

#### Peer Group:

Balanced Managed

#### Fund Manager/Adviser:

Caroline Lindsay (since November 2004), Robert Hay (since November 2004)

#### Location:

London

#### Launch Date:

December 1998

#### Fund Size (January 2008):

£205m

#### Group Contact No:

+44 500 440 000

#### Website:

www.newton.co.uk/pim

#### S&P ID Number:

UT048336

#### Share Class screened:

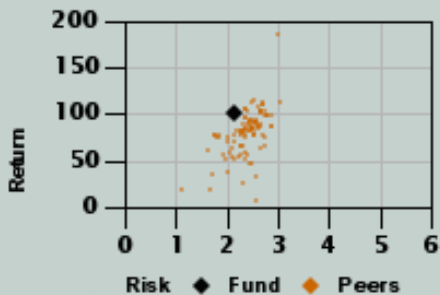
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### INVESTMENT STYLE

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

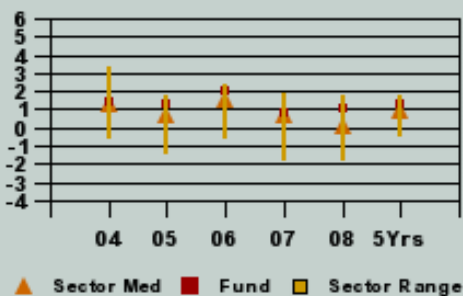
### RISK RETURN (STD DEVIATION) OVER 5 YEARS



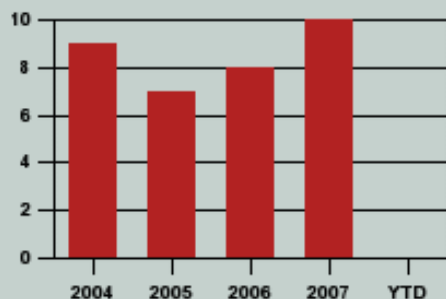
### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown	Low	-5.3
Volatility	Low	7.4
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.

Further information on S&P's fund coverage can be found at [www.funds.standardandpoors.com](http://www.funds.standardandpoors.com)

Performance Data Source - © 200 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 31/12/2007 on NAV to NAV basis, with gross income reinvested, in UK sterling.

### STANDARD & POOR'S OPINION (FEBRUARY 2008)

This fund, designed for wealthy UK-based private clients, is managed to provide a competitive total return (including a rising income stream) relative to its peer group, the WM Private Client Balanced Indicator. The fund invests predominantly in equities with a bias to UK blue chips. Approximately 25% may be in other assets such as fixed interest, property and cash. Limited use is made of alternative asset classes such as funds-of-hedge-funds and structured products to diversify the portfolio and mitigate volatility.

The fund is building a consistent and strong track record under co-managers Caroline Lindsay and Robert Hay, two private client division specialists who have been at the helm since November 2004. Under their tenure the fund ranks top decile within the S&P peer group; 2007 was particularly strong,

with the fund proving resilient in periods of market turbulence and returning 7% more than the median fund with lower than average volatility.

The managers run the fund in line with Newton's high net worth private client income and growth model, a model into which they also have input. Moreover, being integrated with the Newton Investment Management research teams, they make full use of the in-house global thematic approach and analytical resource. Fund performance has largely been driven by stock selection, indicating that their use of these resources has been skilful. The limited use of structured products has also been effective.

We are impressed by the team's risk aware approach and effective use of in-house resources. The fund easily retains its S&P AA rating.

### FACT FILE

**Group:** Newton is part of the Bank of New York Mellon Corporation, a leading financial services company based in New York, USA. It was Bank of New York Mellon's first substantial acquisition outside the USA.

**Team:** Caroline Lindsay works closely with co-manager Robert Hay to implement the strategy set by Newton Private Investment Management, drawing on the global analyst and the institutional/retail fund teams.

**Fund Manager:** Caroline Lindsay has nine years' investment experience and Robert Hay seven

years'. They have worked together on this fund since November 2004 but have been members of the same team since 2003.

**Style:** Aimed at investors with a minimum of £100,000 to invest, the fund aims to provide wealthy private clients with a portfolio of holdings similar to those managed for high net worth clients.

**Performance:** Over the five years to 31/12/2007 the fund has returned 101.6%, compared with 82.3% for the sector median, ranking 17/104.

### FUND MANAGER & TEAM

Newton's investment strategy is reviewed at formal monthly meetings of the investment strategy group (ISG), which includes various economists and senior representatives from the private client, institutional and retail teams. The private client team then adapts these recommendations for their clients through a number of live models, ensuring that Newton's global themes are applied consistently.

Caroline Lindsay and co-manager Robert Hay draw heavily on Newton's team of global research analysts and the bond team as well as the specialists on the private client team.

Caroline Lindsay - economics (Cambridge University), chartered accountant, CFA, began her investment career on joining Newton in 1998.

Robert Hay - French & business studies (Edinburgh), MA business (EAP European School of Management, Paris), joined Newton in 2000 and the team responsible for the Bridge and Balanced Bridge funds in 2003, becoming co-manager of these funds in 2004.

## PORTFOLIO CHARACTERISTICS

No. of holdings	122
Turnover ratio (%)	26
% in top 10	20

## TOP 10 HOLDINGS (01/01/08)

	%
Vodafone Group	3.9
BP	2.6
Bank of Scotland	2.0
HSBC Holdings	2.0
BHP Billiton	1.8
GlaxoSmithKline	1.7
Royal Dutch Shell	1.7
Standard Chartered	1.7
Scottish & Southern	1.6
ICAP	1.4

\* In top 10 holdings a year ago

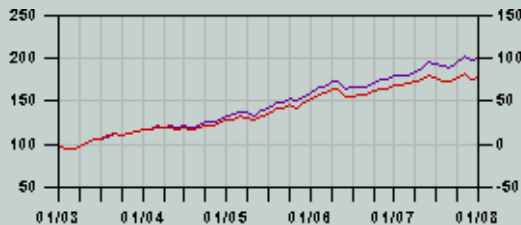
## ALLOCATION BREAKDOWN (01/01/08)

<b>EQUITY</b>	
North America	9
United Kingdom	36
Europe ex UK	18
Japan	3
Pacific ex Japan	4
Others	15
<b>FIXED INTEREST</b>	
United Kingdom	0
Others	9
<b>CASH</b>	6

## PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	51.9%	101.6%
Standard & Poor's Peer Median	39.2%	82.3%
Fund Rank	13/132	17/104
Standard Deviation	7.4	-
Relative Standard Deviation	0.9	-
Volatility Adjusted Ranking	7/132	-

## CUMULATIVE PERFORMANCE



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

# NEWTON BALANCED BRIDGE FUND

Peer Group: Balanced Managed



## MANAGEMENT STYLE

This balanced fund aims to provide a competitive total return, including a rising income stream relative to its peer group in the form of the WM Private Client Balanced Indicator. Approximately 25% is invested in non-equities. The 75% equity portion focuses on blue chips.

The private client team adapts the Newton strategy group's recommendations to the risk tolerance of their clients through a number of live models, all of which draw heavily on the research of the global sector analyst team. The equity portion is based around the growth model of 60-70 stocks. It allows deviations of +/-10% at the asset

allocation and main regional equity market levels relative to the WM index, with global sectors limited to +/-5%. While the fund has some flexibility around these levels, the managers' focus is on monitoring downside risk, and they make limited use of put options and structured products to that end.

The fund seeks around 100 holdings and includes ideas from specialists in the private client team. The 25% non-equity portion comprises bonds, cash and property and may include limited exposure to structured products, specialist collectives, options (puts) and lower-risk hedge funds.

## PORTFOLIO REVIEW

The equity portion of this fund remains UK biased, reflecting both its client base and the structure of its preferred benchmark, the WM Private Client Balanced Indicator. However, whilst most of the top 10 holdings are UK large-caps, UK exposure has been reduced further from 42% at last review to 36% versus the benchmark's 52%. The fund continues to prefer Continental Europe (18% versus the index's 6%) and maintains a small overweight to the USA.

with a focus on European banks and stock exchanges. The overweight to telecoms reflects a preference for mobile over fixed telephony, with Vodafone the largest portfolio holding in absolute terms (3.9%).

In the non-equity portion, the fund was 6% in cash and slightly overweight property and hedge funds but underweight bonds. There was a small exposure to structured products (1.7%), designed to mitigate volatility and provide diversification.

At review, the fund was overweight financials (the in-house "debt and credit" theme), but

## PERFORMANCE ANALYSIS (JANUARY 2008)

The fund achieved another year of strong performance in 2007, proving particularly resilient through periods of market turbulence. Its return of 12.4% clearly surpassed the peer group median's 5.2% and further reinforced the three-year cumulative track record, with the fund ranking top decile (achieved under the current team). Returns were again ahead of the WM Private Client Balanced benchmark.

overweight financials, it largely avoided the UK and US, focusing on entities with significant overseas interests (Standard Chartered) and stock exchanges such as Deutsche Boerse and Icap (beneficiaries of transaction volatility). Cellular telephony also contributed well (Millicom and Vodafone), whilst specific stock ideas such as Gildan Sportswear and Acciona (wind power) were also successful. Oil, gas and mining were more mixed, with the fund negatively impacted by not holding Rio Tinto and BG.

Performance was largely driven by equity stock selection. Whilst the fund was

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 31/12/2007	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	12.1	17/126	20.8	54/132	11.8	31/134	12.4	9/139		
Median	9.6		20.0		10.2		5.2			

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