introduction**

Form ADV is a submission which must be made by all professional adviser firms to the Securities and Exchange Commission (SEC). It must specify the investment style, assets under management and key officers of the firm. The form must be updated annually and be made available as public record for companies managing in excess of \$25 million.

Form ADV is divided into two parts:

**Part I** discloses specific information about a firm that is important to regulators (name, number of employees, form of the organization, nature of the business, etc.) and is filed on-line;

**Part II** (this document) is a marketing document, though the content is determined by regulatory requirements. It acts as a disclosure document to clients and is provided both at the point of take-on and when material changes are made to the document.



**Uniform Application for Investment Adviser Registration**

**Part II – Page 1**

Name of Investment Adviser: <b>Newton Capital Management Limited</b>	
Address: (Number and Street) (City) (State) (Zip Code) <b>The Bank of New York Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA U.K.</b>	Area Code Telephone number <b>+ 44 020 7163 9000</b>

**This part of Form ADV gives information about the investment adviser and its business for the use of clients. The information has not been approved or verified by any governmental authority.**

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**(Schedules A, B, C, D and E are included with Part 1 of this Form, for the use of regulatory bodies, and are not distributed to clients)**

Potential persons who are to respond to the collection of information contained in this form Are not required to respond unless the form displays a currently valid OMB control number.



**Definitions for Part II**

Related person – Any officer, director or partner of applicant or any person or indirectly controlling, controlled by, or under common control with the applicant, including any non-clerical, non-ministerial employee.

Investment Supervisory Services – Giving continuous investment advice to a client (or making investments for the client) based on the individual needs of the client. Individual needs include, for example, the nature of other client assets and the client’s personal and family obligations.

**1. A. Advisory Services and Fees.** (check the application boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

**Applicant:**

- |                                     |     |  |         |
|-------------------------------------|-----|--|---------|
| <input checked="" type="checkbox"/> | (1) | Provides investment supervisory services.....  | 100%    |
| <input type="checkbox"/>            | (2) | Manages investment advisory accounts not involving investment supervisory services.....  | _____ % |
| <input type="checkbox"/>            | (3) | Furnishes investment advice through consultations not included in either service described above.....  | _____ % |
| <input type="checkbox"/>            | (4) | Issues periodicals about securities by subscription.....   | _____ % |
| <input type="checkbox"/>            | (5) | Issues special reports about securities not included in any service described above.....   | _____ % |
| <input type="checkbox"/>            | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities..... | _____ % |
| <input type="checkbox"/>            | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities.....   | _____ % |
| <input type="checkbox"/>            | (8) | Provides a timing services.....  | _____ % |
| <input type="checkbox"/>            | (9) | Furnishes advice about securities in any manner not described above.....   | _____ % |

(Percentages should be based on applicant’s last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term?.....  Yes  No

C. Applicant offers investment advisory services for: (check all that apply)

- |                                     |     |  |                                     |     |                   |
|-------------------------------------|-----|--|-------------------------------------|-----|-------------------|
| <input checked="" type="checkbox"/> | (1) | A percentage of assets under management      | <input type="checkbox"/>            | (4) | Subscription fees |
| <input type="checkbox"/>            | (2) | Hourly charges                               | <input type="checkbox"/>            | (5) | Commissions       |
| <input type="checkbox"/>            | (3) | Fixed fees (not including subscription fees) | <input checked="" type="checkbox"/> | (6) | Other             |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant’s basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of Clients** – Applicant generally provides investment advice to: (check those that apply)

- |                                     |    |                                  |                                     |    |   |
|-------------------------------------|----|----------------------------------|-------------------------------------|----|---|
| <input checked="" type="checkbox"/> | A. | Individuals                      | <input checked="" type="checkbox"/> | E. | Trusts, estates, or charitable organizations                    |
| <input checked="" type="checkbox"/> | B. | Banks or thrift institutions     | <input type="checkbox"/>            | F. | Corporations or business entities other than those listed above |
| <input checked="" type="checkbox"/> | C. | Investment companies             | <input checked="" type="checkbox"/> | G. | Other (Please see 1 D (3) Wrap Fee Programs)                    |
| <input checked="" type="checkbox"/> | D. | Pension and profit sharing plans |                                     |    |   |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**



**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- A. Equity securities
  - (1) exchange-listed securities
  - (2) securities traded over-the-counter
  - (3) foreign issues
- B. Warrants
- C. Corporate debt securities (other than commercial paper)
- D. Commercial paper
- E. Certificates of deposit
- F. Municipal securities
- G. Investment company securities:
  - (1) variable life insurance
  - (2) variable annuities
  - (3) mutual fund shares
- H. United States government securities
- I. Options contracts on:
  - (1) securities
  - (2) commodities
- J. Futures contracts on:
  - (1) tangibles
  - (2) intangibles
- K. Interests in partnerships investing in:
  - (1) real estate
  - (2) oil and gas interests
  - (3) other (explain on Schedule F)
- L. Other (explain on Schedule F)

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

- A. Applicant's security analysis methods include: (check those that apply)
- (1)  Charting
  - (2)  Fundamental
  - (3)  Technical
  - (4)  Cyclical
  - (5)  Other (explain on Schedule F)
- B. The main sources of information applicant uses include: (check those that apply)
- (1)  Financial newspapers and magazines
  - (2)  Inspections of corporate activities
  - (3)  Research materials prepared by others
  - (4)  Corporate rating services
  - (5)  Timing services
  - (6)  Annual reports, prospectuses, filings with the Securities and Exchange Commission
  - (7)  Company press releases
  - (8)  Other (explain on Schedule F)
- C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)
- (1)  Long term purchases (securities held at least a year)
  - (2)  Short term purchases (securities sold within a year)
  - (3)  Trading (securities sold within 30 days)
  - (4)  Short Sales
  - (5)  Margin transactions
  - (6)  Option writing, including covered options, options, or spreading strategies
  - (7)  Other (explain on Schedule F)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**



**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?..... Yes  No

(If yes, describe these standards on Schedule F)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> (1) broker-dealer  | <input type="checkbox"/> (7) accounting firm                                       |
| <input checked="" type="checkbox"/> (2) investment company   | <input type="checkbox"/> (8) law firm  |
| <input checked="" type="checkbox"/> (3) other investment adviser   | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input checked="" type="checkbox"/> (6) banking or thrift institution  | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes  No

(If yes, describe on Schedule F the partnerships and what they invest in.)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**



**9. Participation or Interest in Client Transactions**

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any clients.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services and impose a minimum dollar value of assets or other conditions for starting or maintaining an account? Yes  No

(If yes, describe on Schedule F)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. For reviews, include their frequency, different levels, and triggering factors.  
For reviewers, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.**

Each account is subject to constant review. Various investment committees meet on a daily, weekly or monthly basis to formulate investment policy and discuss recommendations.

There are at least two fund managers with responsibility for assessing individual client portfolios and making investment decisions on their behalf.

Newton also has a Portfolio Analysis Group, an independent team that periodically reviews portfolios to analyze portfolio risk and monitor adherence to the Newton investment process. As a part of this function the Portfolio Analysis Group monitor the size and concentration of holdings within each portfolio. The team produce regular and ad hoc analysis of portfolio construction and risk. All portfolios are also subject to a daily compliance check – restrictions are checked by the Charles River Order Management System that produces exception reports where restrictions are breached due to market movements.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.**

Detailed reporting including monthly valuations, trading statements and bank statements of the portfolio (dispatched within five to ten days of each month end) and full trustee reports (issued within four weeks of the quarter end.)

We offer a quarterly meeting with institutional clients. We are also happy to discuss any particular deadlines clients have and would endeavour to meet them.

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**



**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |   |   |                             |
|---|---|-----------------------------|
| (1) securities to be bought or sold?.....               | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold?..... | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) broker or dealer to be used?.....                   | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) commission rates paid?.....                         | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients?..... Yes  No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |  |   |  |
|--|---|--|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients?..... | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals?.....  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or
  - requires prepayment of more than \$500 in fees per client and 6 more months in advance
- Has applicant provided a Schedule G balance sheet?..... Yes  No

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**FORM ADV**

Applicant:  
**Newton Capital Management Limited**

SEC File Number  
**801 - 42114**



# Schedule F

**NEWTON**  
The Power of Ideas



1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Newton Capital Management Limited</b>	IRS Empl. Ident No.:
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Item of Form (Identify)	Answer
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**Item 1 D** Newton Capital Management Limited ("NCM") provides discretionary investment management and investment advisory services to institutional clients. NCM also provides model portfolio update services to institutional as well as private wealth clients. NCM maintains a model portfolio designed to meet specific investment guidelines that have been set by the client. The client is provided with adjusted holdings and/or weightings in the model portfolio on an ad hoc basis as and when they are adjusted.

On July 1 2007 The Bank of New York Company, Inc. and Mellon Financial Corporation merged with and into The Bank of New York Mellon Corporation, of which NCM is an operating subsidiary.

In 2006 NCM set up a separate marketing subsidiary called Newton Capital Management LLC. The company is based on Long Island, NY and markets the services of NCM to clients in the US. NCM LLC has no US regulatory registrations.

In 2008 NCM began offering a private wealth investment management service in addition to the existing institutional investment management service. Clients may be invested in a combination of equities, fixed income and if appropriate alternative asset classes. Assets are held on behalf of the clients by an outside custodian.

Our minimum account size for institutional separate account business is US\$75,000,000 (subject to negotiation) and for private wealth clients \$5 million (subject to negotiation). The client may terminate an investment contract based on the terms laid out in the investment management agreement. The terms for each client agreement may vary.

The standard management charges are as follows:

**(1) FLAT FEE BASIS**

Private wealth separate account

1.0% p.a. on the first \$10 million  
0.8% p.a. on the next \$6 million  
0.6% p.a. on the next \$4 million  
Negotiable over \$20 million

Institutional separate account – Multi-asset strategies

0.60% p.a. on the first \$150 million  
0.41% p.a. on the next \$250 million  
0.35% p.a. thereafter  
Subject to a minimum fee of \$500,000 p.a.

Institutional separate account – Specialist equity strategies (+2% type performance targets)

0.70% p.a. on the first \$150 million  
0.51% p.a. on the next \$250 million  
0.40% p.a. thereafter  
Subject to a minimum fee of \$500,000 p.a.

Institutional separate account – Targeted return strategy:

0.70% p.a. on the first \$150 million  
0.56% p.a. on the next \$250 million  
0.50% p.a. thereafter  
Subject to a minimum fee of \$1 million p.a.

Institutional separate account – Fixed income strategy

0.33% p.a. on the first \$150 million  
0.22% p.a. on the next \$250 million



0.15% p.a. thereafter

Subject to a minimum fee of \$240,000 p.a.

**(2) PERFORMANCE RELATED FEE**

Institutional accounts

NCM, may, from time to time, enter into performance based fee arrangements in accordance with the requirements of Rule 205-3 of the Investment Advisors Act 1940.

The fees are typically comprised of a base fee based on market value of the account at specified intervals with a performance related bonus element based on portfolio return relative to a market or index return. Performance fees are negotiated with each client and the terms can vary.

The fee scale is as follows:

Institutional separate account – Multi-asset strategies:

0.35% p.a. on the first \$150 million

0.26% p.a. on the next \$250 million

0.10% p.a. thereafter

The base fee is payable regardless of performance and is subject to a minimum of \$200,000 p.a.. The performance bonus is calculated on individual 12-month performance periods as 20% of the monetary value of the outperformance of the benchmark payable in equal instalments over four years. There is an equal and opposite calculation for underperformance which is then offset against any past or future performance bonuses due.

Institutional separate account – Specialist equity strategies (+2 type performance targets):

0.30% p.a. on the first \$150 million

0.21% p.a. on the next \$250 million

0.20% p.a. thereafter

The base fee is payable regardless of performance and is subject to a minimum of \$200,000 p.a.. The performance bonus is calculated on individual 12-month performance periods as 20% of the monetary value of the outperformance of the benchmark payable in equal instalments over four years. There is an equal and opposite calculation for underperformance which is then offset against any past or future performance bonuses due.

Institutional separate account – Opportunities equity strategies:

0.45% p.a. on all assets

The base fee is payable regardless of performance and is subject to a minimum of \$530,000 p.a.. The performance bonus is calculated on individual 12-month performance periods as 20% of the monetary value of the outperformance of the benchmark barometer payable in equal instalments over four years. There is an equal and opposite calculation for underperformance which is then offset against any past or future performance bonuses due. The performance barometer is to be agreed with the client.

Institutional separate account – Targeted return strategy:

0.40% p.a. on the first \$150 million

0.31% p.a. on the next \$250 million

0.20% p.a. thereafter

The base fee is payable regardless of performance and is subject to a minimum of \$530,000 p.a.. The performance bonus is calculated on individual 12-month performance periods as 10% of the monetary value of the outperformance of 1 Month LIBOR (source: Bloomberg) payable in equal instalments over four years. There is an equal and opposite calculation for underperformance which is then offset against any past or future performance bonuses due. The level of outperformance qualifying for a performance bonus/ credit is capped at +/-10% of 1Month LIBOR.

Institutional separate account – Fixed income strategy:

0.12% p.a. on all assets

The base fee is payable regardless of performance and is subject to a minimum of \$200,000 p.a.. The performance bonus is calculated on individual 12-month performance periods as 20% of the monetary value of the outperformance of the benchmark



payable in equal instalments over four years. There is an equal and opposite calculation for underperformance which is then offset against any past or future performance bonuses due.

**(3) WRAP FEE PROGRAMS**

In the below section the words:

Client = individual

Sponsor = broker

Manager = MBSC (Mellon Bank Securities Corporation)

Sub-advisor = NCM (Newton Capital Management)

A client in a wrap program typically receives professional investment management of account assets through one or more investment advisors (including NCM) participating in the program, and trade execution, custody, performance monitoring and reporting and other services through the Sponsor (creator of the WRAP), for a single, all-inclusive (or "wrap") fee charged by the Sponsor based on the value of the client's account assets. The Sponsor typically assists the client in defining the client's investment objectives based on information provided by the client, aids in the selection of one or more investment managers to manage the client's assets, and periodically contacts the client to ascertain whether there have been any changes in the client's financial circumstances or objectives that warrant a change in the arrangement of the manager in which the clients assets are managed. The Sponsor pays NCM, as the sub-advisor, a portion of the fee it collects from clients enrolled in its wrap program.

Where NCM is retained as Sub-advisor under a wrap program, it does not negotiate on the client's behalf brokerage commissions or other costs for the execution of transactions in the client's account. Such execution costs are included in the all-inclusive fee charged by the Sponsor. Clients who enroll in wrap programs should satisfy themselves that the Sponsor is able to provide best price and execution of transactions.

In evaluating a wrap program clients should consider a number of factors. A client may be able to obtain some or all of the services available through a particular wrap program on an "unbundled" basis through the Sponsor of that program or through other firms. Payment of an asset-based fee may or may not produce accounting, book-keeping, or income tax results different from those resulting from the separate payment of a) securities commissions and other execution costs on a trade-by-trade basis and b) advisory fees. Any securities or other property used to establish a wrap program account may be sold, and the client will responsible for payment of any taxes due. NCM recommends that each client consult with his or her tax advisor or accountant regarding the tax treatment of a client's account under a wrap program.

NCM provides investment advisory services under wrap fee arrangements. A 'wrap fee' is an arrangement where a single fee is charged to the client for all related costs including brokerage transaction charges, custodian fees, consulting fees relating to the reparation of quarterly reports and investment advisor fees.

The aggregate fee payable to NCM and the Sponsor for each client account or related accounts managed by NCM and the Sponsor is based on assets under management.

For participation in the various programs, NCM receives compensation from the Sponsors generally ranging from 0.25% to 0.65% of assets, depending upon the Sponsor. Compensation may be split with the Manager, an affiliated party that provides administration, trading and marketing services to the client. The minimum account size is \$100,000.

Terms are negotiated on a case-by-case basis. Once the client's agreement has been obtained, fees are payable in arrears on a regular basis.

Compensation and refunds, where due, are payable on an ad-hoc basis. Whether it is payable before the service is provided is dependent upon individual circumstances. The client may terminate an investment contract at any point.

NCM may delegate certain non-portfolio management administrative functions associated with the wrap programs that it participates in as Sub-advisor to MBSC, an affiliate of NCM. These functions may include trading functions and marketing.

**Item 2.G** NCM also provides investment advice to Endowments, Foundations and Taft-Hartley retirement plans.

**Item 3.L** NCM may participate in Initial Public Offers on behalf of clients. NCM offers advice on bonds issued by foreign governments and foreign issuers (including debt of emerging markets issuers) and short-term notes including repurchase and reverse agreements collateralized by U.S. Government securities, structured notes and over the counter derivatives including, but not limited to, futures, options, forwards, I/Os and P/Os.



**Item 5** It is a UK regulatory requirement that persons engaged in discretionary or advisory management of investments meet certain training and competence requirements. This involves passing the appropriate relevant benchmark examinations designated by the regulator and meeting a competency benchmark set by the firm. Such personnel must be able to demonstrate by means of ongoing training and assessment that the level of competence has been achieved and is being maintained.

**Item 6 DIRECTORS AND EXECUTIVE OFFICERS:**

**DIRECTOR AND CHIEF EXECUTIVE OFFICER**

**Helena Morrissey (CRD # 4362862)**

Helena is Chief Executive Officer (CEO) and a Director of Newton Capital Management, Newton Management Limited and Newton Investment Management Limited.

Helena graduated from Cambridge University in 1987 with an MA degree in Philosophy. Prior to joining Newton, Helena was employed by Schroders Investment Management Limited as a Global Fixed Income Analyst.

She joined Newton in February 1994 as a Fixed Income Fund Manager and became Head of Global Fixed Income in October 1998. Helena is a member the Investment Committee. She became CEO of Newton Investment Management and Newton Capital Management in March 2002.

Date of birth: 22 March 1966

**DIRECTOR AND CHIEF INVESTMENT OFFICER**

**Jeff Munroe (CRD # 4516602)**

Jeff is Newton's Chief Investment Officer (CIO) and a director of Newton Investment Management and Newton Capital Management. His professional qualifications include being a Chartered Financial Analyst (CFA) and a member of the UK Society of Investment Professionals.

Prior to joining Newton in 1993, Jeff was a Senior Research Analyst at Towers Perrin and then completed his MBA at the Ivey School of Business, University of Western Ontario.

As CIO Jeff is responsible for the effective functioning of Newton Global Thematic Investment Process. Jeff chairs the Investment Committee which as a group acts as guardian of Newton's investment philosophy and culture. He became CIO of NCM in March 2002

Jeff is also a member of the Global Investment Group, our Currency Policy Group and the Multi Asset Model Group.

Date of birth: 20 September 1964

**DIRECTOR AND HEAD OF BUSINESS STRATEGY**

**Matthieu Duncan (CRD # 2093529)**

Matt graduated with an MBA from the University of Texas at Austin in 1990 and subsequently joined Goldman Sachs where he spent 13 years with the Equities Division of the firm in Europe. Matt became a managing director of Goldman Sachs in 1998. Matt joined Cambridge Place Investment Management in 2004 as Chief Investment Officer for Equities.

Matt joined Newton in 2007 as Head of Business Strategy. His role includes developing and implementing strategic initiatives for the firm, chairing Newton's Commercial Committee and overseeing the firm's business development and institutional client relationship management activities.

Date of birth: 7 January 1965



**DIRECTOR AND CHIEF OPERATING OFFICER**

**Andrew Downs (CRD # 4781215)**

Andrew is a Director of Investment Management for the Business Management Team for NCM and Newton Investment Management Limited. Andrew graduated from the University of North East London with an honours degree in accounting. He qualified as an ACA accountant in 1988.

Date of birth: 20 September 1963

**DIRECTOR AND PORTFOLIO MANAGER**

**Paul James Markham (CRD # 4794808)**

Paul is an Investment Manager for Newton Capital Management and Newton Investment Management Limited.

Paul graduated from the University of Sheffield in 1995 with an honours degree in French and Spanish. Prior to working at Newton as an Investment Manager, Paul was the Head of International Client Services at Mellon Global Investments.

Date of birth: 17 January 1973

**DIRECTOR AND CHIEF COMPLIANCE OFFICER**

**Kate Turner (CRD # 4779839)**

Kate graduated from Manchester University in 1993 with a B.A. in French and then went on to become a chartered accountant (qualified 1998). Kate has worked at Newton since 1998 as a Senior Compliance Manager and was promoted to Head of Compliance at the end of 2003.

Date of birth: 24 March 1971

**CHIEF FINANCIAL OFFICER**

**Stephen Tutt (CRD # 5015199)**

Stephen is the Financial Controller for the Newton Group of Companies. He graduated from Leeds University with an honours degree in Maths & Physics. Prior to working at Newton Stephen was financial controller for a telecoms company. He is a qualified Chartered Accountant.

Date of birth: 24 April 1967

**CHIEF LEGAL OFFICER**

**Jeremy Nevil Charles Bassil (CRD # 4457039)**

Jeremy is General Legal Counsel to Newton Capital Management. Jeremy graduated from the University of Huddersfield in 1986 with a Degree in Business Law. He was called to the bar in 1987 having passed his bar finals, he qualified as a solicitor in 1998. He joined Mellon Europe in 1999 as Legal Counsel and prior to this worked at Dechert LLP as a Senior Solicitor.

Date of birth: 12 March 1962

**HEAD OF RESEARCH**

**Roger Wilkinson**

Roger took on the role of leading the team of 18 global analysts in November 2009.

Roger graduated from Warwick University in 1993 with a degree in Accounting and Financial Analysis. After qualifying as a Chartered Accountant with Ernst & Young, Roger worked in a variety of roles in the banking sector. Roger joined Newton in January 2000 as an Equity Analyst in the Technology team, since joining he has qualified as CFA.

Date of birth: 13 June 1972



## **HEAD, PRIVATE INVESTMENT MANAGEMENT**

### **Simon Pryke (CRD # 5753061)**

Simon joined Newton in 1996 and spent 13 years as a global analyst responsible for the financial sectors, with a particular focus on bank stocks.

He became leader of the Global Research team in 2003. Simon was appointed Head of Private Investment Management, with responsibility for Newton's Private Client and Charities businesses in November 2009. Simon was educated at Oxford University.

Date of birth: 17 July 1972

## **INVESTMENT PERSONNEL:**

### **James Harries**

James graduated from Bristol University in 1994 with a BSc in Politics. After a year of military service he joined Newton working in the Private Investment Management department as a portfolio manager. In 2004 James moved to Veritas Asset Management to establish and manage a global income fund as well as managing a range of other clients. He rejoined Newton in 2005 as a global equity manager. James gained a Masters Degree in Finance from the London Business School in 2004.

Date of birth: 28 June 1972

### **Jon Bell**

Jon is an investment manager for Newton. Jon joined Newton in 1995 after graduating from Cambridge University with a degree in Natural Sciences. He is a member of the Global Model Group and of Newton's independent risk monitoring team, the Portfolio Analysis Group.

Date of birth: 8 October 1972

### **Paul Brain**

Paul is the Leader of the Fixed Income area. He joined Newton in 2004. Paul has 21 years of fixed income fund management experience and has the Stage 1 qualification from the Chartered Institute of Bankers.

Date of birth: 12 May 1961

### **Jason Pidcock**

Jason graduated from the University of Essex in 1992 with a BA in Government. After travelling around Europe and Africa for a year he joined the Asia Pacific desk of Henderson Investment Management as a trainee portfolio manager. In 1996 he moved to BP Investment Management where he managed the bulk of the Asia Pacific ex. Japan portion of the BP pension fund. In 2004 he joined Newton as Leader of the Asia Pacific team.

Date of birth: 21 December 1970

### **Raj Shant**

Raj graduated from Leeds University with a BA Joint Honours in Economics and Management. After a year of working as a graduate trainee with investment bank Midland Montagu, he joined a life company Provident Mutual as an analyst on their European Equities team. In 1994 he joined Royal Insurance Asset Management as a Junior Portfolio Manager on European Equities. In 1997 he joined Credit Suisse Asset Management as a Senior PM, and was made Head of European Equities in 2000. In 2002 Rajesh joined Newton as Head of European Equities.

Date of birth: 15th August 1969

### **Iain Stewart**

In graduated with a Bsc (hons) from Aberdeen University in 1979, PhD from UEA in 1984 and is a member of UKSIP. He joined Newton in 1985 as a trainee fund manager. Iain is currently responsible for the bulk of Newton's pooled balanced portfolios. He



is also responsible for the company's active absolute return strategy. Iain is actively involved in Newton's investment strategy, and in particular, investment themes.

Date of birth: 07 March 1957

**Simon Laing**

Simon graduated from Oxford University in 1997 with a MEng in Engineering Science. He joined Newton straight from university on the graduate program as an industry analyst following consumer stocks. In March 2000, Simon moved on to the US desk as an assistant fund manager. His other role is to provide US leadership to the global portfolio managers. Simon is a CFA charterholder.

Date of birth: 23 October 1974

**Jon Day**

Jon graduated from Durham University in 1998 with a BSc in Mathematics. He qualified as a chartered accountant at KPMG before joining Newton in 2002. He initially joined Newton as a credit analyst before becoming a portfolio manager in 2007. Jon became a CFA charter holder in 2005.

Date of birth: 8 December 1976

**Howard Cunningham**

Howard joined Newton in July 2000 initially as the senior credit analyst at Newton with particular responsibility for investment grade bonds. He first took on fund management responsibilities in 2002, and currently manages three pooled and three segregated corporate bond funds. Howard has 20 years experience in corporate credit analysis. He joined Newton from NatWest where he was latterly Head of Credit Rating, in charge of a team of 17 sector focused credit analysts. Prior to his 3½ years in the Bank's internal credit rating unit he had spent 8 years in large corporate relationship management and credit roles with NatWest in the City of London. He graduated with a degree in Modern Languages from Oxford University in 1988.

He is a member of the Bonds & Foreign Exchange Group which meets monthly, and chairs the weekly Credit Meeting.

Date of birth: 6th November 1965

**Carl Shepherd**

Carl is an investment manager with Newton. Carl graduated in 1999 from the University of Northumbria with a BA(hons) in Business Studies. After two years working in the Corporate Pensions department at Legal and General, Carl joined the fixed income team at Newton in 2002. Carl manages a variety of fixed income funds versus the FTSE all-stocks gilts index and various global short-dated fixed income benchmarks. Carl also provides analysis on Emerging Market Government Bonds. Carl is currently completing an MBA at the University of Lancaster.

Date of birth 8th April 1975

**Robert Hay**

Robert is an investment manager with Newton. He joined Newton in 2000 and manages a range of global equity portfolios. Robert is a graduate of Edinburgh University and the EAP European School of Management and is a CFA charter holder.

Date of birth: 29 July 1976

**Mike O'Brien**

Mike is a private client investment manager at Newton. He joined Newton in 1999, specializing in the management of offshore portfolios having worked for Mellon Financial in the US since 1988. As a vice president of Mellon's Private Asset Management Group, he had investment responsibility for the portfolios of a variety of private clients associated with the Boston office. A Chartered Financial Analyst, Mike attained a Bachelor of Finance from Bentley College, MA.

Date of birth: 25 March 1963

**Caroline Mair**



Caroline is a private client investment manager at Newton in the Private Clients Division. She joined Newton after leaving university in 2000 as a trainee fund manager and now manages a variety of private client and trust portfolios. Caroline holds a MA Honours degree in Economics and Management from the University of St .Andrews in Scotland and is a member of the Securities & Investment Institute.

Date of Birth: 28 May 1977

**Catriona Blackwell**

Catriona is a private client investment manager, having joined Newton in 2006 as a graduate trainee. She manages a variety of private client, trust and pension portfolios including US Private Wealth clients. She graduated from Bristol University with a BA Honours in History and since joining Newton has passed the IMC qualification. She is currently a candidate in the Level 2 examination of the CFA program.

Date of birth: June 29 1984

**Item 8 (C)**

1. NCM acts as sub-investment advisor to three Dreyfus mutual funds. The investment advisor is The Dreyfus Corporation, 200 Park Avenue, New York, NY 10166. Dreyfus is the primary mutual fund business of The Bank of New York Mellon. Dreyfus, which is also a broker-dealer, helps to source North American business for NCM.

2. & 3. Newton Investment Management Limited ("NIM") is the UK based investment advisor that provides a number of different services to NCM such as research and performance measurement. All investment personnel of NCM are also employees of Newton Investment Management Limited. NCM also acts as investment advisor to the Dreyfus Investment Funds ("DIF") mutual fund range.

6. Certain of NCM's officers are also officers in a dual capacity of The Bank of New York Mellon which is an affiliated bank. These officers may provide investment advice for collective and common trust funds for which The Bank of New York Mellon is trustee, custodian or investment manager. For these services, NCM receives an investment management fee, generally based upon assets under management.

NCM, NIM, The Bank of New York Mellon and Dreyfus are part of The Bank of New York Mellon Corporation.

NCM's services are sometimes offered under the umbrella designation, "BNY Mellon". In such cases, "BNY Mellon" is used to describe the range of investment products and services available from the affiliates of The Bank of New York Mellon Corporation. NCM's services are also sometimes offered under the umbrella designations, Mellon Asset Management ("MAM") and BNY Mellon Asset Management International ("BNYMAMI"), and were formerly offered under the umbrella designation Mellon Institutional Asset Management ("MIAM").

"BNY Mellon Asset Management" is used to describe the array of investment management services available to both U.S. and non-U.S. investors from the affiliates of The Bank of New York Mellon Corporation.

"BNY Mellon Asset Management International" is used to describe the array of investment management services available from the affiliates of BNY Mellon Financial Corporation to investors outside the U.S.

NCM may enter into transactions with unaffiliated counterparties or third party service providers who then use Newton's affiliates to effect or complete such transactions. Services provided by such affiliates may include, for example, execution and clearance of trades, issuance or cancellation of depositary receipts, foreign exchange or other services not contemplated by registrant. Such affiliates may receive compensation for providing these services. The decision to use NCM's affiliate in these circumstances, however, is made by the unaffiliated counterparty or third party service provider. Further, NCM is often is unaware that the counterparty has chosen to use NCM's affiliate to provide such services.

Where NCM selects the broker, registrant may use an affiliated broker, or unaffiliated broker-dealers for the purchase and sale of securities for client accounts consistent with its duties of best execution, and subject to any client and regulatory proscriptions.

Please see Schedule D, Section 7A of ADV Part I for a list of investment advisors and broker-dealers which are affiliates of NCM.

The BNYMC has established a policy regarding purchases of securities where an affiliate acts as underwriter or as a member of the underwriting syndicate. Affiliates of registrant occasionally participate in the underwriting group for certain securities. In compliance with applicable banking, securities and ERISA regulations, registrant may purchase securities for which an affiliate is acting as underwriter or as a member of the syndicate during the syndication period so long as requirements of the policy, including written approval and compliance with certain investment criteria, are met. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances.



NCM may be prohibited or limited from effecting transactions on behalf of clients due to rules in the marketplace it trades, because of foreign laws, or its own policies and procedures. In certain cases, we may face further limitations because of aggregation issues due to our relationship with affiliated investment advisory firms.

NCM's parent and/or its other affiliates may gather data from the registrant about its investment activities, including information about holdings within client portfolios, which is required for regulatory filings to be made by the registrant and/or its parent or other affiliates (e.g., reporting beneficial ownership of equity securities) or for other compliance, legal or risk management purposes, pursuant to policies and procedures of the registrant, its parent or other affiliates. This data is deemed confidential and procedures are followed to ensure that any information is utilized solely for the purposes intended.

Payment of referral fees to employees of BNYMC

The Bank of New York Mellon Corporation ("BNYMC") is a global financial services company providing a comprehensive array of financial services (including asset management, asset servicing, clearing and execution services, issuer services, and treasury services) through a worldwide client-focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Asset Management is the umbrella designation for the BNYMC's affiliated investment management firms and global distribution companies and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services. BNYMC has adopted an incentive compensation program designed to (i) facilitate clients gaining access to and being provided with explanations about the full range of products and services offered by BNYMC and its subsidiaries and (ii) to expand and develop client relationships. This program may lead to the payment of referral fees and/or bonuses to employees of BNYMC or its subsidiaries who may have been involved in a referral that resulted in the client's engagement of NCM. Any such referral fees or bonuses are funded solely out of (but do not increase) the fees and commissions paid by NCM's clients.

**Item 8 C (1)** Other Affiliations - Broker-Dealer

NCM's affiliate, Newton Capital Management LLC, provides sales and marketing services in the U.S. for NCM. Newton Capital Management LLC's sales and marketing employees are registered representatives of MBSC, an affiliated broker-dealer. MBSC is a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and is a member of FINRA. There is a financial arrangement in place between NCM and the broker-dealer.

**Item 8 D** Please see Form ADV Part I for partnership information.

**Item 9 (A), 9(B)**

It is NCM's policy that neither it nor any officer or director of Newton shall, as principal, buy securities for itself from, or sell securities it owns to, any client. Neither NCM or any officer or director of NCM, as broker or agent, effects securities transactions for compensation for any client. NCM is part of a large diversified financial organization, which includes banks and broker-dealers. As a result, it is possible that a related person other than NCM's officers and directors, may, as principal without knowledge or intent, purchase securities from or sell securities to, NCM's clients. However, NCM does not participate in any transactions of this type, as Newton does not use affiliated banks and broker-dealers for principal transactions on behalf of clients.

NCM has adopted a Code of Ethics that is made up of two parts - BNYMC Code of Conduct and Interpretive Guidance (the "BNYMC Code"), and the BNYMC Personal Securities Trading Policy (the "PSTP"). BNYMC is the ultimate parent company of NCM.

The BNYMC Code addresses conflicts of interest; proper use and care of information and proper recordkeeping; dealing with customers, prospects, suppliers, and competitors; doing business with the government; personal finances; and compliance with the law, among other matters. Under the heading of "conflicts of interest," the BNYMC Code addresses gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions. Under the heading of "proper use and care of information and proper recordkeeping," the BNYMC Code addresses proprietary information and intellectual property; data integrity and corporate information; use of e-mail and internet; accurate accounting and internal controls; inside information; talking to the media; and document retention. Under the heading of "dealing with customers, prospects, suppliers and competitors," the BNYMC Code addresses business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company's name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities. Under the heading of "doing business with the government," the BNYMC Code addresses complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor obligations. Under the heading of "personal finances," the BNYMC Code addresses personal investments; personal brokerage accounts; contributions to political parties; contributions to not-for-profit entities; and individual employees' regulatory



requirements. Under the heading of "compliance with the law," the BNYMC Code addresses illegal or criminal activities; investigations; and protection of company assets.

The PSTP is a comprehensive policy concerning personal securities trading designed to reinforce BNYMC's reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of BNYMC's business. The PSTP sets forth procedures and limitations that govern the personal securities transactions of every BNYMC employee in accounts held in their own name as well as accounts in which they have indirect ownership. Applicant, and its related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that NCM also recommends to clients.

NCM, as an indirect subsidiary of BNYMC, is part of a diversified financial services organization. While certain PSTP requirements are applicable to all BNYMC employees, the PSTP imposes different requirements and limitations on employees based on the nature of their business activities for the company. Each of Applicant's employees is classified as an Investment Employee ("IE"), an Access Decision Maker ("ADM"), or an Other Employee ("OE"). IEs are employees who, in the normal conduct of their job responsibilities, have access (or are likely to be perceived as having access) to non-public information regarding any advisory client's purchase or sale of securities or non public information regarding the portfolio holdings of any Proprietary Fund, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public. (For purposes of the PSTP, a Proprietary Fund is defined as an investment company or collective fund for which a BNYMC subsidiary serves as an investment advisor, sub-advisor or principal underwriter, other than money market funds.) ADMs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP. A further designation of Micro-Cap Access Decision Maker ("MCADM") is reserved for those ADMs who make recommendations or decisions regarding the purchase or sale of any security of an issuer with a low common equity market capitalization, as defined in the PSTP. Applicant's employees are considered OEs if they are not an IE or ADM. The principal elements of the PSTP applicable to Applicant's employees are summarized below.

IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership (as defined in the PSTP), wherein they must: (a) provide to the Preclearance Compliance Officer or his/her designee, a statement of all securities and Proprietary Fund accounts that may trade reportable securities and their respective holdings, as well as a listing of any reportable securities held outside of trading accounts, within 10 calendar days of becoming an IE or ADM, and again quarterly upon request of the BNYMC Ethics Office; (b) instruct their broker or other entity through which they have a securities or Proprietary Fund trading account to submit directly to the Preclearance Compliance Officer or his/her designee copies of all trade confirmations and account statements; (c) provide to the Preclearance Compliance Officer or his/her designee, within 30 calendar days after the end of each calendar quarter, a statement of securities or Proprietary Fund transactions; and (d) obtain written preclearance from the Preclearance Compliance Officer before initiating any securities or Proprietary Fund (with certain exemptions) transaction. Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities (as defined in the PSTP), or certain other transactions that are not deemed to present any potential conflicts of interest. Other securities transactions which were not completed through an account must be reported to the Preclearance Compliance Officer or his/her designee within 30 calendar days after the end of the calendar quarter in which the transaction occurs. OEs are not subject to these requirements.

Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds or money market funds (regardless of BNYMC affiliation) and short-term instruments, as specified in the PSTP); non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest. The Preclearance Compliance Officer maintains a "restricted list" of companies whose securities are deemed appropriate for implementation of trading restrictions for IEs and ADMs. This list is used by the Preclearance Compliance Officer to determine whether or not to grant trading authorization. In general, employees will not be given clearance to trade in any security that is on the restricted list or for which there is a pending buy or sell order for an affiliated account. The Preclearance Compliance Officer may approve certain de minimis transactions even when the firm is trading such securities, as specified in the PSTP. If preclearance approval is received, the trade must be executed by the close of business on the next business day, at which time the preclearance authorization will expire.

The acquisition of any securities in a private placement requires prior written approvals from (a) each of the BNYMC Operating Committee Member representing Registrant's business, the BNYMC Ethics Office and the Preclearance Compliance Officer (for IEs and OEs) or (b) the BNYMC Investment Ethics Council ("IEC") (for ADMs). All covered employees are prohibited from investing in initial public offerings without prior approval of the BNYMC Ethics Office or, for ADMs, the IEC, which is only granted when the allocation is the result of a direct family relationship. With respect to transactions involving BNYMC securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (i.e. purchasing and selling, or selling and purchasing BNYMC securities within any 60 calendar day period). With respect to non-BNYMC securities (other than Proprietary Funds, discussed below), purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged. Any profits realized on short-term trades in BNYMC or non-BNYMC securities by ADMs and IEs must be disgorged (except for



short-term trades in BNYMC securities in the BNYMC 401(k) plan accounts). However, transactions in non-BNYMC securities that are exempt from preclearance are not considered purchases or sales for purposes of profit disgorgement.

The PSTP provides that no covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund's disclosure documents. These restrictions include funds held within employee benefit plans and other types of accounts established for retirement purposes. In addition, because holdings in Proprietary Funds are expected to be long-term investments, IEs and ADMs are prohibited from purchasing and redeeming, or redeeming and purchasing, shares of any Proprietary Fund within any 60 calendar day period, unless they have the prior approval of the Preclearance Compliance Officer or his/her designee. Transactions within non-discretionary accounts or pursuant to an automatic investment plan are not deemed to be purchases or redemptions for purposes of this 60-day holding period. With respect to employees' movements of balances into or out of Proprietary Funds within their BNYMC 401(k) plan accounts, the transactions generally do not need to be pre-cleared, but they are nonetheless subject to holdings reporting and to the 60-day holding period.

The IEC is composed of investment, legal, risk management, compliance and ethics management representatives of BNYMC and its affiliates. The IEC provides interpretive guidance to the Ethics Office and has oversight responsibility with respect to personal securities trading and investment activity of ADMs. The following additional restrictions apply to ADMs: (a) subject to certain exceptions specified in the PSTP, ADMs must disclose and obtain written authorization from their Chief Investment Officer, Chief Executive Officer or their designee prior to making or acting upon a portfolio recommendation in a security which they own directly or indirectly ("contemporaneous disclosure"); (b) ADMs who are portfolio managers are prohibited from purchasing or selling a security (owned directly or indirectly) within seven (7) days before and after a fund or other advised account managed by the portfolio manager (excluding index funds) has effected a transaction in that security; and (c) ADMs must provide to the Preclearance Compliance Officer or his/her designee within 30 calendar days of each quarter-end the Special Purpose ADM Quarterly Securities Report, which includes information on securities directly or indirectly owned by the ADM at any time during the quarter which were also recommended for a transaction or held in a portfolio managed by the ADM during the quarter, private placements and micro-cap holdings. ADMs that are designated as MCADMs have additional restrictions, disclosure obligations, and required approvals when voluntarily acquiring, directly or indirectly, securities of issuers with low common equity market capitalization, as defined in the PSTP.

A copy of Registrant's Code of Ethics will be provided upon request.

**Item 9 (D)** Recommending Securities or Investment Products in which NCM or a Related Party has a Financial Interest

NCM may, in appropriate circumstances and consistent with the client's investment objectives, recommend to clients investment products in which it or a related party has a financial interest. Specifically, NCM may suggest participation in common and collective trust funds maintained by The Bank of New York Mellon. Such funds are managed by NCM's personnel in their roles as dual officers of The Bank of New York Mellon. [Generally, the same investment philosophy and policies are used by NCM for separately managed accounts. Generally, NCM does not use its discretion to invest client assets in such related funds. The initial decision to become a participant in a related fund is made by the client. NCM may use its discretion to make additional investments in such funds where (1) the client's contract provides that NCM has the authority to make such asset allocation decisions, and (2) the client and NCM have entered into a fee arrangement that provides for a single fee schedule for all assets under management in lieu of a different fee schedule for each such related fund. NCM may use its discretion to make withdrawals from such funds where (1) such action has been approved by the client in order to ensure that the client's asset allocation guidelines are met and (2) such action does not result in the client paying a higher fee.

**Item 10** The minimum value to hold a discretionary managed portfolio with NCM is US\$50,000,000 for institutional clients and \$5 million for private wealth clients. Whilst this is the minimum stated account size, NCM may consider accepting smaller accounts depending on the nature of the client and prospective incremental funding rates, or when a relationship currently exists with the client. NCM may elect to waive the minimum, in its sole discretion.

**Item 12 (A) (B)** In general, NCM provides discretionary services to client. It has, therefore, the authority to determine which securities are to be bought and sold and in what amounts. NCM does not provide non-discretionary advice. NCM's discretion may be limited in some circumstances to avoid purchasing securities which the client is restricted from holding in the portfolio.

Newton maintains an Approved Counterparty List and should only transact client orders through the brokerage firms detailed on that list. A due diligence review is performed before a new counterparty can be added to the list. Periodic reviews of the list are performed to ensure that only appropriate firms remain approved. These reviews are designed to ascertain the counterparty's financial soundness, its regulated status, market reputation and service standards.

Newton currently has 3 Counterparty lists:



- Approved Counterparty List (Full List) consisting of approximately 40-50 counterparties with which Newton will place the majority of its deals. Newton will have Commission Sharing Agreements (CSA) agreements in place with these Counterparties (apart from Execution only or Fixed Income only Counterparties)
- Provisional Counterparty List (Provisional List) consisting of approximately 100 counterparties that Newton may deal with when appropriate in order to achieve best execution. Newton will not have any CSA's with any on these counterparties.
- Research Only List consisting of Counterparties with which Newton will not be dealing but who will be paid via CSA's for their research.

A yearly review of brokers is conducted for Best Execution. Newton performs annual reviews of all brokerage arrangements to assess the reasonableness of brokerage commission rates in relation to the services provided and to determine how brokerage commission business will be allocated in the following 12-month period. Brokers who provide proprietary research services may receive a commission that is in excess of the amount of commission another broker may have charged if it is management's opinion that the higher commission is reasonable in relation to the value of all the services rendered.

Our Best Execution policy does not necessitate that we achieve the best possible result with every trade, but that the focus is on having a reasonable process for obtaining the best possible result on a consistent basis.

These factors are taken into account when determining Best Execution:

- price;
- costs;
- speed of execution;
- likelihood of execution;
- speed of settlement;
- likelihood of settlement;
- size of the order;
- nature of the order; and
- any other consideration relating to the execution of the order.

#### Dealing Commission Arrangements

NCM enters into dealing arrangements with brokers for the receipt of goods or services that relate to the execution of trades or the provision of research.

Under the arrangements NCM uses the dealing commission that it pays to brokers to cover costs relating to the execution of trades on behalf of its clients, and, in the case of bundled commission, to purchase research services from brokers or third parties. Newton considers such use of commission to be beneficial to its clients, as it enables NCM to obtain valuable research and execution services in a cost effective manner.

In many cases, the research services will be provided directly by the broker and NCM will include payment for the research services alongside the execution cost in its commission payment to the broker. In other cases, the research services will be provided by a third party under a commission sharing agreement. In such cases the cost of the services will be met by requesting a broker to pay the third party a portion of the commission that the broker has received, being an amount over and above what was justified by the broker's own services. Newton has commission sharing agreements with a number of brokers.

This research will be used to augment Newton's investment decisions. As such the end result may benefit all client accounts.

#### Aggregation of orders

When dealing collectively for clients, Newton may aggregate an order. Such aggregations are subject to UK regulatory requirements on fair treatment of clients and the duty to achieve best execution. Generally, when trades are aggregated, each account within the block trade will receive the same price and commission.

Newton has a formal allocation policy which ensures that all clients are treated fairly in line with UK regulatory Requirements.

NCM may enter orders to participate in Initial Public Offerings (IPOs). Often the shares designated by the broker for Newton's clients are insufficient to provide meaningful allocations to each account. NCM, in deciding to purchase an IPO, considers the capitalisation characteristics of the security and targets accounts with investment objectives and strategies consistent with such capitalisation. Generally, as more IPO's are small and mid-cap companies, the accounts which Newton manages with a small and mid-cap focus will receive more IPOs than accounts with large cap focus. Within each capitalisation category, NCM, consistent with client guidelines, will allocate prorata shares of an IPO whenever possible and practicable. When the amount



received in an IPO is too small to allocate meaningful positions to each possible participant, NCM will allocate IPO shares to one or more eligible accounts and attempts to make such allocations to all accounts fairly and equitably over time.

**Item 13 (B)**

As described in more detail below, NCM may pay referral fees to affiliates of the NCM and employees of the affiliates for referrals that result in additional investment management business.

Financial rewards may be paid to Newton and its employees for referring business (services or products) to other companies owned or controlled by the same parent holding company, and such other companies and their employees may receive financial rewards for referring business to Newton. Newton's holding company has instituted a company-wide Cross-Sell Plan to reward eligible employees who offer a business lead that result in a sale of certain products or services to existing clients and prospects. The Plan promotes our company's values of Client Focus, Trust, Teamwork and Outperformance by encouraging the cross-selling of our broad array of services and products throughout the organization to better meet a current or prospective client's full range of needs for financial products and services, and to expand our customer relationship. The financial incentives may be based on the number of referrals made. Certain types of regulated entities, employees and referrals may be ineligible or subject to restrictions under applicable law or internal procedures governing the earning of such rewards.

NCM's ultimate parent, The Bank of New York Mellon Corporation, has organized its lines of business into six sectors: Asset Management, Asset Servicing, Investor Services, Treasury Services, Private Wealth Management and Working Capital Solutions. NCM is part of the Asset Management Sector. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Sectors. Sales forces have been created to focus on: (1) the defined contribution market place; (2) the multi-employer marketplace; (3) consultants to Asset Management prospects and clients; and (4) the sale of alternative investment products.

With the exception of the sale of alternative investment products the Asset Management sales representatives are paid fees for sales into these accounts. The fees are based on revenues and may be a one-time payment or paid out over a number of years. In addition, the NCM's sales representatives and sales representatives of its affiliates within the Asset Management Sector are paid for intra-Sector referrals to their counterparts. Those fees are based on the first year's revenue for the new business. Sales of any alternative investment products are effected exclusively through a broker-dealer affiliate of the NCM. Only registered representatives of such broker-dealer receive compensation for sales of alternative investments.

NCM may pay a fee to an affiliate (or directly to employees of the affiliate) that has a pre-existing relationship with a new client in one of the five other Sectors. For example, the NCM may pay a referral fee to Bank of New York Mellon, or an employee of the Bank, if the Bank, as a provider of non-discretionary trust and custody services to the ABC Pension Plan, refers the named fiduciary of the ABC pension plan to the NCM and the NCM is hired to provide investment management services to the Plan. The fees are based on revenues and may provide for a one-time payment or payments over a number of years.

**PROXY VOTING POLICY**

**Voting** – NCM aims to exercise all proxy voting rights in the UK and, where practicable, outside of the UK. NCM's voting procedures take note of investee companies' compliance with the core standards of the Combined Code and other industry guidelines. On any potential conflicts of interest between NCM, the investee company and/or a client, the advice of the voting services used will take precedence.

**Evaluating engagement** – Engagement must be about the maintenance or enhancement of value for NCM's clients. In its more routine aspect, such as voting on noncontentious issues, the value of the exercise may be difficult to assess. It may, however, express support for a management and its strategy, backing for a structure, which protects shareholders rights, or approbation of a report that maintains or enhances good standards of behavior. In the escalation of engagement, the benefits may become more tangible. In arguing or voting against an inappropriate remuneration package, the immediate benefits to the company, its profit & loss account and shareholders may not be material in themselves. Cumulatively, however, failure to control this area is likely to have a serious impact on management cultures and lead to escalating industry costs. The most tangible areas of benefit from engagement are likely to be in those situations where there is concern over strategy, an acquisition, the financial positioning of the company, the failure to tackle management problems or the like. In these situations, the decision to intervene, if selling the security is not appropriate, is likely to be driven by a concern over the potential loss of value to NCM's clients should the issue not be addressed. In these situations, calculation of value is likely to be similar to that undertaken for any other investment decision. However, like most investment decisions, the calculation of cost saving or value enhancement is likely to be, at least in part, subjective.

**Reporting on engagement** – NCM issues a log of proxy voting, with narrative, and a log highlighting examples of engagement. This is published in NCM's Responsible Investment Quarterly report. NCM's Responsible Investment Statement and the Responsible

Investment Quarterly reports are also available on [www.newton.co.uk](http://www.newton.co.uk).

**SIDE BY SIDE MANAGEMENT**



A potential conflict may arise when NCM is responsible for the management of more than one account side by side. The potential arises for the fund manager to favor one account over another. The risk of such conflicts of interest could increase if a fund manager has a financial incentive to favor one account over another. Examples of where these conflicts may arise in practice are:

- A fund manager may favor an account if the fund manager's compensation is tied to the performance of that account rather than all the accounts he manages.
- Where different accounts managed by the same manager have materially and potentially conflicting investment objectives or strategies, a conflict of interest may arise.
- A fund manager may favor an account if that manager has a beneficial interest in the account, in order to benefit a large client or to compensate a client that had poor returns.
- Employees may serve as directors, officers or general partners of certain outside entities after obtaining the appropriate approvals in Risk & Compliance with the Code of Conduct.
- There is potential conflict where a portfolio manager manages personal accounts alongside client accounts. Further, there is potential conflict where other employees in the firm know of portfolio decisions in advance of trade execution and could potentially use this information to their advantage and to the disadvantage of NCM's clients.

NCM has a fiduciary duty to manage all client accounts in a fair and equitable manner. It strives to provide the best execution of all securities transactions and aggregate and then allocate securities to client accounts in a fair and timely manner.

To accomplish this NCM has developed policies and procedures designed to mitigate and manage the potential conflicts or interest that may arise from side by side management. It has specific policies in place to mitigate any potential conflicts.

#### **PRIVACY POLICY**

The privacy policies described in this notice apply to individuals who obtain investment management services for personal, family, or household purposes, or have done so in the past, from NCM.

This notification replaces all previous statements of our consumer privacy policy, and may be amended at any time. NCM will keep you informed of changes as required by law.

NCM maintains physical, electronic and procedural safeguards that comply with federal regulations to guard non-public personal information. NCM is careful to limit access to your non-public personal information.

NCM's employees have access to customer information based on their responsibilities. This access enables them to assist in completing transactions and resolving any customer service issues that may arise.

NCM collects non-public personal information about you from your account opening documentation and based on your transactions with us. NCM does not share information with anyone, except as authorized by you or permitted by law.

#### **CLASS ACTIONS - LITIGATION**

Where Newton's clients have appointed their own custodian, Newton does not initiate or joined any class actions. Where Newton has appointed the clients' custodian, the custodian is contractually required to notify Newton of any upcoming class actions and pursue these class actions on behalf Newton's clients. The decision to pursue a class action is made by either the chief investment officer; leader global research or deputy chief investment officer.

To date, where the custodian has provided Newton with notification of an upcoming class action, Newton has typically participated.



# Balance Sheet

# Schedule G

# **Newton Capital Management Limited**

**Directors' report and financial statements**

**Registered number: 2675952**

**For the year ended 31 December 2008**

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# Newton Capital Management Limited

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# Newton Capital Management Limited

## Directors' report

The Directors present their report and financial statements for the year ended 31 December 2008.

## Principal activities

The principal activity of Newton Capital Management Limited ("The Company") is investment management.

The Company is authorised and regulated by the Financial Services Authority ("FSA") pursuant to the Financial Services & Markets Act 2000.

All of the Company's activities during the year are regulated and conducted within the permissions granted to the Company by the FSA.

## Results and dividends

The loss for the year after taxation amounted £260,000 (2007: loss £53,000).

The Directors do not recommend a dividend for the year ended 31 December 2008 (2007: £nil).

## Business review and business results

The Company operated at a loss during the year. The loss is largely due to the increase in sales and marketing costs during the year as the Company establishes a presence in North America.

The Company's sole activity is investment management and this service is provided predominantly to North American Institutional clients.

The business had a positive year in terms of new business, with total assets under management at the year-end of £976m (2007: £629m).

The Company's revenues are driven mainly from the value of assets managed and as such the business is susceptible to equity market levels.

The Company's key financial and other performance indicators during the year were as follows:

	2008 £000	2007 £000	Change %
Turnover	2,876	1,447	99%
Administrative expenses	3,303	1,583	109%
Net assets	1,678	1,938	-13%

Turnover increased significantly during the year reflecting the continuing development of Newton's recently established US business.

Administrative expenses increased significantly during the year, principally driven by the increase in US sales and marketing related recharges from Newton Capital Management LLC and the increase in revenue related recharges from an affiliated entity, Newton Investment Management Limited.

Net assets decreased by 13% during the year, predominantly due to the operating loss for the year.

# Newton Capital Management Limited

## Directors' report- continued

### Risk management

The company is a BIPRU firm and is regulated by the FSA. Capital and other Financial returns are prepared and submitted to the regulator on a quarterly basis. At 31 December 2008, surplus regulatory capital as reflected within the Company's regulatory returns amounted to £1,238,000 (2007: £1,938,000).

### Governance and Policies

Policies and procedures are in place to govern and manage the business. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant element of the business.

Governance of the Company is carried out through regular meetings of the Board of Directors. The Board is responsible for the ongoing success and development of the Company's business as well as assisting the risk management framework.

Key committees are in place to oversee the risk management function and to ensure adequate risk management and controls are in place. Each committee has clearly stated terms of reference and reporting lines.

The key committees include:

- NCM Risk and Compliance Committee
- Newton Risk and Compliance Committee
- Newton Operational Risk Working Group
- Counterparty Risk Committee
- Derivatives Steering Committee

In addition there are a number of regional key oversight committees in place to build on the U.S Corporate Global Risk Management Framework.

- The BNYM EMEA (Europe, Middle East, and Africa) Risk Committee has an oversight responsibility covering the major risk sources (except Liquidity risk), including Compliance of the EMEA region.
- The EMEA Risk Committee has representation from the key risk sources as well as Business Heads. Reports are provided and reviewed covering the risk sources and any issues that need monitoring.
- The EMEA Asset & Liability Committee has oversight responsibility for the balance sheets of the U.S branches in EMEA as well as local legal entities and its focus is primarily overseeing that Liquidity risk is managed effectively.

### Risk Management Process

The lines of business are responsible for actively identifying their risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. The objective of this detailed self-assessment is to prevent or minimise:

- Errors or service delivery failures, especially those with visible impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

# Newton Capital Management Limited

## Directors' report- continued

### Risk management- continued

Through the preparation of the Internal Capital Adequacy Assessment Process ("ICAAP") Newton has identified the major sources of risk to its business are Operational, Business and Compliance risks. These risks are consistent with those facing investment management firms. Newton has a risk management process as outlined above and implemented policies and procedures to mitigate those risks.

### Directors

The directors who served during the year and up to the date of the report were as follows:

	Appointment	Resignation
G Christie	-	-
A T Downs	-	-
M Duncan	26 March 2009	-
H L Morrissey	-	-
R J Munroe	-	-
M W Scott	-	12 February 2008
K Turner	-	-

### Directors' indemnity provisions

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 1985. Indemnity provisions of this nature have been in place during the year but have not been utilised by the Directors.

### Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board



A T Downs  
Director

23 April 2009

Newton Capital Management Limited  
160 Queen Victoria Street  
London  
EC4V 4LA

# Newton Capital Management Limited

## Statement of directors' responsibilities in respect of the directors' report and financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Company's financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Newton Capital Management Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWTON CAPITAL MANAGEMENT LIMITED

We have audited the financial statements of Newton Capital Management Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London  
EC4Y 8BB

23 April 2009

# Newton Capital Management Limited

## Profit and loss account for the year ended 31 December 2008

	Notes	2008 £000	2007* £000
Turnover	2	2,876	1,447
Administrative expenses	3	<u>(3,303)</u>	<u>(1,583)</u>
<b>Operating loss</b>		(427)	(136)
Interest receivable and similar income	6	<u>64</u>	<u>62</u>
<b>Loss on ordinary activities before taxation</b>		(363)	(74)
Tax on loss on ordinary activities	7	<u>103</u>	<u>21</u>
<b>Loss for the financial year</b>		<u>(260)</u>	<u>(53)</u>

\* Certain prior year numbers have been reclassified to be consistent with current year presentation.

Notes 1 to 14 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year relate to continuing operations.

The Company has not prepared a separate statement of total recognised gains and losses as all gains and losses are reflected in the profit and loss account above.

# Newton Capital Management Limited

## Balance sheet at 31 December 2008

	Notes	2008 £000	2007 £000
<b>Current assets</b>			
Debtors	8	1,649	1,045
Cash at bank and in hand		359	1,120
		<u>2,008</u>	<u>2,165</u>
Creditors: amounts falling due within one year	9	(330)	(227)
<b>Net assets</b>		<u>1,678</u>	<u>1,938</u>
<b>Capital and reserves</b>			
Called up share capital	10	1,600	1,600
Profit and loss account	11	78	338
<b>Shareholders' funds</b>		<u>1,678</u>	<u>1,938</u>

Notes 1 to 14 are integral to these financial statements.

The financial statements were approved by the Board of Directors and were signed on its behalf by:



A T Downs  
Director

23 April 2009

# Newton Capital Management Limited

## Notes to the financial statements At 31 December 2008

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### **Basis of preparation**

The financial statements have been prepared on the going concern basis in accordance with UK applicable accounting standards and under the historical cost accounting rules.

#### **Turnover**

Turnover, which is stated net of value added tax, comprises management fees net of expense reimbursement.

Management fees are fees paid for the management of investment portfolios. These are charged as service is provided based on various formulae linked to the value of portfolios at invoicing dates

#### **Segmental reporting**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Currently, the Directors consider that the Company's services comprise one business segment (being provision of investment management services) and that it operates in a market that is not geographically segmented.

#### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

#### **Interest receivable and similar income**

Interest income and commissions are treated on an accruals basis.

#### **Derivative financial instruments**

##### *Initial recognition and subsequent measurement*

The Company uses derivative financial instruments mainly forward currency contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting, are taken directly to the profit and loss account.

# Newton Capital Management Limited

## Notes to the financial statements- continued At 31 December 2008

### 1. Accounting policies - continued

#### Derivative financial instruments- continued

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

#### Taxation

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Group intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity.

#### Cash flow statement

The Company was a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation and is included in the consolidated financial statements of that company for the year ended 31 December 2008, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

#### Related party transactions

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions within the group on the grounds that more than 90% of the voting rights are controlled within the group and the consolidated financial statements of the ultimate parent company are publicly available.

### 2. Analysis of turnover

#### By activity

	2008	2007
	£000	£000
Management fees	2,876	1,447

# Newton Capital Management Limited

## Notes to the financial statements- continued At 31 December 2008

### 3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging/ (crediting):

	2008 £000	2007 £000
Auditors' remuneration		
Audit of these financial statements pursuant to legislation	12	3
Other services pursuant to legislation	6	4
	<u>18</u>	<u>7</u>

The auditors' remuneration for 2008 and 2007 was borne by another group company.

### 4. Staff costs

The Company had no employees in the year ended 31 December 2008 (2007: nil).

### 5. Directors emoluments

The Directors did not receive any remuneration in respect of their services to the Company (2007:£Nil).

### 6. Interest receivable and similar income

	2008 £000	2007* £000
Net foreign exchange gains	16	15
Bank interest received	48	47
	<u>64</u>	<u>62</u>

\* Certain prior year numbers have been reclassified to be consistent with current year presentation.

### 7. Taxation

	2008 £000	2007 £000
Taxation is based on loss before tax for the year and comprises:		
Current corporation tax credit for the year at 28.5% (2007: 30%)	<u>(103)</u>	<u>(21)</u>
Total current tax	<u>(103)</u>	<u>(21)</u>

# Newton Capital Management Limited

## Notes to the financial statements- continued

At 31 December 2008

### 7. Taxation- continued

The UK standard rate of corporation tax changed from 30% to 28% from 1 April 2008 (2007: 30%). The current corporation tax rate for the year is equal to (2007: higher than) the standard rate for the reasons set out in following reconciliation:

	2008 £000	2007 £000
Loss on ordinary activities before tax	(363)	(74)
Tax credit on loss on ordinary activities at standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(103)	(22)
Factors affecting tax credit:		
- Adjustments in respect of prior periods	-	1
Current corporation tax credit for year	(103)	(21)

### 8. Debtors

	2008 £000	2007 £000
Due from fellow group undertakings	838	254
Corporation tax	65	43
Prepayments and accrued income	746	748
	1,649	1,045

### 9. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	-	11
Due to fellow group undertakings	311	185
Accruals and deferred income	19	31
	330	227

### 10. Called up share capital

	2008 £000	2007 £000
Authorised, allotted, called up and fully paid: 1,600,000 (2007: 1,600,000) Ordinary shares of £1 each	1,600	1,600

# Newton Capital Management Limited

## Notes to the financial statements- continued At 31 December 2008

### 11. Movement in reserves

	Called up share capital £000	Profit and loss account £000	Total £000
<b>2008</b>			
At 1 January	1,600	338	1,938
Retained loss for the year	-	(260)	(260)
At 31 December	1,600	78	1,678
	Called up share capital £000	Profit and loss account £000	Total £000
<b>2007</b>			
At 1 January	600	391	991
Share capital issued during the year	1,000	-	1,000
Retained loss for the year	-	(53)	(53)
At 31 December	1,600	338	1,938

### 12. Financial instruments

As at 31 December 2008, the Company had derivative financial instruments as follows: a forward foreign exchange contract to buy \$1,600,000 against Sterling on 31 January 2009 at a rate of \$1.468/ £1 (2007: nil).

### 13. Transactions involving directors, officers and others

At 31 December 2008 there were no loans and other transactions made to Directors and Officers of the Company (2007: £nil).

### 14. Parent company

The immediate parent company is Newton Management Limited, a company registered in England and Wales. Copies of accounts for Newton Management Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate parent company as at 31 December 2008 was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from:

The Secretary  
The Bank of New York Mellon Corporation  
One Wall Street,  
New York, New York  
10286  
USA