

BNY MELLON INVESTMENT FUNDS - NEWTON REAL RETURN FUND

BNY Mellon Asset Management
Sub-fund of UK-authorized Oeic

Report Issued: July 2009

Peer Group:
Asset Allocation Global Flexible
Fund Manager/Adviser:
Iain Stewart (since March 2004)

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S&P ID Number: SB067803
Share Class screened:
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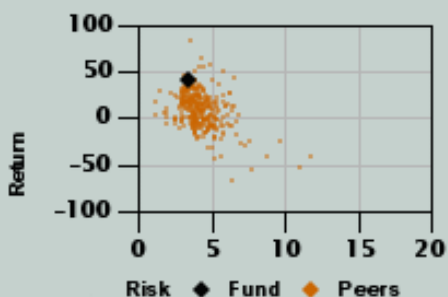


Location:
London
Launch Date: September 1993
Fund Size (May 2009):
£537m

INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

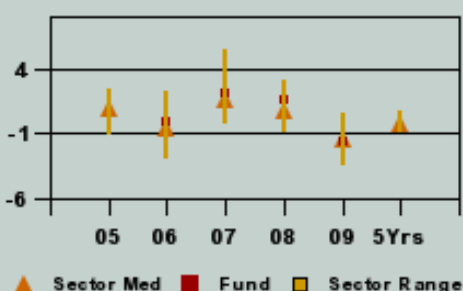
RISK RETURN (STD DEVIATION) OVER 5 YEARS



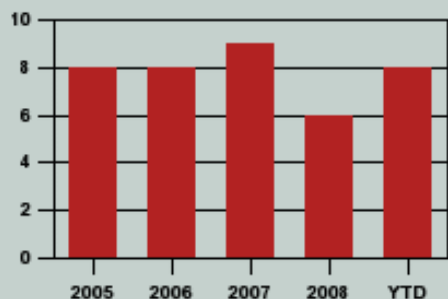
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown	Low	-30.4
Volatility	Low	13.0
Correlation	High	0.8

SHARPE RATIO VS PEER GROUP



CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Please see page 2 for required research analyst certification disclosure.

Further information on S&P's fund coverage can be found at www.FundsInsights.com

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STANDARD & POOR'S OPINION (JULY 2009)

On 30 June 2009 Newton Absolute Intrepid Fund was renamed Newton Real Return Fund. This was simply a change in name: the investment objective - to outperform 1 Month Libor + 4% over rolling five-year periods - is unchanged, as is the investment approach and fund manager.

Iain Stewart has managed this fund with considerable success since he was appointed manager in March 2004. Stewart is one of the longest-serving managers at Newton, having joined the group in late 1985. He has over 23 years' investment experience and has managed multi-asset mandates since 1985. He is a member of the global team of 12 and the investment strategy group, and thus ideally placed to benefit from the full resources across Newton.

The fund is managed consistently with Newton's trademark thematic approach and Stewart has an absolute return focus. The portfolio is invested across a range of different asset classes spanning equities, bonds, cash, derivatives, real estate, commodities, currencies and alternative strategies. Stewart uses the different asset classes to play the top-down themes in the most efficient way and to diversify risk.

The investment approach has proved very successful. Since Stewart was appointed manager in March 2004, the fund has outperformed the peer group median in each calendar year. More importantly, it has achieved 1 Month Libor +4% with great consistency. Our regard for Stewart, our increasing conviction in the in-house resources and this impressive track record warrant an upgrade in the fund's S&P rating to AAA.

FACT FILE

Group: BNY Mellon Asset Management International distributes the investment capabilities of 18 asset management subsidiaries to a wide range of investors globally. Total assets under management exceeded \$881bn at 31 March 2009.

Team: Stewart is one of 12 portfolio managers comprising the global portfolio management team. He works closely on this fund with James Harries and Matthew Brown. They take input from the broader group.

Fund Manager: With over 23 years' investment experience, all at Newton, Stewart is one of

Newton's longest-serving managers. He has managed multi-asset mandates since 1988 and the Newton Exempt Fund since 1992.

Style: Although the fund has been renamed, the objective and process is unaltered. The fund mainly invests in equities and bonds, but can invest in other asset classes. It is benchmarked against Libor +4%.

Performance: Over the five years to 30/04/2009, the fund has returned 40.5%, compared with 10.6% for the sector median, ranking 14/343.

FUND MANAGER & TEAM

Stewart is one of the most experienced managers at Newton and he is one of 12 managers comprising the global portfolio management team. The team has 15 years' average investment experience and Stewart, with 23 years, is the most experienced member. Stewart also sits on the investment strategy group (ISG), which includes the CIO, economists and senior fund managers. He is responsible for over £3bn split across three main mandates.

The team is supported by the global research team of 31 analysts, including four strategists, three credit analysts, four in corporate governance/SRI and two specialists. Input is also taken from the UK, overseas and fixed income teams. Managers most involved with this fund are:

Iain Stewart - PhD (University of East Anglia), worked for MAFF Directorate of Fisheries Research for five years before joining Newton in late 1985. He has managed multi-asset global mandates since 1988.

James Harries - portfolio manager - BSc politics (Bristol University), UKSIP, joined Newton in 1995, after one year in the army. He moved briefly to Veritas in 2004, returning to Newton in 2005.

Matthew Brown - BA history (University of Bristol), joined Newton in 2000 as a graduate trainee.

PORTFOLIO CHARACTERISTICS

No. of holdings	106
Turnover ratio (%)	
% in top 10	25

TOP 10 HOLDINGS (01/05/09)

	%
Vodafone	4.6
GlaxoSmithKline	4.0
Newcrest Mining	2.6
Deutsche Telekom	2.5
BP	2.1
Millicom International Cellular	2.1
Roche Holdings	2.0
Bayer	1.8
Total	1.6
Statoilhydro	1.5

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/05/09)

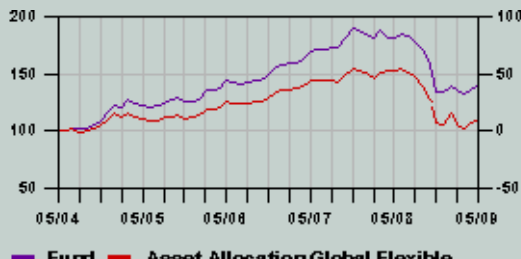
	Fund %
EQUITY	
North America	10
United Kingdom	21
Europe ex UK	15
Japan	0
Pacific ex Japan	8
Others	4
FIXED INTEREST	21
PROPERTY	0
ALTERNATIVES / OTHERS	5
CASH	16

Units III permits net fund exposure to be less or greater than 100%.

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	-2.7%	40.5%
Standard & Poor's Peer Median	-13.6%	10.6%
Fund Rank	122/570	14/343
Standard Deviation	13.0	-
Relative Standard Deviation	0.8	-
Volatility Adjusted Ranking	121/570	-

CUMULATIVE PERFORMANCE



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Peer Group: Asset Allocation Global Flexible



MANAGEMENT STYLE

The investment objective is to provide significant real rates of return over time, defined as outperforming the return on cash by 4% on a rolling, three-year basis. Volatility is targeted at 10-12%.

Stewart uses the group's thematic process for portfolio construction and relies on Newton's team of analysts to identify individual securities that should produce an absolute return while expressing those themes.

The mandate is very flexible. Stewart can invest in any asset class other than direct property, and is unconstrained by sector allocation, geography or currency.

Stewart expects to add value from both top-down asset allocation and bottom-up security selection. He uses the different asset classes to play themes in the most efficient way. The neutral allocation is 65% equities and 35% bonds, but the portfolio can vary significantly from this. Cash may be taken to 50% in difficult markets. While the fund cannot take short positions, puts can be used to help provide some downside protection.

The fund is a more focused (in number of holdings) yet more diversified (in direction of bets) version of the Newton Balanced Fund, which Stewart also manages.

PORTFOLIO REVIEW

At review Stewart was cautious on the outlook for markets. This was reflected in the fund's positioning, with equities accounting for 58% of portfolio assets, somewhat behind the neutral asset allocation position of 65%. Cash made up almost 16% of the portfolio, while fixed interest securities and commodities accounted for 20.5% and 5.5% respectively.

Within equities, the biggest weighting was to the UK, which accounted for over 35% of the equity exposure. This was followed by Continental Europe (25%) and North America

(17%). Exposure to Japan was effectively nil, while exposure to Asia ex-Japan was focused on emerging Asia such as Thailand and Malaysia.

In Q3 2008 the portfolio had minimal exposure to banks and basic industrials as Stewart continued to emphasise gold and agricultural commodities, where exposure was taken via ETFs, and added to the funds fixed interest exposure. More recently he has added to healthcare and telecoms.

PERFORMANCE ANALYSIS (MAY 2009)

This unconstrained fund has an impressive track record since Stewart took over as manager in March 2004. Since then the fund is comfortably top-decile over three years to May 2009 and top-quartile over five. In terms of our peer group, which is denominated in US\$, the fund has returned -2.7% over three years. However, in sterling, the fund's base currency, the fund has returned 19.4%. More importantly, the fund has met its target return of 1 Month Libor +4% over rolling five-year periods.

Stewart also has a very consistent track record on the Newton Exempt Fund, which has outperformed its caps pooled fund benchmark since he began managing it in January 1994, to end-May 2009.

In the 12 months to May 2009 the fund consistently outperformed the peer group median. Performance suffered following the collapse of Lehman, but rebounded in Q4 2008 and Q1 2009 and has been on an upward trend through Q2, underpinned by its exposure to rebounding commodities and declining bond yields.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 30/04/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	4.3	122/436	23.4	134/545	17.2	69/622	-24.3	370/809	0.6	231/1006
Median	0.0		19.0		11.1		-26.3		-2.7	

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