



Newton Bridge Fund

Investment Report
Fourth Quarter 2007

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Statutory Disclosure of Discrete Past Performance - Percentage Change

From	31/12/02	31/12/03	31/12/04	31/12/05	31/12/06
To	31/12/03	31/12/04	31/12/05	31/12/06	31/12/07
Newton Bridge Fund	19.3%	10.9%	23.1%	11.5%	15.5%

Source: Lipper, as at 31 December 2007, total return, bid to bid, net income reinvested, without initial charges, net of management fees. Lipper fund returns are based on midday prices.

Risk Factors

This is a financial promotion and is not intended as investment advice. 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. Current yields are not indicative of future yields. If the portfolio invests in sub-investment grade bonds that typically have a low credit rating these carry a high degree of default risk, which 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, there are additional risks associated with these sectors.

Your Fund

Newton Bridge Fund

Objective

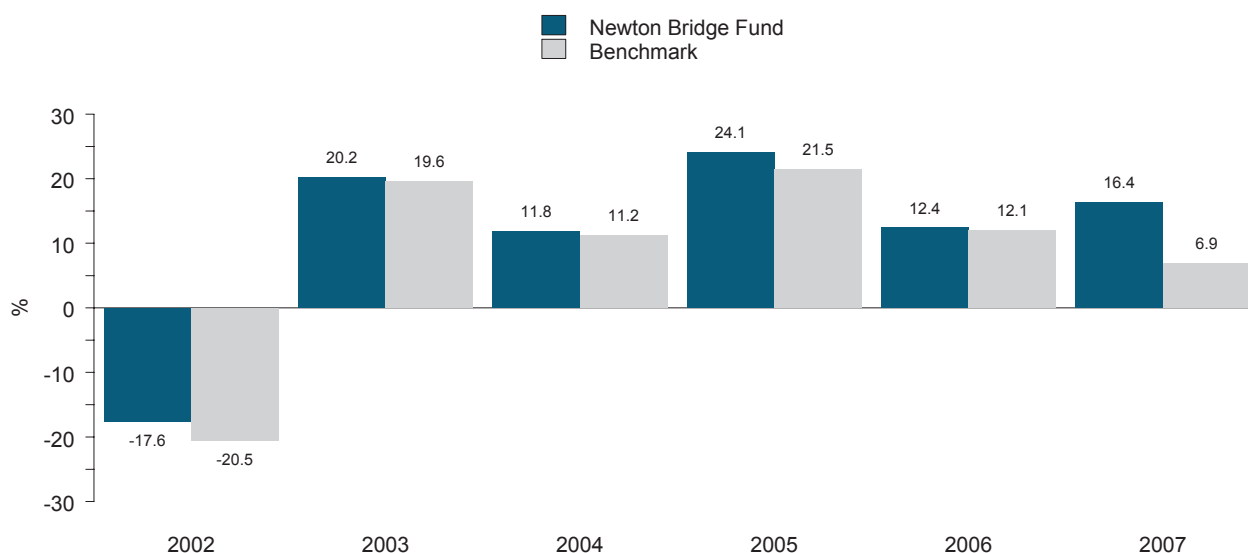
The investment objective of the Scheme is to achieve capital growth through investment principally in UK and international securities. The Scheme may also invest in warrants, deposits, money market instruments, collective investment schemes, derivative instruments and forward transactions.

Investment Philosophy

Over the long term the total return from equities has normally beaten cash and bonds by a significant margin: the major part of the Fund is therefore invested in equities. The equity element is then balanced by fixed interest, hedge funds and cash in order to reduce the overall portfolio volatility.

The benchmark is the WM Private Client Growth Indicator.

Performance



Please see Risk Factors and Discrete Past Performance on previous page.

	Latest Quarter (%)	Since Re-Launch end November 1996 (%)
Fund Return (after fees)	3.7	169.8
Fund Return (before fees)	3.9	194.7
Benchmark Return	0.1	114.9
FTSE All-Share	-0.3	129.3
FTSE W World Ex UK	0.4	107.5
FTSE Government All Stocks	4.4	104.7

Dividend Yield: 1.8% as at 31 December 2007

Last Distribution: 2.3708p per unit on 26 September 2007

Fund Size (millions): GBP 324 as at 31 December 2007

Currency: GBP

Ex Dates: 31 Jan, 31 Jul

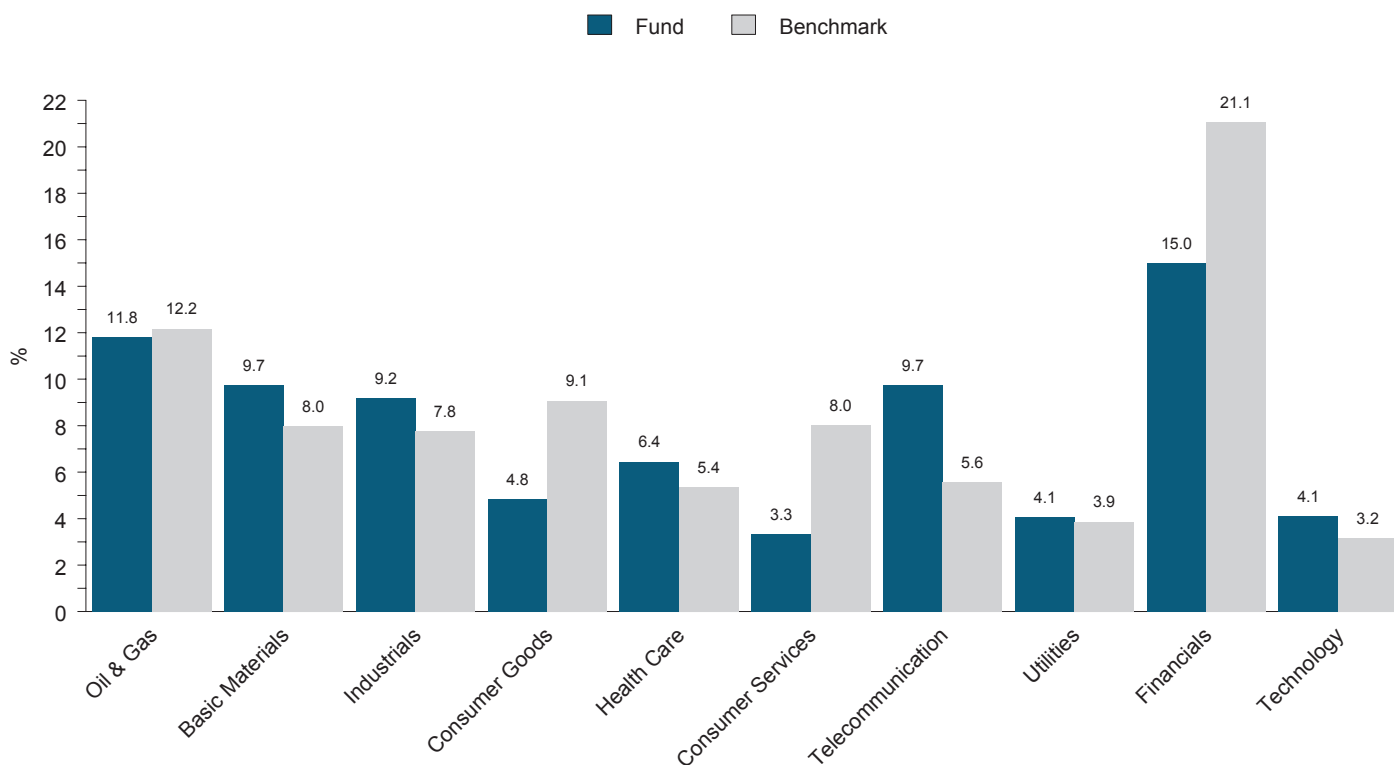
Pay Dates: 29 Mar, 26 Sep

Source: Lipper, as at 31 December 2007, total return, bid to bid, net income reinvested, without initial charges, unless otherwise stated figures are gross of management fees. Lipper fund returns are based on midday prices, whereas the index is priced at the close of the relevant markets.

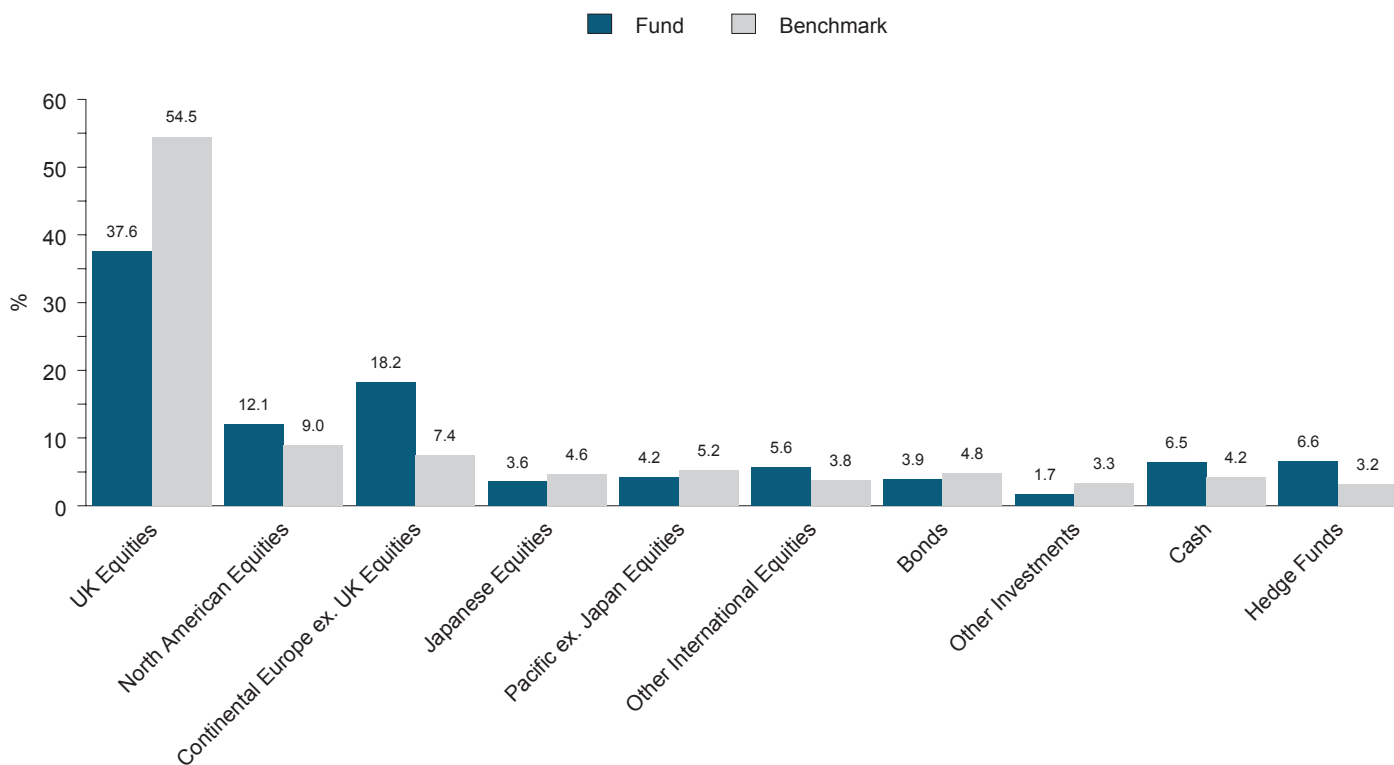
Fund Analysis

Newton Bridge Fund

Industrial Weightings versus Benchmark



Regional and Asset Class Weightings versus Benchmark



Fund Analysis

Newton Bridge Fund

Top 10 Holdings as at 31 December 2007

UK Equities	%	Overseas Equities	%
Vodafone Group PLC	3.8	ConocoPhillips	1.5
BP PLC	2.6	Companhia Vale do Rio Doce	1.5
GlaxoSmithKline PLC	2.3	Deutsche Boerse AG	1.4
HSBC Holdings PLC	2.0	Gildan Activewear Inc	1.4
Standard Chartered PLC	1.9	Total SA	1.4
BHP Billiton PLC	1.8	Acciona SA	1.3
Royal Dutch Shell PLC	1.8	Air Liquide SA	1.2
ICAP PLC	1.5	Panalpina Welttransport AG	1.2
Prudential PLC	1.3	Millicom Intl Cellular	1.2
Anglo American PLC	1.3	Subsea 7 Inc	1.1

Major Contributors to Relative Performance During the Quarter

Positive	%	Negative	%
Deutsche Boerse AG	0.55	Rio Tinto PLC (not held)	-0.30
Millicom Intl Cellular	0.43	BG Group PLC (not held)	-0.29
ICAP PLC	0.41	ABC Learning Centres Ltd	-0.19
Royal Bank of Scotland Grp PLC (not held)	0.24	Teck Cominco Ltd	-0.18
K&S AG	0.23	Cisco Systems Inc	-0.16

Significant Transactions

Acquisitions

Subsea 7 Inc
Aker Kvaerner ASA
LG Telecom Ltd
Anglo American PLC
Dexion Absolute Ltd

Disposals

Accor SA
Allianz SE
KBC Group NV
Irish Life & Permanent PLC
France Telecom SA

Investment Themes

Newton Bridge Fund

The identification of global themes is a key component of our investment philosophy. Individual economies, industries or companies should not be analysed in isolation. Only by understanding events, trends and competitive pressures worldwide can investment prospects be properly evaluated. We have approximately a dozen investment themes, some of which have changed little over the past few years whilst others are fairly recent additions. A number of these themes are illustrated below with examples of individual holdings.

Earth Matters

Environmental issues have moved to centre stage in the minds of the public and policy makers. Current growth trends in the developing world suggest significant additional stress on resources and the environment.

Beneficiaries: Acciona, K&S, Makhteshim-Agan, Neste Oil, Veolia Environnement

Global Realignment

Stronger growth and increasing economic influence of the developing world is challenging the western industrialised nations' domination in terms of wealth, consumption of both natural resources and finished goods and market capitalisation of global stock markets. Some realignment over time is inevitable reflecting the

developing world's accumulation of foreign exchange reserves and trade surpluses.

Beneficiaries: BHP Billiton, CVRD, Deutsche Post, Panalpina, Millicom

Debt and Credit

The transition from high to low inflation and interest rates has triggered a super-cycle of credit growth which has boosted economic activity in the West. It has extended the economic cycle and left households, corporations and administrations increasingly highly indebted. This contrasts with a developing world where households and, increasingly, corporations are significantly less indebted. In sectors such as banking (among others), we favour companies with exposure to the developing world.

Beneficiaries: DBS, EFG, Siam Commercial, Standard Chartered

Energy Supply

Following decades of underinvestment in oil and gas infrastructure, surplus production and refining capacity is limited. Strong current and forecast demand for energy implies a structurally higher real oil price. This has implications for the oil industry, infrastructure, and alternative energy sources as well as significant macro effects.

Beneficiaries: Acciona, BP, ConocoPhillips, Neste Oil, Terna Participacoes

Fund Manager's Report

Newton Bridge Fund

2007 saw your fund deliver its best year of relative performance, outperforming its benchmark by 9.5% to bring the full year return to 16.4%. This is the eleventh consecutive year of out performance since launch and is set against a background of difficult equity markets unsettled by the fall out from the increase in defaults on US sub prime mortgages. The strong performance this year continued to be driven by stock selection drawing on our global thematic process and output from our research analysts. Strong returns were registered by the Telecommunications sector, where our Networked world and Global Realignment themes steered us towards mobile telephony, specifically within Emerging Markets. In the Financials sector, the Exchanges continued to deliver good absolute returns and our Debt and Credit theme guided us away from consumer exposed financial institutions and investment banks to assist in our relative out performance.

Portfolio activity during the quarter continued our focus on the structural supply shortages in the oil industry and the increasing impact of the sub prime crisis on the real economy.

Oil briefly touched \$100 a barrel in December. We anticipate that the price will remain high with demand continuing to be driven by growth in China and other emerging markets and a tight supply situation, as investment has failed to keep up with the growth in demand, combined with heightened fears about the security of supply. A high oil price does not necessarily translate into good share price performance for all companies within the Oil and Gas sector, as it is becoming more and more costly to extract the oil. We believe that oil service companies will be significant beneficiaries of this tight supply environment; particularly those exposed to large projects outside North America. The highest margin projects are those in the deepwater offshore areas where service competition is restricted, such as in the Gulf of Mexico. Aker Kavaener and Subsea 7, two Norwegian companies, which predominantly operate in the

construction and manufacture of sub-sea and offshore drilling equipment, were introduced to the portfolio.

The ramifications of the sub prime crisis spread further in the final quarter of 2007 when Central Banks had to intervene in the money markets to reduce the rate that was demanded to lend money short term on the inter-bank market. The 3-month London Inter Bank Offered Rate (LIBOR), having peaked at 6.9% in September as the Northern Rock debacle took hold, moved above 6.6% in early December representing a premium of 1.1% over the Bank of England Base rate. Many loans are priced using LIBOR and this increased the funding cost for businesses as well as consumers. We took advantage of this spike in cash deposit rates and placed some of the fund's cash on deposit for one month at a rate of 6.7%.

Concerns about the impact of rising borrowing costs on businesses and consumers coupled with the losses being registered by many banks, due to their holdings of sub prime related securities, led us to further reduce our exposure to banks and other financial companies, as their earnings will be diminished and future growth restricted. Irish Life and Permanent, KBC and Allianz were sold and Barclays and EFG were reduced.

Volatility within equity markets has risen as investors have begun to reappraise risk and the near term economic outlook. The extent of the impact on the real economy of rising borrowing rates and tighter lending criteria remains unclear and, coupled with rising geo-political tensions in the Middle East and elsewhere, suggests that market conditions will continue to be tough. We will continue to be guided by our themes, looking beyond the short-term issues, and seek companies that should reward investors over the long term.

Fund Management Team:

Caroline Lindsay and Robert Hay

Investment Style and Other Information

Newton Bridge Fund

- There are three components of the investment process at Newton: the strategic framework, global research, and portfolio management. The basis of our investment philosophy is that no industry, market or economy can be considered in isolation. Only by understanding events, trends and competitive pressures worldwide can prospects for shares and bonds be properly evaluated. We conduct our research and invest globally.
- The Bridge Fund is invested in the same manner as segregated high net worth private clients of Newton in line with the private client growth model managed in accordance with agreed asset allocation guidelines.
- The Fund holds around 90-100 equities compared to 60-70 holdings for the model with the additional holdings consisting of other strong Newton ideas and taking into account other in-house model portfolios.
- The core of the Fund is primarily invested in large, international blue chip companies which are held for the long term although from time to time it actively participates in new issues, public offerings and underwriting on a short-term view.
- The fixed interest element is biased towards investment grade corporate bonds and government issues.
- Investment trusts are used to a limited extent to gain exposure to specialist areas including hedge funds, and may be switched to take advantage of changes in price relative to net asset value.

Portfolio Valuation

Newton Bridge Fund

	% WEIGHT
Newton Bridge Fund	100.00
Equities	81.31
Oil & Gas	11.80
Oil & Gas Producers	9.80
BP PLC	2.64
ConocoPhillips	1.54
Neste Oil Oyj	0.76
Occidental Petroleum Corp	0.97
Royal Dutch Shell PLC	1.77
StatoilHydro ASA	0.77
Total SA	1.35
Oil Equipment	2.00
Aker Kvaerner ASA	0.94
Subsea 7 Inc	1.06
Basic Materials	9.73
Chemicals	3.24
Air Liquide SA	1.24
K&S AG	0.90
Makhteshim-Agan Industries Ltd	0.59
Symrise AG	0.51
Industrial Metals	2.15
Companhia Vale do Rio Doce	1.49
Teck Cominco Ltd	0.66
Mining	4.35
Anglo American PLC	1.27
BHP Billiton PLC	1.82
Xstrata PLC	1.26
Industrials	9.18
Construction & Materials	1.32
Acciona SA	1.32
Aerospace & Defence	1.44
Cobham PLC	0.96
QinetiQ Group PLC	0.48
General Industrials	0.98
Smiths Group PLC	0.98
Industrial Transportation	2.12

Portfolio Valuation

Newton Bridge Fund

	% WEIGHT
Deutsche Post AG	0.95
Panalpina Welttransport AG	1.17
Support Services	3.32
ABC Learning Centres Ltd	0.76
Bunzl PLC	1.00
Eaga PLC	0.22
Serco Group PLC	0.88
Shanks Group PLC	0.46
Consumer Goods	4.84
Beverages	0.97
Diageo PLC	0.97
Household Goods	0.57
Woong Jin Coway Co	0.57
Personal Goods	1.41
Gildan Activewear Inc	1.41
Tobacco	1.89
Japan Tobacco Inc	0.85
Reynolds American Inc	1.04
Health Care	6.45
Health Care Equipment & Services	1.72
Beckman Coulter Inc	0.51
Medtronic Inc	0.69
Smith & Nephew PLC	0.52
Pharmaceuticals & Biotechnology	4.73
GlaxoSmithKline PLC	2.35
Lilly (Eli) & Co	0.84
Novartis AG	0.79
Roche Hldgs AG	0.75
Consumer Services	3.34
Food & Drug Retailers	1.23
Tesco PLC	1.23
General Retailers	1.13
eBay Inc	0.31
Inchcape PLC	0.82
Media	0.98
Reuters Group PLC	0.98

Portfolio Valuation

Newton Bridge Fund

	% WEIGHT
Telecommunication	9.75
Fixed Line Telecommunications	2.71
Cable & Wireless PLC	1.16
Tele Norte Leste Participacoes	0.63
Telstra Corp Ltd	0.69
Telstra Corp Ltd Installment Rcpts (29/5/08 PP)	0.23
Mobile Telecommunications	7.04
Advanced Info Service PCL	0.59
LG Telecom Ltd	0.70
Millicom Intl Cellular	1.15
MTN Group Ltd	0.76
Vodafone Group PLC	3.83
Utilities	4.06
Electricity	1.82
Fortum Oyj	0.88
Scottish & Southern Energy PLC	0.94
Gas Water & Multiutilities	2.24
Centrica PLC	0.53
Terna Participacoes SA	0.71
Veolia Environnement	0.99
Financials	14.99
Banks	8.26
Barclays PLC	0.99
DBS Group Holdings Ltd	0.71
EFG Eurobank Ergasias SA	0.98
HSBC Holdings PLC	1.96
Siam Commercial Bank PCL	0.86
Standard Chartered PLC	1.87
Unicredito Italiano SpA	0.89
Nonlife Insurance	0.55
Hartford Financial Services Gp	0.55
Life Insurance	2.68
Old Mutual PLC	0.79
Prudential PLC	1.27
Resolution PLC	0.61
Real Estate	0.58
Land Securities Group PLC	0.58

Portfolio Valuation

Newton Bridge Fund

	% WEIGHT
General Financial	2.92
Deutsche Boerse AG	1.43
ICAP PLC	1.48
Technology	4.10
Software & Computer Services	2.02
Amdocs Ltd	0.45
Microsoft Corp	0.50
SAP AG	0.51
VeriSign Inc	0.55
Technology Hardware & Equipment	2.08
Canon Inc	0.62
Cisco Systems Inc	0.89
High Tech Computer Corp	0.57
Unitised / Structured Investments (Equities)	3.08
UK Equity Funds	1.00
MFM Newton UK Smaller Cos Cls 'X'	1.00
Japan	2.08
Capita Financial Managers Morant Wright Japan B (Acc)GBP	0.93
Elders (Merrill Lynch Intl) Japan Capital Protected II 13C	0.78
Elders (Merrill Lynch Intl) Japan Accel Growth II 25B	0.37
Bonds	3.92
Government Bonds	0.64
UK Bonds	0.64
Treasury 5% Stk 7/09/2014 5% Stk 7/09/2014	0.64
Index Linked	0.55
UK Index Linked	0.55
British Telecommunications PLC 3.5% Idx Lkd 25/04/2025 GBP	0.55
Corporate Bonds	2.73
UK Corporate Bonds	2.73
Barclays Bank PLC 6% Bds 29/06/2049 GBP10000	0.83
Daily Mail & General Trust PLC 7.5% Bds 29/3/2013 GBP10000	0.38
France Telecom SA 8% EMTN 20/12/2017 GBP1000	0.35
HBOS Treasury Services PLC 6.475% Non Cum Prf GBP1	0.59
Iron Mountain Inc 7.25% Bds 15/04/14 Reg'S'	0.24

Portfolio Valuation

Newton Bridge Fund

	% WEIGHT
Kelda Group PLC 6.875% Gtd Bds 23/4/2010 GBP	0.33
Cash	6.47
Hedge Funds	6.61
AcenciA Debt Strategies Ltd	0.69
Alternative Inv Strategies Ltd	0.67
Close Allblue Fund Ltd	0.83
Dexion Absolute Ltd	0.71
Dexion Absolute Ltd 'C' Shs GBP NPV	0.31
Dexion Alpha Strategies Ltd	0.67
Dexion Trading Ltd	0.52
Gottex Market Neutral Tst Ltd	0.53
Signet Gbl Fxd Inc Strategies	0.64
Tapestry Investment Co PCC Ltd	1.03
Unitised/Structured Investments (Other)	1.69
Other	1.69
Other / Non Region Specific	1.69
Merrill Lynch Intl & Co CV	0.50
Symphony Eurostoxx50 Autocall	0.71
Symphony FTSE Absolute Return	0.48

Risk Factors

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Issued by Newton Investment Management Limited. The Newton Bridge Fund is an authorised unit trust operated by Mellon Fund Managers Limited.

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