



# Newton Bridge Fund

Investment Report

First Quarter 2007

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## Statutory Disclosure of Discrete Past Performance - Percentage Change

From	31/03/02	31/03/03	31/03/04	31/03/05	31/03/06
To	31/03/03	31/03/04	31/03/05	31/03/06	31/03/07
Newton Bridge Fund	-22.6%	26.6%	13.2%	28.5%	6.0%

**Source:** Lipper, as at 31 March 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

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 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

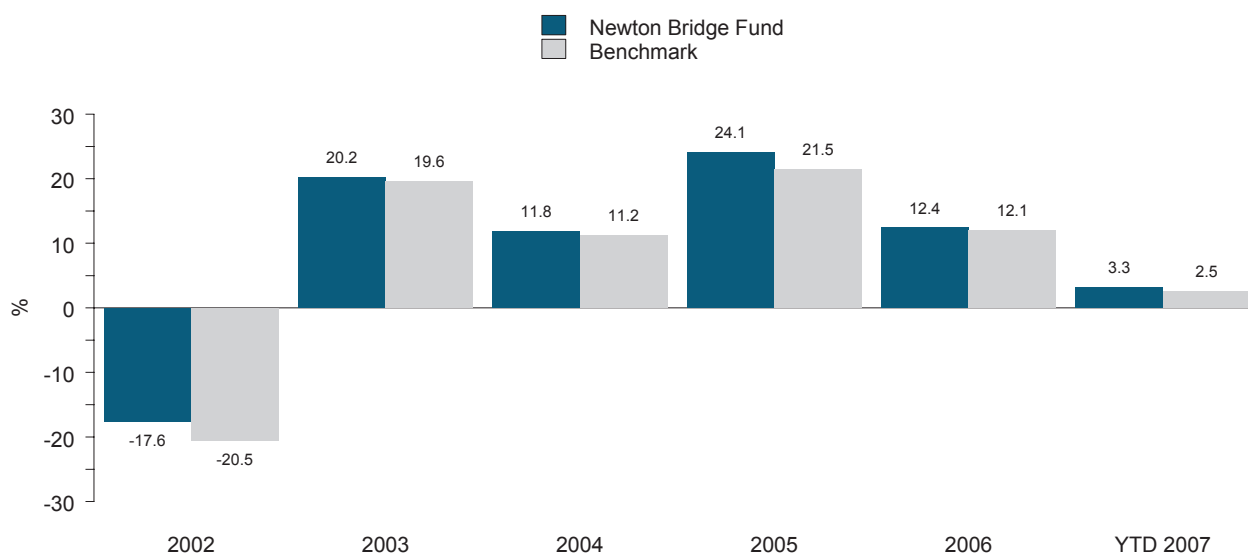
The investment objective of the Scheme is to achieve capital growth through investment principally in UK and international securities. The Scheme may also invest in warrants, deposits, money market instruments, collective investment schemes, derivative instruments and forward transactions.

## 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 bias is towards UK quoted shares balanced by international exposure and fixed interest holdings.

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)	3.0	140.7
Fund Return (before fees)	3.3	161.4
Benchmark Return	2.5	106.0
FTSE All-Share	2.9	124.1
FTSE W World Ex UK	2.3	93.5
FTSE Government All Stocks	-0.7	93.0

Dividend Yield: 1.7% as at 31 March 2007

| Last Distribution: 1.0130p per unit on 28 March 2007

Fund Size (millions): GBP 297.75 as at 31 March 2007

| Currency: GBP

Ex Dates: 31 Jan, 31 Jul

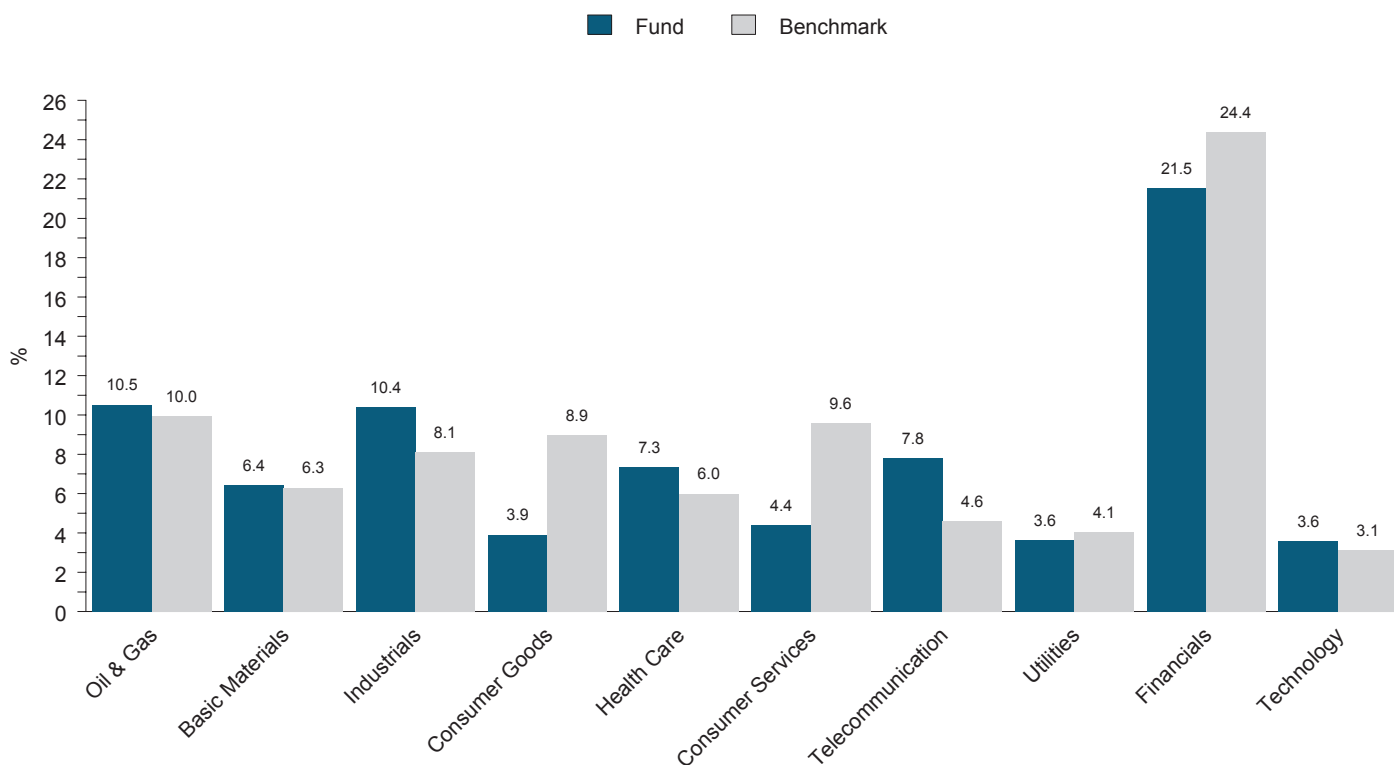
| Pay Dates: 28 Mar, 27 Sep

**Source:** Lipper, as at 31 March 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.

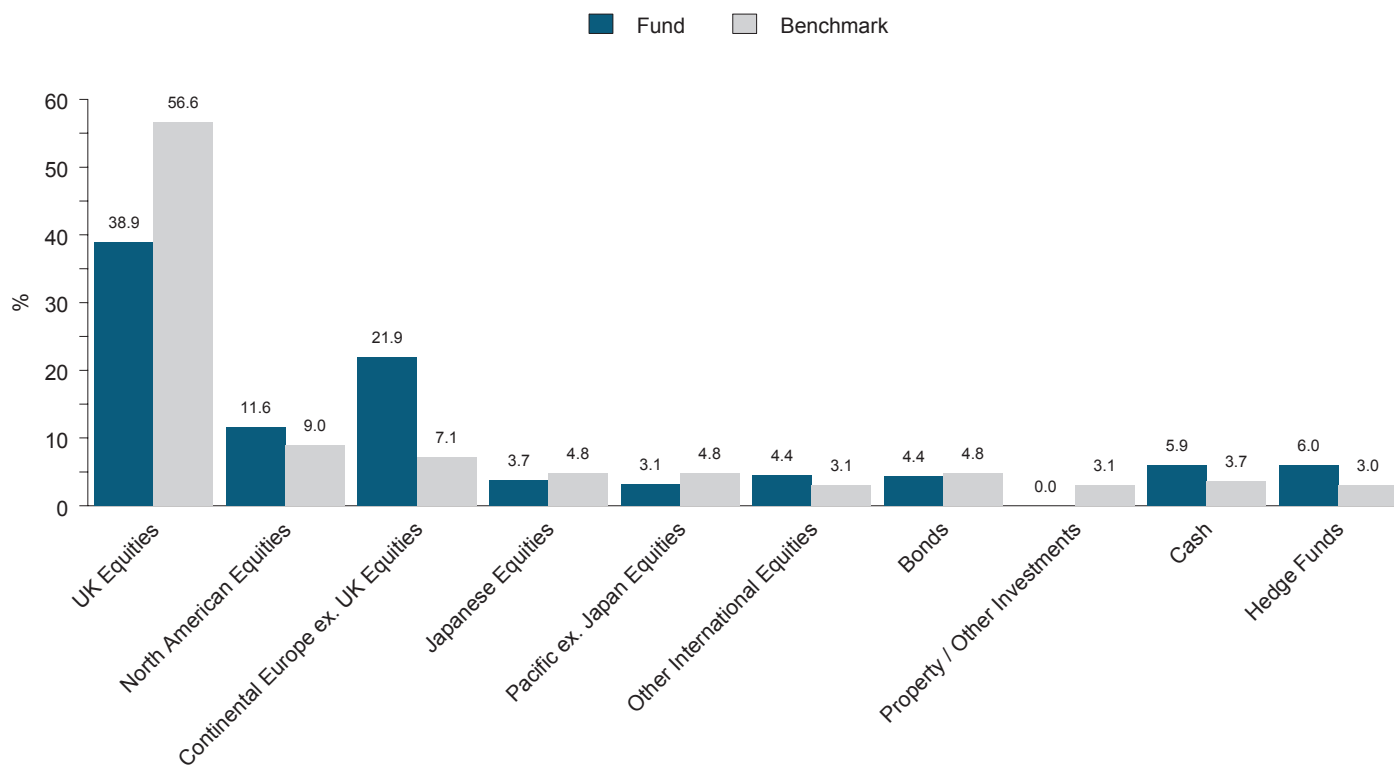
# Fund Analysis

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 March 2007

<b>UK Equities</b>	<b>%</b>	<b>Overseas Equities</b>	<b>%</b>
BP PLC	3.2	Deutsche Boerse AG	1.4
Vodafone Group PLC	3.0	ConocoPhillips	1.3
GlaxoSmithKline PLC	2.8	Accor SA	1.3
HSBC Holdings PLC	2.3	Acciona SA	1.3
BHP Billiton PLC	2.2	Total SA	1.3
Barclays PLC	2.1	Panalpina Weltransport AG	1.2
Prudential PLC	1.7	EFG Eurobank Ergasias SA	1.2
Standard Chartered PLC	1.6	Companhia Vale do Rio Doce	1.2
Royal Dutch Shell PLC	1.6	Capita Financial Managers Morant Wright Japan B (Acc)GBP	1.2
Serco Group PLC	1.3	Allianz SE	1.1

## Major Contributors to Relative Performance During the Quarter

<b>Positive</b>	<b>%</b>	<b>Negative</b>	<b>%</b>
Panalpina Weltransport AG	0.28	High Tech Computer Corp	-0.13
Deutsche Boerse AG	0.25	McGraw-Hill Cos Inc	-0.10
BHP Billiton PLC	0.22	SAP AG	-0.10
Companhia Vale do Rio Doce	0.21	ConocoPhillips	-0.10
Accor SA	0.21	Nikko Cordial Corp	-0.09

## Significant Transactions

### Acquisitions

Gottex Market Neutral Tst Ltd
Barclays Bank PLC.6% Bds 29/06/2049
Newton UK Smaller Companies Fund
Terna Participacoes SA
Signet Gbl Fxd Inc Strategies

### Disposals

Samsung Electronics Co Ltd
Panalpina Weltransport AG
Nikko Cordial Corp
Scottish & Southern Energy PLC
Deutsche Boerse AG

# 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.

## Population Dynamics

A nation's demographic profile has profound implications for its ongoing economic development influencing its patterns of growth, consumption and savings, fiscal policy, healthcare regimes and competitive advantage. Industrialised economies have broadly ageing populations while some developing economies have significantly different profiles.

**Beneficiaries: Allianz, GlaxoSmithKline, Novartis, Prudential, Smith & Nephew**

## Global Realignment

Stronger growth and the 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, Cemex, 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

Equity markets have continued their onwards march in 2007, with the FTSE ALL Share returning 2.9% this quarter and the FTSE W World Ex UK index 2.3%. Yet this masks a tumultuous time at the end of February and early March when global equity markets tumbled following rumours that the Chinese administration were to undertake measures to curb investor enthusiasm. As a result, the Shanghai stock market experienced a one-day fall of 9%. Concerns about the US economy faltering on the back of a housing slow down resurfaced as sub-prime mortgage defaults rose strongly and banks and finance companies tightened their lending criteria. Nevertheless, markets recovered their poise quickly, demonstrating that liquidity is still plentiful, specifically within private equity vehicles, and that investment opportunities exist.

After fees, your fund returned 3% for the period against 2.5% for the benchmark. Good contributions to performance came from the holdings in Deutsche Boerse, Panalpina, Accor and the mining companies, whereas holdings in the media and technology sectors detracted.

Utility companies have been strong contributors to your portfolio for a number of years as investors have sought their relatively high dividend yields and stable growth characteristics. As prices have risen, we have been reducing your weightings through previous sales of Severn Trent and National Grid and, this quarter, with a part disposal of Scottish & Southern. We believe that they are now priced above fair value, their dividend yields are not as supportive and the regulatory environment may become less benign. Many of the qualities that we favoured can also be found amongst utility companies in other countries and we have added Terna Participacoes, an operator of concessions to transmit electricity around Brazil, to the portfolio. The company has predictable cash flows that are inflation linked, a high dividend pay out ratio and management with a good track record both operationally and on investment decisions. The shares were purchased on 10.9 times 2007 forecasted earnings and a 2007 estimated dividend yield of 8.8%.

Sales from within the equity element of the portfolio have generally been driven by profit taking as favoured positions have continued to perform strongly, such as Panalpina and Deutsche Boerse. However, Nikko Cordial, the

Japanese financial company, was sold following the possibility that the company could be delisted from the Tokyo Stock Exchange as a result of accounting issues within its private equity subsidiary and the reputational damage that ensued.

Samsung Electronics has been a long standing holding for your portfolio. This diversified technology company has benefited in recent years from its status as a low cost producer and technological leadership in a number of key areas. Consequently the valuation discount of the shares to its global peer group has closed significantly over the last three years. Given its current size, generating growth will now be more challenging and the performance of the share price will be more closely tied to the cyclicity of its core semi-conductor business (60% - 80% of operating profits). Other headwinds include the improved competitive position of Samsung's Japanese peers, the strength of the Korean Won, and deflationary pressures in its core business. Hence we decided to sell the holding and realise the profit.

Within the portfolio's alternative investments, we have continued our policy of reducing holdings when they are at significant premiums to net asset value through sales of Dexion Absolute and Acencia Debt Strategies, and have then added to new issues and preferred funds including Gottex, Signet, Alternative Investment Strategies and Acencia Debt Strategies.

Notwithstanding the short, sharp reminders that share prices can go down as well as up, markets have experienced a prolonged recovery from the low point in March 2003. Investors will always question for how long this can last, whether concerns regarding a slow down in US consumption will prove well founded and, if so, will it have a significant global impact. Corporate balance sheets are generally strong and should withstand any minor slow down in profit growth resulting from consumers reigning in their appetites and, for the time being, equity markets should be underpinned by private equity and infrastructure fund activity. Nevertheless, we expect volatility to increase and we may be provided with more opportunities to buy favoured stocks.

## 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
<b>Equities</b>	<b>83.68</b>
<b>Oil &amp; Gas</b>	<b>10.52</b>
<b>Oil &amp; Gas Producers</b>	<b>10.52</b>
BP PLC	3.23
ConocoPhillips	1.32
Neste Oil Oyj	0.82
Newfield Exploration Co	0.45
Occidental Petroleum Corp	0.98
Royal Dutch Shell PLC	1.56
Statoil ASA	0.92
Total SA	1.25
<b>Basic Materials</b>	<b>6.43</b>
<b>Chemicals</b>	<b>1.31</b>
Air Liquide	1.11
Symrise AG	0.20
<b>Industrial Metals</b>	<b>1.93</b>
Companhia Vale do Rio Doce	1.22
Teck Cominco Ltd	0.71
<b>Mining</b>	<b>3.19</b>
BHP Billiton PLC	2.18
Xstrata PLC	1.01
<b>Industrials</b>	<b>10.39</b>
<b>Construction &amp; Materials</b>	<b>3.23</b>
Acciona SA	1.26
Cemex SAB de CV	0.98
Hanson PLC	0.99
<b>Aerospace &amp; Defence</b>	<b>2.57</b>
Cobham PLC	1.05
QinetiQ Group PLC	0.50
Smiths Group PLC	1.02
<b>Industrial Transportation</b>	<b>2.17</b>
Deutsche Post AG	0.93
Panalpina Welttransport AG	1.24
<b>Support Services</b>	<b>2.42</b>
Bunzl PLC	1.10

# Portfolio Valuation

Newton Bridge Fund

	% WEIGHT
Serco Group PLC	1.32
<b>Consumer Goods</b>	<b>3.92</b>
<b>Beverages</b>	<b>1.00</b>
Diageo PLC	1.00
<b>Household Goods</b>	<b>0.54</b>
Woong Jin Coway Co	0.54
<b>Personal Goods</b>	<b>1.11</b>
Gildan Activewear Inc	1.11
<b>Tobacco</b>	<b>1.27</b>
Japan Tobacco Inc	0.77
KT&G Corp	0.49
<b>Health Care</b>	<b>7.34</b>
<b>Health Care Equipment &amp; Services</b>	<b>1.87</b>
Beckman Coulter Inc	0.50
Medtronic Inc	0.75
Smith & Nephew PLC	0.63
<b>Pharmaceuticals &amp; Biotechnology</b>	<b>5.48</b>
GlaxoSmithKline PLC	2.79
Lilly (Eli) & Co	0.93
Novartis AG	0.91
Roche Hldgs AG	0.85
<b>Consumer Services</b>	<b>4.41</b>
<b>Food &amp; Drug Retailers</b>	<b>1.25</b>
Tesco PLC	1.25
<b>General Retailers</b>	<b>0.34</b>
eBay Inc	0.34
<b>Media</b>	<b>1.53</b>
McGraw-Hill Cos Inc	0.96
Reuters Group PLC	0.57
<b>Travel &amp; Leisure</b>	<b>1.29</b>
Accor SA	1.29
<b>Telecommunication</b>	<b>7.79</b>
<b>Fixed Line Telecommunications</b>	<b>2.73</b>
Cable & Wireless PLC	1.14
France Telecom SA	0.67

Source: Newton

# Portfolio Valuation

Newton Bridge Fund

	% WEIGHT
Telstra Corp Ltd	0.69
Telstra Corp Ltd Installment Rcpts (29/5/08 PP)	0.24
<b>Mobile Telecommunications</b>	<b>5.06</b>
Advanced Info Service PCL	0.44
Millicom Intl Cellular	1.00
MTN Group Ltd	0.61
Vodafone Group PLC	3.01
<b>Utilities</b>	<b>3.64</b>
<b>Electricity</b>	<b>1.59</b>
Fortum Oyj	0.63
Scottish & Southern Energy PLC	0.96
<b>Gas Water &amp; Multiutilities</b>	<b>2.05</b>
Centrica PLC	0.62
Terna Participacoes SA	0.47
Veolia Environnement	0.96
<b>Financials</b>	<b>21.55</b>
<b>Banks</b>	<b>11.60</b>
Barclays PLC	2.08
DBS Group Holdings Ltd	0.77
EFG Eurobank Ergasias SA	1.24
HSBC Holdings PLC	2.26
KBC Group NV	0.90
Siam Commercial Bank PCL	0.72
Standard Chartered PLC	1.62
UBS AG	0.90
Unicredito Italiano SpA	1.12
<b>Nonlife Insurance</b>	<b>1.79</b>
Allianz SE	1.13
Hartford Financial Services Gp	0.66
<b>Life Insurance</b>	<b>4.56</b>
Irish Life & Permanent PLC	1.05
Old Mutual PLC	0.85
Prudential PLC	1.74
Resolution PLC	0.91
<b>Real Estate</b>	<b>0.90</b>
Land Securities Group PLC	0.90
<b>General Financial</b>	<b>2.70</b>
Deutsche Boerse AG	1.39
ICAP PLC	1.32

# Portfolio Valuation

Newton Bridge Fund

	% WEIGHT
<b>Technology</b>	<b>3.59</b>
<b>Software &amp; Computer Services</b>	<b>1.46</b>
Amdocs Ltd	0.29
Microsoft Corp	0.43
SAP AG	0.48
VeriSign Inc	0.25
<b>Technology Hardware &amp; Equipment</b>	<b>2.13</b>
Canon Inc	0.79
Cisco Systems Inc	0.93
High Tech Computer Corp	0.40
<b>Unitised / Structured Investments (Equities)</b>	<b>4.09</b>
<b>UK Equity Funds</b>	<b>1.26</b>
Newton UK Smaller Cos Cls 'X'	1.26
<b>Pan European</b>	<b>0.69</b>
Symphony Eurostoxx50 Autocall	0.69
<b>Japan</b>	<b>2.14</b>
Capita Financial Managers Morant Wright Japan B (Acc)GBP	1.16
Elders (Merrill Lynch Intl) Japan Capital Protected II 13C	0.99
<b>Bonds</b>	<b>4.36</b>
<b>Government Bonds</b>	<b>0.67</b>
<b>UK Bonds</b>	<b>0.67</b>
Treasury 5% Stk 7/09/2014	0.67
<b>Index Linked</b>	<b>0.58</b>
<b>UK Index Linked</b>	<b>0.58</b>
British Telecommunications PLC 3.5% Idx Lkd 25/04/2025 GBP	0.58
<b>Corporate Bonds</b>	<b>3.11</b>
<b>UK Corporate Bonds</b>	<b>3.11</b>
Barclays Bank PLC 6% Bds 29/06/2049 GBP10000	0.99
Daily Mail & General Trust PLC 7.5% Bds 29/3/2013 GBP10000	0.39
France Telecom SA 8% EMTN 20/12/2017 GBP1000	0.40
HBOS Treasury Services PLC 6.475% Non Cum Prf GBP1	0.69
Iron Mountain Inc 7.25% Bds 15/04/14 Reg'S'	0.28
Kelda Group PLC 6.875% Gtd Bds 23/4/2010 GBP	0.37

# Portfolio Valuation

Newton Bridge Fund

% WEIGHT

## Cash

5.95

## Hedge Funds

6.01

AcenciA Debt Strategies Ltd	0.67
AcenciA Debt Strategies Ltd Ord 'C' Shs NPV	0.12
Alternative Inv Strategies Ltd	0.69
Close Allblue Fund Ltd	0.82
Dexion Absolute Ltd	0.81
Dexion Alpha Strategies Ltd	0.64
Dexion Trading Ltd	0.48
Gottex Market Neutral Tst Ltd	0.59
Signet Gbl Fxd Inc Strategies	0.38
Signet Gbl Fxd Inc Strategies 'C' Shares GBP NPV	0.27
Tapestry Investment Co PCC Ltd	0.52

## Risk Factors

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