



April 2010

Newton Discovery Fund

The Newton Discovery Fund is an unconstrained fund of global securities (predominantly equities) with a bias to small and mid-cap stocks. It aims to outperform global stock markets by a significant margin over the longer term by harnessing Newton's global industrial and special situations research within a global thematic context.

Newton's experienced Investment team

The Newton Discovery Fund is managed by Rob Marshall-Lee, who has been at Newton for 11 years. He leads our special situations research, manages global portfolios and is also a member of our macro strategy group. The alternate manager is Jon Bell, who has been at Newton for 15 years, is also a global portfolio manager and chairs the global model and research prioritisation groups.

Key features

- Unconstrained, opportunistic approach to seeking material market outperformance
- Stock selection driven by global themes
- Draws on strong proprietary research, both global industrial and special situations
- Seeks investments with significant upside potential, either via strong structural growth and/or owing to significant valuation anomalies
- 50% minimum exposure to small and mid-cap stocks
- Typically 60-100 stocks
- Emphasis on long-term investing – high short-term volatility anticipated

Why consider the Newton Discovery Fund?

- Provides efficient exposure to smaller and less liquid opportunities with a higher risk/return profile
- A strong addition to the return-seeking element of client investment strategies
- Very long term thinking aligned with benefit provision within pension funds
- Limited asset capacity – only available on a performance fee basis
- Open to external investors for a defined period

Global and Special Situations research

The global research of our industrial analysts is integral to our investment process and the output of our analysts is formalised in concentrated recommended lists of 'global winners', including an Appendix of less liquid thematic ideas. Our portfolio managers supplement this research with their own stock ideas and research prioritisation suggestions. In addition we have a special situations research 'hub' under Rob Marshall-Lee to ensure that thematic stock ideas that may span a number of sectors and themes, or that are smaller (by market capitalisation), less liquid investments are not overlooked in our analysis. Rob works with the analysts in researching these ideas which, in many cases, are not feasible for widespread inclusion in client portfolios. These ideas form the basis for the key constituents of the Newton Discovery Fund.

Exploiting themes

Our themes change over time as we seek to anticipate the factors that will drive the prospects of economies, markets and companies. The Newton Discovery Fund follows this thematic approach wholeheartedly, and this is reflected in its long-term performance objective and approach. Among themes being exploited in the Newton Discovery Fund are:



Developing Economies

Developing economies

The theme explores the growing influence of the developing world on the global economy. Developing economies ultimately are on a convergence course, in terms of demographics and consumption trends, with the industrialised world, and that convergence presents opportunities to investors. The Fund is positioned to exploit the growth in the domestic-focused parts of economies, such as China, Brazil and India, primarily via stocks in the consumer, property development, commodity and infrastructure areas.



Earth Matters

Earth matters

Environmental issues have moved to centre stage in the minds of the public and policymakers, and a political consensus is emerging in relation to investment in 'green' technology.

The theme exploits the opportunities and threats inherent in environmental trends. The Fund holds stocks in the agriculture, water and renewable energy-related areas to capitalise on these strong 'following winds'.

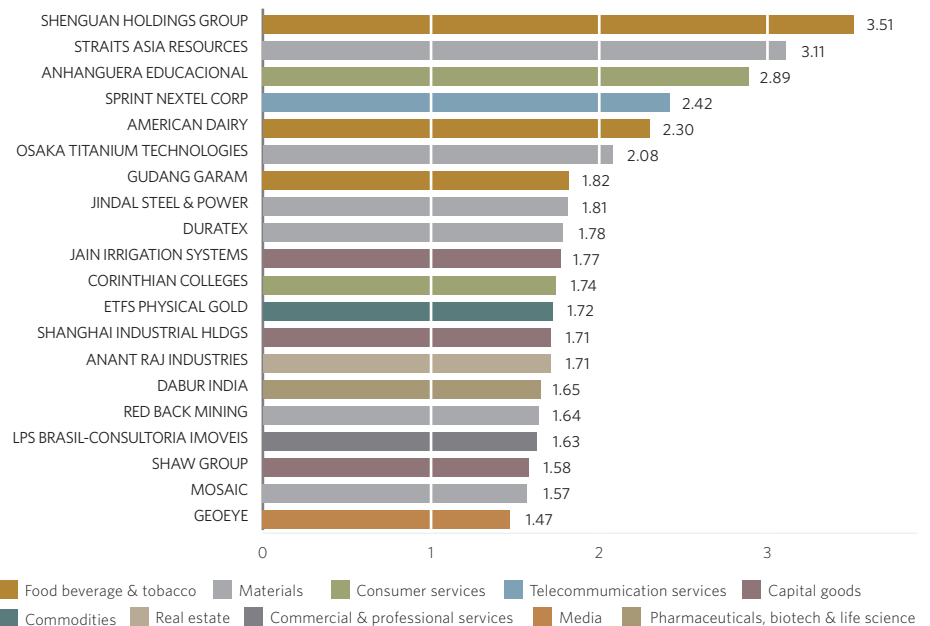
Philosophy and process

Our distinctive global thematic investment approach has been invaluable in delivering strong performance across a wide range of strategies in very different market environments.

Our themes stimulate debate within our investment team and provide long-term perspective on global financial markets and economies. Perspective and long-term thinking are defining features of the Discovery Fund. The Fund applies our thematic view of the long-term forces of change in the world to direct us towards opportunities with significant upside potential either via strong under-appreciated structural growth and/or owing to valuation anomalies.

The Discovery Fund has an orientation towards smaller and mid-cap global stocks (which comprise at least 50% of the Fund's total value). While individual holdings are likely to have a high risk/return profile, the Fund will typically hold between 60 and 100 stocks to ensure a level of risk diversification. Although the Fund is invested predominantly in equities, up to 20% of its assets may be held in other assets in the spirit of unconstrained thematic investing.

TOP 20 STOCK POSITIONS (%)



Source: Newton as at 31 March 2010.

Valuation

Across all stock ideas, the Fund maintains a valuation discipline, based on an assessment of long-term growth potential and a holistic analysis of the companies' financial positions. It is vital that each company in which the fund invests has the ability to capitalise on growth and generate healthy cash returns on capital invested. The Fund seeks to capitalise on opportunities presented by short-term market 'noise', which leads to an under-appreciation of the stock's potential (as reflected in its share price). Newton's investment themes seek to provide a framework for better maintaining this perspective and the Fund has the flexibility to take advantage of this perspective and hence drive long-term performance.



Energy supply

Energy prices should be well supported in future, with significant implications across other sectors and economies, particularly in the light of measures to tackle climate change. In relation to this theme, we favour exposure to energy-related companies. The Fund is exposed to coal, the key form of energy currently driving Asian growth, as well as to nuclear and renewables, which are key to the future energy mix.



Networked world

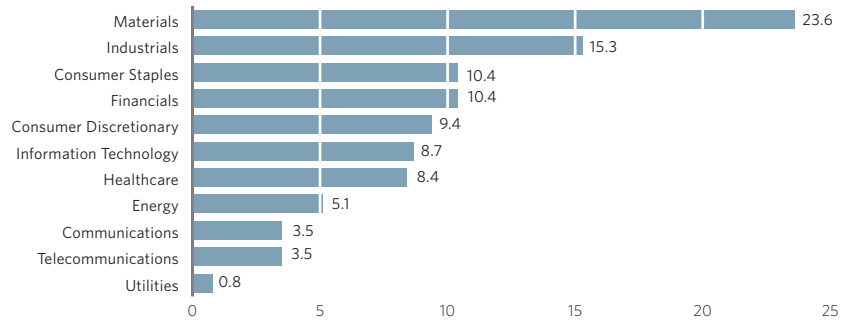
Networks have already transformed people's lives, but there is great scope for further expansion. Rapid increases in bandwidth continue to increase networks' potential and drive productivity gains. To this end, we hold the stocks of a number of telecommunications and information technology companies. Global penetration of broadband and mobile telecommunications leads to significant opportunities for the Fund's holdings in the software and hardware areas that enable this growth.



Medical technology

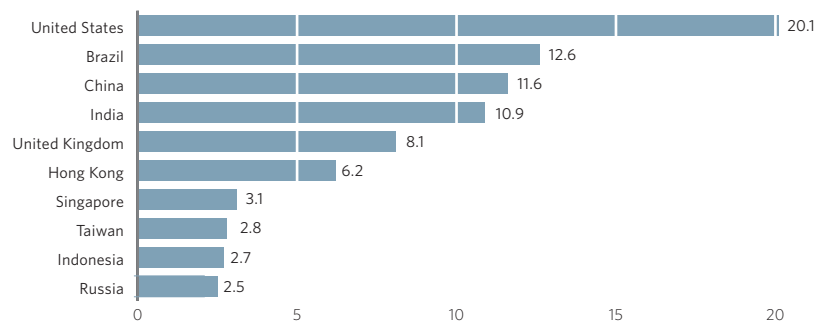
Increasingly ageing, affluent and active populations demand products and services that enhance and maintain lifestyles. New technologies, materials and services are continually improving the performance of existing products and procedures. The theme seeks to harness these changes. The Fund holds the stocks of various companies with exciting product potential, as well as those with exposure to growing markets in the developing world and to the ageing populations of the West.

SECTOR POSITIONS (%)



Source: Newton as at 31 March 2010.

TOP 10 COUNTRY POSITIONS (%)

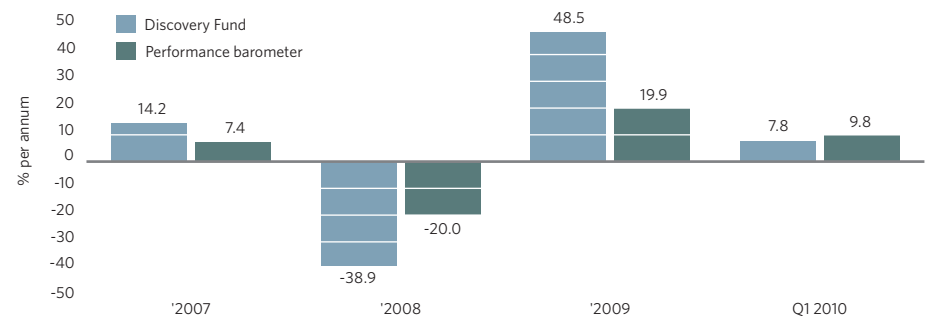


Source: Newton as at 31 March 2010.

Performance

The Fund has a clear emphasis on long-term investing (at least five years) and short-term returns may be volatile. Fund investors should have a similar long-term investment horizon.

PERFORMANCE OF NEWTON DISCOVERY FUND VS. MSCI ALL COUNTRIES WORLD NDR INDEX



Source: Newton as at 31 March 2010.

* 9 months from 31.03.07 (Fund was launched on 31.03.07) Index Performance barometer - MSCI All Countries World NDR Index.

How to invest

If you would like to invest in the Newton Discovery Fund or would like further information, please contact Anthony Briskey, anthony_briskey@newton.co.uk, 020 7163 5585 or John Burke, john_burke@newton.co.uk, 020 7163 2586.

All data is sourced from Bloomberg unless otherwise stated.

Past performance is not a guide to future returns. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested. The value of overseas securities will be influenced by fluctuations in exchange rates. If part of the portfolio is invested in sub-investment grade bonds, which typically have a low credit rating and carry a high degree of default risk, then please be aware that this can affect the capital value of your investment. If the portfolio has exposure to hedge funds, gold, private equity and property via publicly quoted transferable securities, then there are additional risks associated with these sectors. The information contained within this document should not be construed as a recommendation to buy or sell a security. It should not be assumed that a security has been - or will be - profitable. There is no assurance that a security will remain in the portfolio. This presentation is for professional investors only. The opinions expressed in this presentation are those of Newton Investment Management and should not be construed as investment advice. In addition the information contained in this presentation should not be construed as a recommendation to buy or sell a security. 18608 04-10



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