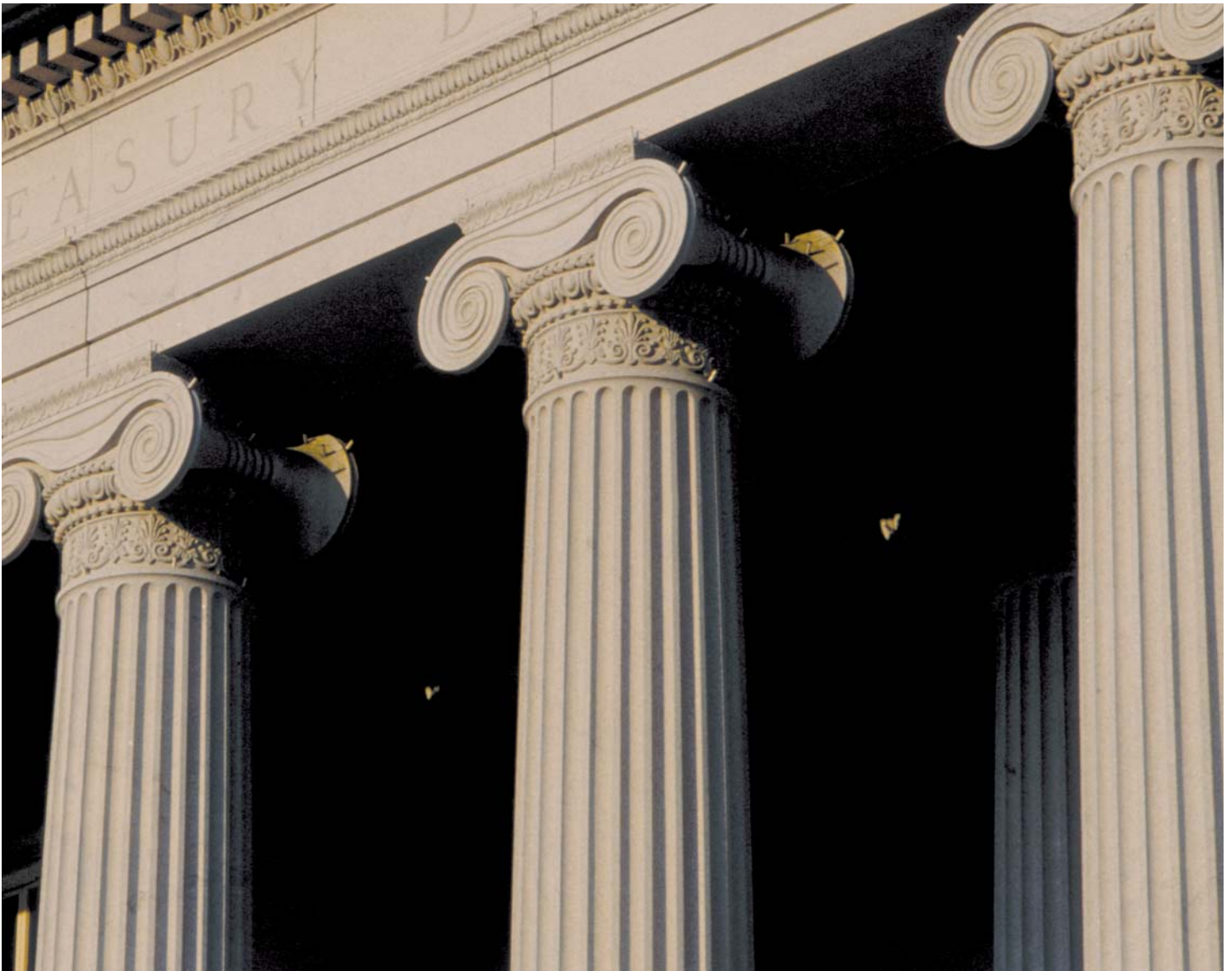


# Newton Phoenix Fund

Investment Report - Fourth Quarter 2010

► A BNY MELLON COMPANY<sup>SM</sup>

**NEWTON**  
The Power of Ideas



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# Fund information

## Long-term track record

The Newton Phoenix Fund has returned 75.2% since relaunch (11 April 2003), which is equivalent to 7.5% per annum. This is an outperformance of 1.6% per annum compared to the fund's benchmark. For more detail on the fund's long-term performance, please refer to page 4.

## Aim

To achieve long-term growth in excess of cash returns from a balanced portfolio diversified across a range of assets. The Fund is intended to have significantly lower absolute volatility than traditional equity biased funds, but will exhibit volatility relative to its benchmark.

## Expected characteristics

Return: Above cash over the long term; variable in the short term.

Volatility of return: Medium. Investors can expect to experience fluctuations in the value of their holding, though to a lesser degree than is the case for equity markets.

Income: Low, but the dividend is likely to grow over the long term.

## Performance references

1 month £ Libor +2% p.a. (benchmark).

## Risk profile

Suitable for investors with a medium risk profile.

## Fund facts

Fund size (millions):	GBP 38	Ex dividend dates:	01 Feb, 01 Aug
Annual management charge:	0.8%	Pay dates:	20 Mar, 21 Sep
Total expense ratio:	0.88%	Last distribution:	1.5692p per unit
Base currency:	GBP	ISIN:	GB00B0Z86D35
Dividend yield:	2.0%	Sedol:	B0Z86D3

# Focus on the latest quarter

## Performance over three months

<b>Newton Phoenix Fund</b>	<b>4.1%</b>				
1 month £ Libor +2% p.a.	0.6%	ARC Balanced Asset (est)	4.0%	IMA Cautious Managed	3.1%
FTSE W World	9.7%	ML £ Non-Gilt Index £	-2.5%	FTSE All Share	7.4%

Source: Lipper, Bloomberg, ARC & Datastream, as at 31 December 2010. Calculation basis: Sterling, total return, bid to bid, without initial charges, net income reinvested, net of management fees.

## Significant transactions

Acquisitions
John Laing Infrastructure Fund
RBS Grp PLC 7.5% Bds 29/4/2024
Nationwide Building Soc. 5.625% 09/09/2019
NB Distressed Debt Inv Fd Ltd
F&C Commercial Property Trust

Disposals
ETFS Physical Gold 0% Secured Note (AUD)
Phoenix Natural Gas Finance 5.5% 10/7/2017
Firstgroup PLC 8.125% Bds 19/9/2018
Bluecrest Allblue Fund Ltd-GBP NPV Shs
Greenhill & Co.

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

## Fund manager report

In the final quarter the fund rose 4.1% - increasing the return for 2010 to 12.7%. Over the year, the fund performed better than its cash +2% benchmark, better than similar funds (as measured by the IMA Cautious Managed sector) and almost as well as UK equities (FTSE All Share +14.5%). For 9 months of the year, performance was ahead of UK equities, but the strong equity move in December saw UK equities more than double their return of the first 11 months. Importantly, the fund's performance came with volatility much lower than equities. By way of example, UK equities fell 16.2% from peak to trough in 2010, the Phoenix fund fell 'only' 4.1%. Gilts are generally regarded as one of the most stable assets and they fell 4.8% from peak to trough.

The fourth quarter saw military posturing in Korea and economic strength in most areas of the world. However, there were significant regional differences; the US launched its second round of

quantitative easing (QE2) and extended tax cuts against a background of mid term congressional elections and a weak housing market. The UK Chancellor announced significant spending cuts. Ireland was bailed out and concern grew about other peripheral European markets causing the ECB to intervene. Emerging markets saw higher inflation and India and Australia raised interest rates. Most major currencies were broadly flat against sterling although the yen strengthened.

Gilts declined after a strong first nine months with longer dated gilts falling the most. We have been concerned about gilt valuations for some time and exposure has been around 6-7% since the start of the year having been as high as 12% in earlier years. The average maturity of the fund's gilts is less than 10 years. There were few transactions in the quarter and no peripheral European government bonds were held.

Investment grade corporate bonds were also weak. Similar to the fund's gilt position, exposure here had been reduced sharply (from over 20% in 2008 to around 7%). In November we sold five bonds yielding less than 5% each and reinvested in three senior bank bonds and one lower rated bond with yields ranging from 5% to 8%. Banks appear to be on a path of balance sheet repair yet their bonds continue to yield appreciably more than bonds issued by other sectors. We expect this discrepancy to close over time; meanwhile they will generate extra income.

Sub investment grade bonds fell slightly in the latest quarter but were very strong over the year. The recent fall was much less than either gilts or investment grade bonds and the return for 2010 was much higher. Exposure has been around 10% for most of the year, well above the weighting in mid 2008 of less than 4%. These bonds remain our favoured area of the bond market; they continue to generate a healthy income for the fund.

Index linked bonds rose in December, making up all of the ground lost in October and November. Convertible bonds were also strong. While we would like to increase exposure to both these areas, index linked bonds look expensive and we struggle to find sufficient liquid convertible bonds issued by companies we like.

Equities were strong, particularly so in December with the US leading the way and Europe lagging. Europe was also the laggard over the year with emerging markets leading. Across industry sectors, 'risky' basic materials did well but 'safe' utilities lagged – the picture for both the year and the latest quarter. We sold stocks such as Deutsche Post, Principal Financial and AMP that had been lacklustre as well as selling Millicom that had doubled and Flir that had risen 40%. We also sold the fund's only share listed in peripheral Europe (Indra) and the only Continental European bank (BNP) - both are lower now. We added to Actelion, Bangkok Bank, Filtrona and Noble as well as introducing Huabao (Chinese flavourings and tobacco), Syngenta (crop protection) and Inpex (oil). We retain our balance between defensive developed world equities and more growth oriented emerging market equities. Generally, we retained some protection through FTSE put options.

Commodities were strong with oil rising above \$95 and gold rising above \$1400. Agricultural commodities were the strongest performer (rising by more than 20% in the quarter) followed by precious metals. These are the fund's key exposures. At the very end of the quarter, we

trimmed the fund's gold ETF position by 1.4% to 5% given gold's recent strength. The fund also owns two gold mining companies within the equities portion.

Property and private equity were strong although the fund's exposure is limited. We bought F&C Commercial Property in October at 89p and sold many of the shares in December above 105p, rather undermining the theory of efficient markets.

Hedge funds were dull, rounding off an underwhelming year given the opportunities available to managers. We continue to focus on those funds with a good track record in 2008 and some liquidity. We added two new names; NB Distressed Debt (US distressed situations with an active approach) and CQS Diversified (credit orientated funds managed by CQS). We also trimmed Bluecrest AllBlue shares, which are valued at a premium, and voted against the continuation of FRM Credit Alpha which will now be liquidated and cash returned to investors.

Year end is a traditional time to look both forward and back. The Phoenix fund was launched in spring 2003 with the aim of producing a return above cash with volatility lower than equities; essentially a dual mandate of growth but with less downside. Reviewing growth first, the fund has risen 7.5% p.a. since launch which is 3.7% p.a. above cash, UK equities have returned 10.6% p.a. Reviewing each of the eight years (or part year in the case of 2003), the fund has returned more than cash in six years out of eight and more than similar funds (using the IMA Cautious Managed average fund) in the same ratio. Reviewing downside, the fund performed very poorly in autumn 2008 but prior to that the largest peak to trough fall was 7% (UK equities fell 22.3%, gilts fell 5.3%, the sector average fund fell 10.8%) and after 2008 the largest peak to trough fall was 7.6% (UK equities fell 22.6%, gilts fell 5.8% and the sector average fund fell 8.8%).

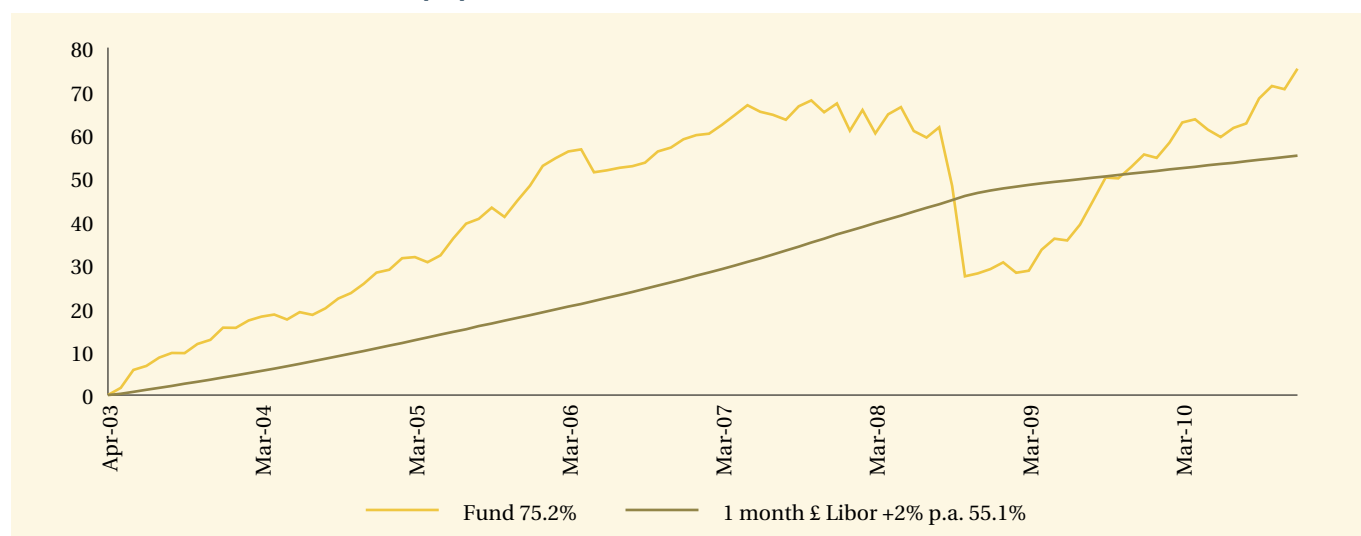
Looking ahead, the fund is well positioned to generate a return above cash with lower volatility than equities using Newton's global thematic approach. Such an approach is likely to be increasingly attractive to investors given our expectation of more volatility ahead.

#### **Fund management team:**

Philip Collins and Samantha Townsley

# Long-term performance

## Performance since launch (%)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fund	-	-	-	11.0	15.6	7.2	5.2	-22.8	20.5	12.7
1 month £ Libor +2% p.a.	-	-	-	6.5	6.9	7.0	8.1	7.4	2.8	2.5

## Discrete past performance (%)

From	31/12/05	31/12/06	31/12/07	31/12/08	31/12/09
To	31/12/06	31/12/07	31/12/08	31/12/09	31/12/10
Fund	7.2	5.2	-22.8	20.5	12.7

Source: Lipper, Bloomberg & Datastream, as at 31 December 2010. Calculation basis: Sterling, total return, bid to bid, without initial charges, net income reinvested, net of management fees.

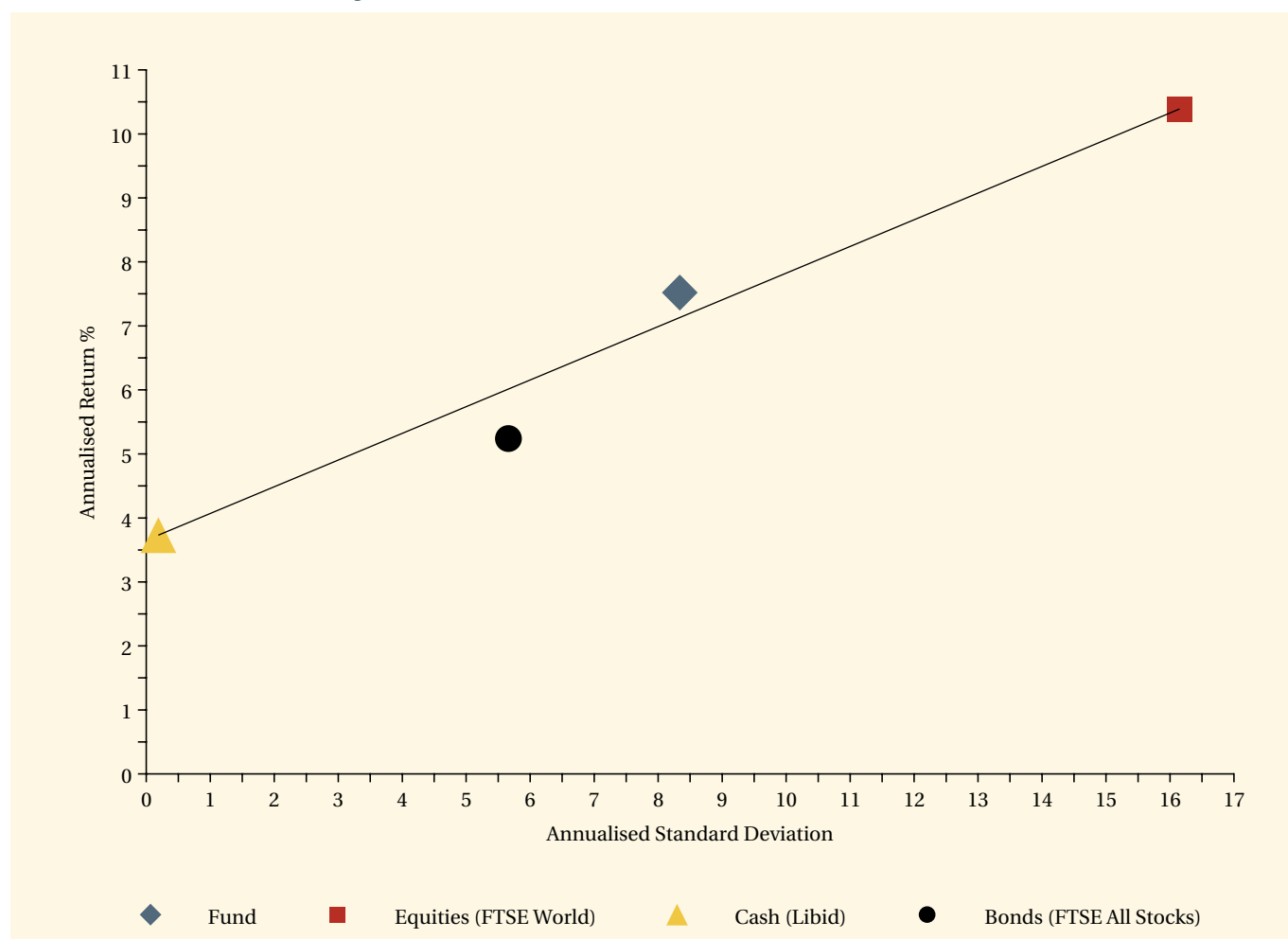
## Risk factors

The performance data shown on this report is past performance; as such it is not a guide to future performance.

Investors should remember that unit trusts should be regarded as long-term investments and that the value of units, and the income from them, can go down as well as up due to stock market and movements in exchange rates. When you sell your investment you may get back less than you originally invested. The fund may invest in emerging markets which are, by their nature, higher risk and potentially more volatile than those inherent in established markets. The value of bonds is affected by interest rate fluctuations and by changes in the credit ratings of the underlying issuer of the assets. Sub investment grade bonds, may produce a higher level of income than investment grade bonds, but carry increased risk of default on repayment. There are additional risks associated with specific alternative investments that the fund may hold such as private equity, hedge funds and commodities; these investments may be less readily realisable than others and it may therefore be difficult to sell in a timely manner at a reasonable price or to obtain reliable information about their value; there may also be greater potential for significant price movements.

# Long-term performance - risk and reward

## Fund return and volatility since launch



This chart shows both return and volatility. The Newton Phoenix Fund has provided an annualised return of 7.5% since relaunch with lower volatility compared to equities. The relaunch date of the fund was 11 April 2003.

## Risk and return since launch

	Annualised Return	Volatility	Sharpe ratio
Fund	7.5%	8.3%	0.5
1 month £ Libor +2% p.a.	5.9%		

Source: Lipper, Bloomberg & Datastream, as at 31 December 2010. Calculation basis: Sterling, total return, bid to bid, without initial charges, net income reinvested, net of management fees.

# Newton's investment process

Newton is a global thematic stock picking company. Our style is inclusive and relies on effective communication between all of our investment personnel.

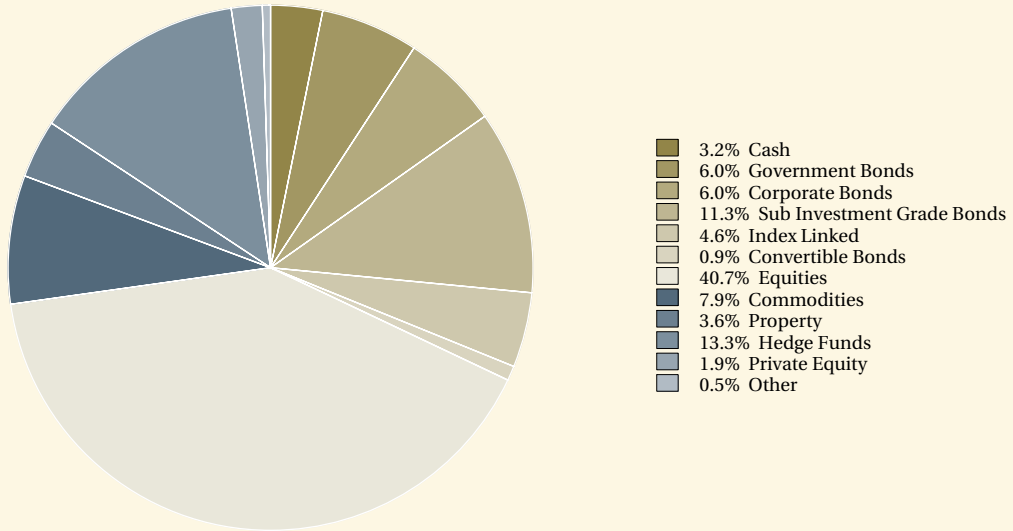
Strategy groups	Representatives from the strategy team, fund managers and research analysts identify global themes and formulate our economic view.
Research team	Global sector analysts, supported by fund managers, identify investment opportunities within the thematic backdrop.
Fund management	Fund managers debate with analysts the appropriate valuations for purchases and sales, then construct portfolios to match up Newton's investment thinking with client objectives and risk profile.

Several of these themes are listed below, along with examples of individual holdings.

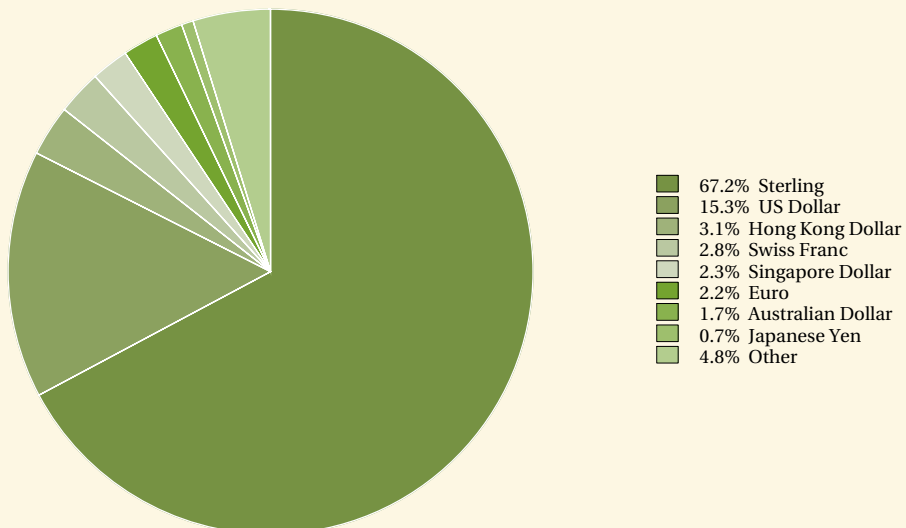
Theme	Factors	Investments
All change	The popping of the credit bubble has marked an end to the era of rapid growth in private sector debt in the developed world. Structurally impaired financial systems and regulatory burdens ensure that credit will be less freely available, and this has profound implications for consumer-driven economies, all asset classes and investment strategies.	GlaxoSmithKline, Roche, Vodafone, HSBC Infrastructure
Developing economies	The influence of the developing world on the global economy continues to grow, and developing economies ultimately are on a convergence course, in terms of demographics and consumption trends, with the industrialised world. This long-term secular trend will entail the development of Western-style health and social security systems and will involve significant cyclical influences as well as frictions regarding trade policies.	Petrobras, Anhanguera, Man Wah Holdings, Belle International
Networked world	Although networks have already transformed our lives, the trend remains at a relatively early stage. Rapid increases in bandwidth continue to increase networks' range of uses and their interactivity, which in turn is driving productivity gains. The explosive growth of mobile internet, combined with innovations in sensor technology, will generate profound changes in many industries.	Ariba, Cisco, Vodafone, Opera Software
Earth Matters	Environmental issues have moved to centre stage in the minds of the public and policy makers, and a political consensus is emerging in relation to investment in 'green' technology. It is now almost universally accepted that man-made greenhouse gas emissions are an important contributor to climate change. Current growth trends in the developing world suggest that significant additional pressure on resources and the environment is likely in the future.	Bayer, Syngenta, Barclays Agricultural

# Fund analysis

## Asset class weightings



## Currency exposure



Source for all charts: Newton, as at 31 December 2010.

# Portfolio valuation

Newton Phoenix Fund	100.00
<b>Cash</b>	<b>3.23</b>
<b>Government Bonds</b>	<b>6.02</b>
UK Treasury Gilt 4.75% 07/12/2030 GBP0.01	1.65
UK Treasury Gilt 2.25% 07/03/2014 GBP0.01	0.99
UK Treasury Stock 5% 7/03/2025 GBP0.01	1.44
UK Treasury Stock 4.75% 7/03/2020 GBP0.01	1.94
<b>Corporate Bonds</b>	<b>5.98</b>
Co-Operative Bank PLC 5.75% Bds 2/12/2024 GBP1000	0.71
Imperial Tobacco Finance PLC 8.125% Notes 15/03/2024 GBP	0.55
Lloyds TSB Bank PLC 6.5% Bds 17/9/2040 GBP1000	0.91
Nationwide Building Society 5.625% Bds 09/09/2019 GBP	0.93
Royal Bank of Scotland Grp PLC 7.5% Bds 29/4/2024 GBP	0.91
Standard Chartered Bank 8.103% Stp Perp 29/5/2049 GBP	0.65
Tesco Property Finance 3 PLC 5.744% Bds 13/04/2040 GBP	0.47
Unique Pub Finance Co PLC 5.659% Bds 30/06/2027GBP 'A4'	0.84
<b>Sub Investment Grade Bonds</b>	<b>11.30</b>
Abengoa SA 8.5% Bds 31/03/2016 EUR50000	0.44
BNY MFM Ltd Newton Gbl High Yld 'X' (Acc)	0.93
Campofrio Food SA 8.25% Bds 31/10/2016 EUR Reg'S	0.47
CEDC Fin Corp Intl Inc 8.875% Bds 01/12/2016 EUR RegS	0.38
Conti-Gummi Finance BV 7.125% Bds 15/10/2018 EUR RegS	0.54
CRC Breeze Finance SA 5.29% Bds 8/05/2026 EUR50000	0.38
Goldman Sachs International Phoenix Autocall Cert FTSE 100	0.49
HeidelbergCement AG 8.5% Bds 31/10/2019 EUR1000	0.48
HSBC Bank PLC 0% FTSE AutoCall 26/5/2015	1.06
Ineos Finance PLC 9.25% Bds 15/05/2015 EUR RegS	0.49
Morgan Stanley 0% FTSE S/A Bonus 18/07/16 GBP	0.47
Phoenix PIB Finance BV 9.625% Bds 15/7/2014 EUR RegS	0.43
Renhe Commercial Holdings 13% Bds 10/03/2016 USD RegS	0.54
Royal Bank of Scotland Grp PLC FTSE GBP Inc Autocall Certs	0.99
Smurfit Kappa Acquisition 7.25% Bds 15/11/2017 EUR Reg'S	0.38
Stena AB 6.125% Bds 1/02/2017 EUR RegS	0.35
Sunrise Communications Intl 7% Bds 31/12/2017 CHF	0.29
Tullett Prebon Group Holdings 7.04% Bds 06/07/2016 GBP1000	0.47
UPC Germany GmbH 8.125% Bds 1/12/2017 EUR Reg'S	0.36
Virgin Media Finance PLC 8.875% Bds 15/10/2019 GBP	0.46
Wind Acquisition Finance SA 11.75% Bds 15/07/2017 EUR RegS	0.53

# Portfolio valuation

Ziggo Bond Co 8% Bds 15/05/2018 EUR RegS	0.38
<b>Index Linked</b>	<b>4.62</b>
Anglian Water Services Finance 4.125% I/L Nts 28/7/2020 GBP	1.00
National Grid Gas PLC 4.1875% Index-Linked 14/12/22	1.00
Tesco PLC 4% Idx Lkd Nts 8/09/2016 GBP	0.79
UK Treasury Gilt 1.25% Index-Linked 22/11/2017	0.98
USA Treasury Notes 1.875% TII 15/07/2013 USD100	0.85
<b>Convertible Bonds</b>	<b>0.90</b>
Cable & Wireless PLC 5.75% Cnv Bds 24/11/2014 GBP	0.55
Interpublic Group of Companies 4.25% Cnv Bds 15/3/2023 USD	0.36
<b>Equities</b>	<b>40.67</b>
Accenture PLC	0.46
Actelion Ltd	0.50
Align Technology Inc	0.29
Altria Group Inc	0.68
Anhanguera Educacional Part SA	0.52
Ariba Inc	0.48
Associated British Foods PLC	0.28
Banco Santander Brasil SA	0.31
Bangkok Bank PCL	0.38
Barrick Gold Corp	0.31
Bayer AG	0.94
Belle Intl Holdings Ltd	0.22
BG Group PLC	0.42
BHP Billiton PLC	0.68
Bilfinger Berger SE	0.53
Biotech Growth Trust PLC	0.31
BP PLC	0.43
British American Tobacco PLC	0.63
Britvic PLC	0.37
Bunzl PLC	0.31
Cable & Wireless Comms PLC	0.53
Camelot Information Systems	0.27
Capita Financial Managers Morant Wright Japan B (Acc)GBP	0.53
Centrica PLC	0.76
Cisco Systems Inc	0.37
Cobham PLC	0.36
Corinthian Colleges Inc	0.26
DBS Group Holdings Ltd	0.92

# Portfolio valuation

eBay Inc	0.47
Elders (Merrill Lynch Intl) Japan Cap Protected III 17B	0.83
Elders (Merrill Lynch Intl) 9% High Yield Shs Cls 24A	0.57
Elders (Merrill Lynch Intl) Floating Rate Income Shs 24C	0.41
Filtrona PLC	0.73
Fresenius Medical Care AG	0.44
FTSE 100 Index Feb11 5600 (Put Option)	0.14
FTSE 100 Index Feb11 5200 (Put Option)	-0.04
FTSE 100 Index Jan11 5400 (Put Option)	0.01
Genzyme Corp	0.28
GlaxoSmithKline PLC	0.87
HeartWare International Inc	0.24
HSBC Holdings PLC	0.29
HSBC Infrastructure Co Ltd	0.96
Huabao Intl Holdings Ltd	0.28
Hypermarcas SA	0.48
ICAP PLC	0.69
Imagination Technologies Group	0.41
INPEX Holdings Inc	0.34
Intl Public Partnership Ltd	1.01
Jardine Lloyd Thompson Group	0.41
John Laing Infrastructure Fund	0.77
Kroger Co	0.34
L'Oreal SA	0.48
LG Uplus Corp	0.25
Lloyds Banking Group PLC	0.53
Man Wah Holdings Ltd	0.49
MTN Group Ltd	0.49
Natura Cosméticos SA	0.49
Newcrest Mining Ltd	0.99
Noble Group Ltd	0.51
Novartis AG	0.94
Oil Search Ltd	0.27
Opera Software ASA	0.26
Otsuka Holdings Co Ltd	0.39
Petroleo Brasileiro SA	0.97
QBE Insurance Group Ltd	0.40
Reynolds American Inc	0.52
Roche Hldgs AG	0.78
Rossi Residencial SA	0.27

# Portfolio valuation

Sands China Ltd	0.51
Scottish & Southern Energy PLC	0.63
Shenguan Holdings Group Ltd	0.55
Sprint Nextel Corp	0.51
Standard Chartered PLC	0.77
Statoil ASA	0.45
Syngenta AG	0.24
Taiwan Semiconductor Manufact	0.42
Tele Norte Leste Participacoes	0.50
Telekomunikacja Polska SA	0.45
Tesco PLC	0.68
Transocean Ltd	0.45
Valiant Petroleum PLC	0.20
Vodafone Group PLC	0.85
Yingde Gases Group Company Ltd	0.46
<b>Commodities</b>	<b>7.89</b>
Barclays Bank PLC 0% Protect Agric 2 20/10/2014	1.59
ETFS Physical Gold 0% Secured Note (USD)	3.01
ETFS Physical Platinum 0% Secured Note (USD)	0.92
Harewood Structured Invest PCC BNP Paribas Agrinvest Prf Shs	0.54
Source Physical Markets PLC Secured Gold Linked Note (USD)	1.83
<b>Property</b>	<b>3.65</b>
F&C Commercial Property Trust	0.40
Hongkong Land Holdings Ltd	0.53
Link Real Estate Inv Trust	0.20
Mapletree Logistics Trust	0.87
Multiplan Empreendimentos Imob	0.25
Powerlong Real Estate Holdings	0.43
UK Commercial Property Tst Ltd	0.97
<b>Hedge Funds</b>	<b>13.34</b>
Absolute Return Trust Ltd	0.97
BH Global Limited	2.34
BH Macro Ltd	1.83
Bluecrest Allblue Fund Ltd	2.11
CQS Diversified Fund Ltd	0.72
Dexion Alpha Strategies Ltd	0.01
Dexion Trading Ltd	1.99
F&C Event Driven Limited	0.03
FRM Credit Alpha Ltd	1.55

# Portfolio valuation

NB Distressed Debt Inv Fd Ltd	0.67
Signet Gbl Fxd Inc Strategies	1.11
<b>Private Equity</b>	<b>1.90</b>
Ashmore Gbl Opportunities Ltd	1.31
Oakley Capital Investments Ltd	0.58
<b>Other</b>	<b>0.51</b>
Goldman Sachs International Quanto GBP Cert Euro Stoxx 50	0.51

# Glossary

## ARC private client indicators

ARC Private Client Indicators are unique in that they are based on actual (as opposed to model) client portfolio returns provided by various investment management companies. These portfolio returns are allocated to one of four categories ("Cautious", "Balanced Asset", "Steady Growth" and "Equity Risk", in order of increasing volatility) based on the volatility of the returns relative to world equities, and an average return is calculated for each category. This is a departure from the traditional approach of comparing the performance of portfolios with similar asset allocations. It assumes that investment managers may use whatever asset allocation they deem appropriate to achieve the desired levels of return and volatility.

## Bonds

Tradable debt issued by governments, quasi government bodies or companies. Interest is usually fixed until maturity and paid either annually or semi-annually. The bond (debt) is repaid by the issuer at maturity.

## Derivatives

Instruments of a fixed maturity, the price of which is dependent upon the price of an underlying asset or variable: most commonly an interest rate, an index, a currency, an equity, a bond or a commodity. Depending on the type of instrument used, derivatives can provide the opportunity to benefit from a fall in the price of the underlying asset or from a rise. Different derivative strategies can therefore be used to hedge exposure to the underlying and to gain exposure to the underlying. Derivatives include futures, forwards, options and swaps.

## Dividend yield

The annual income (dividend) received from an equity or an investment fund divided by the price of the equity or the fund, expressed as a percentage. Dividends are typically paid semi-annually.

## Equity

Also known as a company share. A security that gives the holder fractional ownership of a company. Equities usually confer the right to vote at shareholder meetings and to receive a dividend if one is paid.

## Hedge funds

Unregulated funds with wide investment powers, which typically include the ability to hold short positions (ie, selling an asset the fund does not own in order to profit from a fall in the asset's value), and to use leverage (ie, borrowing to invest, which magnifies profits and losses). There are an enormous number of possible investment strategies. For our clients Newton gains exposure to these funds mainly by investing in listed investment trusts and companies that invest in hedge funds.

## IMA sector averages

The Investment Management Association (IMA) classifies pooled funds with similar objectives into broad sectors (eg, Global Growth, Active Managed, UK All Companies). The average performance of all the funds within a sector is calculated over various time periods to provide investors with a performance comparator.

## Index-linked bonds

Bonds with interest and capital repayment linked to inflation.

## Performance reference

In the context of investment funds, a measure or measures against which the performance of a fund or portfolio can be compared. These tend to be either an index, a combination of indices, or a peer group of comparable funds.

# Glossary

## Property

In this context we are referring to investment in commercial property. Exposure to this asset class is achieved through investment in property investment trusts and REITs.

## Risk

In this context we define risk as the volatility (ie, variability) of returns, as measured by standard deviation.

## Risk profiles – Newton definitions

*Medium risk:* appropriate for clients who are seeking a return in excess of inflation over the long term and are willing to take capital risk to achieve objectives. Portfolios are well diversified (directly, or indirectly through pooled funds) but may contain a high allocation to a single asset class, such as equities.

*High risk:* appropriate for clients who are willing to take significant capital risk to achieve objectives. This category includes portfolios containing only equities, and those containing significant exposure to high-risk funds, smaller companies, venture capital or private equity. It also includes portfolios that are made up of concentrated lines of stock, which reduces the level of diversification.

## Sharpe ratio

A measure of risk-adjusted return. The excess return (in this case, the return above cash) is divided by the standard deviation of returns. A higher number suggests a more efficient mix of returns and volatility.

## Standard deviation

A statistical measure of the variability of returns. The higher the number, the greater the variability of returns. For a normally distributed set of data, 68% of the returns are forecast to occur within one standard deviation of the average, 95% within two times the standard deviation. For example, two investments have an average return of 5%, investment A has a standard deviation of 5% and investment B has a standard deviation of 2%. In 68% of cases, we would expect investment A to return between 0% and +10% (average return of 5% +/- 5% standard deviation) and investment B to return between 3% and 7% (5% +/- 2% standard deviation).

## Total expense ratio

The total costs of the fund, made up principally of the annual management charge, but also including operating costs such as legal, administration, trustee and audit fees.

## Volatility

In this context the variability of investment returns, as measured by the standard deviation. The higher the figure the more variable the return of an investment.

## WM private client indicators

The WM Company surveys investment companies to ascertain the exposure of their principal private client model portfolios by asset class (eg, equities, bonds, hedge funds, etc) and geography. From this they derive an average portfolio in each of the categories “growth”, “balanced” and “income”. The appropriate market index return (eg, FTSE All Share, FTSE Government All Stocks) is then applied to the various elements of the three representative portfolios to generate a benchmark return for each category.

Issued by the Investment Adviser, Newton Investment Management Limited (NIM). The Newton Phoenix Fund is an authorised unit trust operated by BNY Mellon Fund Managers Limited (BNY MFM). Registered Office for NIM and BNY MFM: BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1371973 (NIM) and No. 1998251 (BNY MFM). NIM and BNY MFM are authorised and regulated by the Financial Services Authority.

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