



Newton Balanced Bridge Fund

Investment Report

First Quarter 2007

Contents

Your Fund	2
Fund Analysis	3
Investment Themes	5
Fund Manager's Report	6
Investment Style and Other Information	8
Portfolio Valuation	9

Statutory Disclosure of Discrete Past Performance - Percentage Change

From To	31/03/02 31/03/03	31/03/03 31/03/04	31/03/04 31/03/05	31/03/05 31/03/06	31/03/06 31/03/07
Newton Balanced Bridge Fund	-19.1%	24.5%	12.2%	26.0%	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 Balanced Bridge Fund

Objective

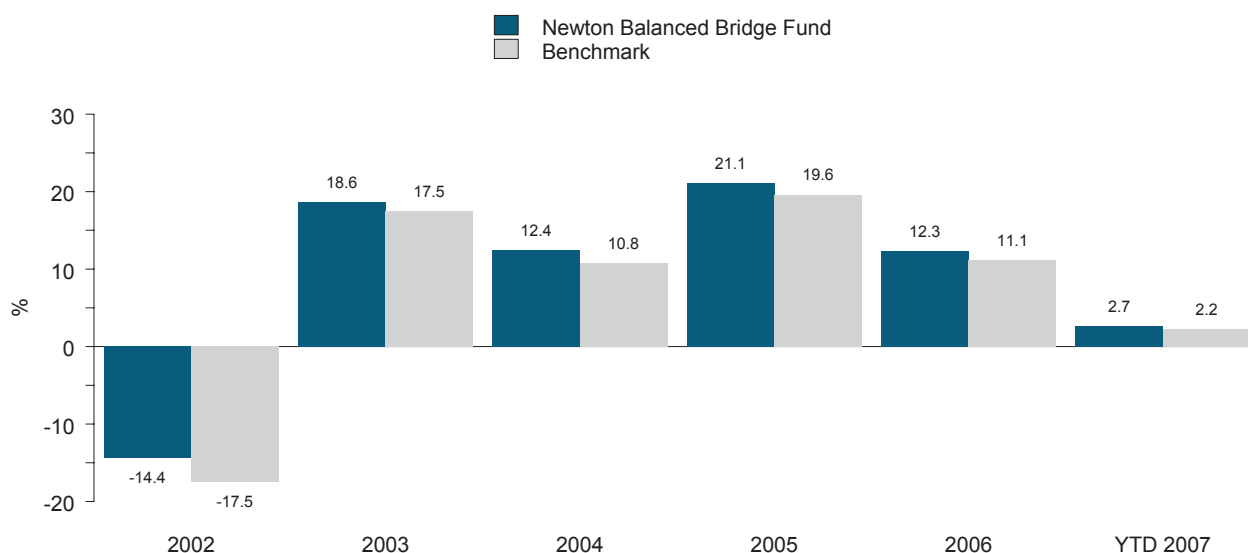
The investment objective of the Scheme is to provide a combination of income and growth through a portfolio of UK and international securities. The Scheme may also invest in warrants, deposits, money market instruments, collective investment schemes, derivative instruments and forward transactions.

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 Balanced Indicator.

Performance



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

	Latest Quarter (%)	Since Launch 23 December 1998 (%)
Fund Return (after fees)	2.5	78.9
Fund Return (before fees)	2.7	91.1
Benchmark Return	2.2	54.1
FTSE All-Share	2.9	56.6
FTSE W World Ex UK	2.3	40.8
FTSE Government All Stocks	-0.7	43.2

Dividend Yield: 2.9% as at 31 March 2007

| Last Distribution: 1.3735p per unit on 28 March 2007

Fund Size (millions): GBP 187.52 as at 31 March 2007

| Currency: GBP

Ex Dates: 31 Jan, 31 Jul

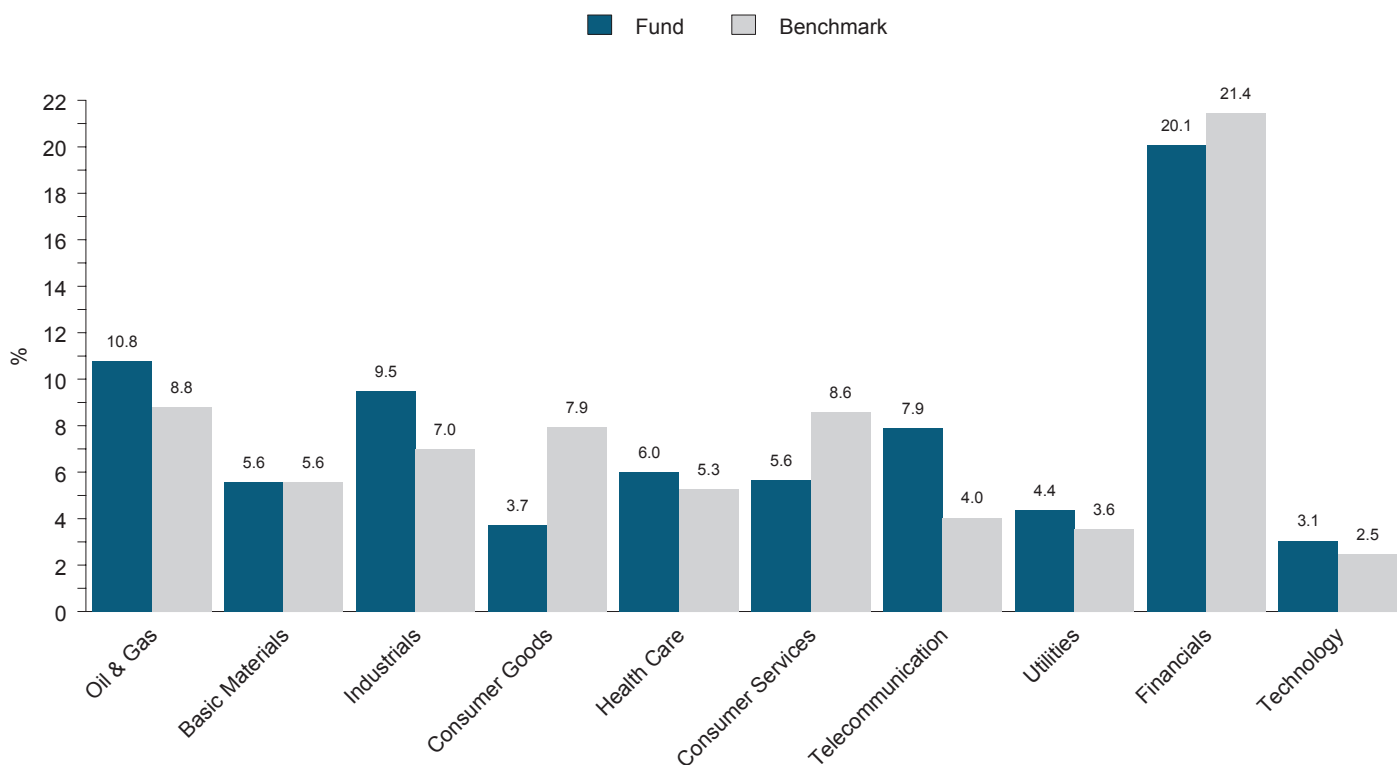
| Pay Dates: 28 Mar, 29 Sep

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.

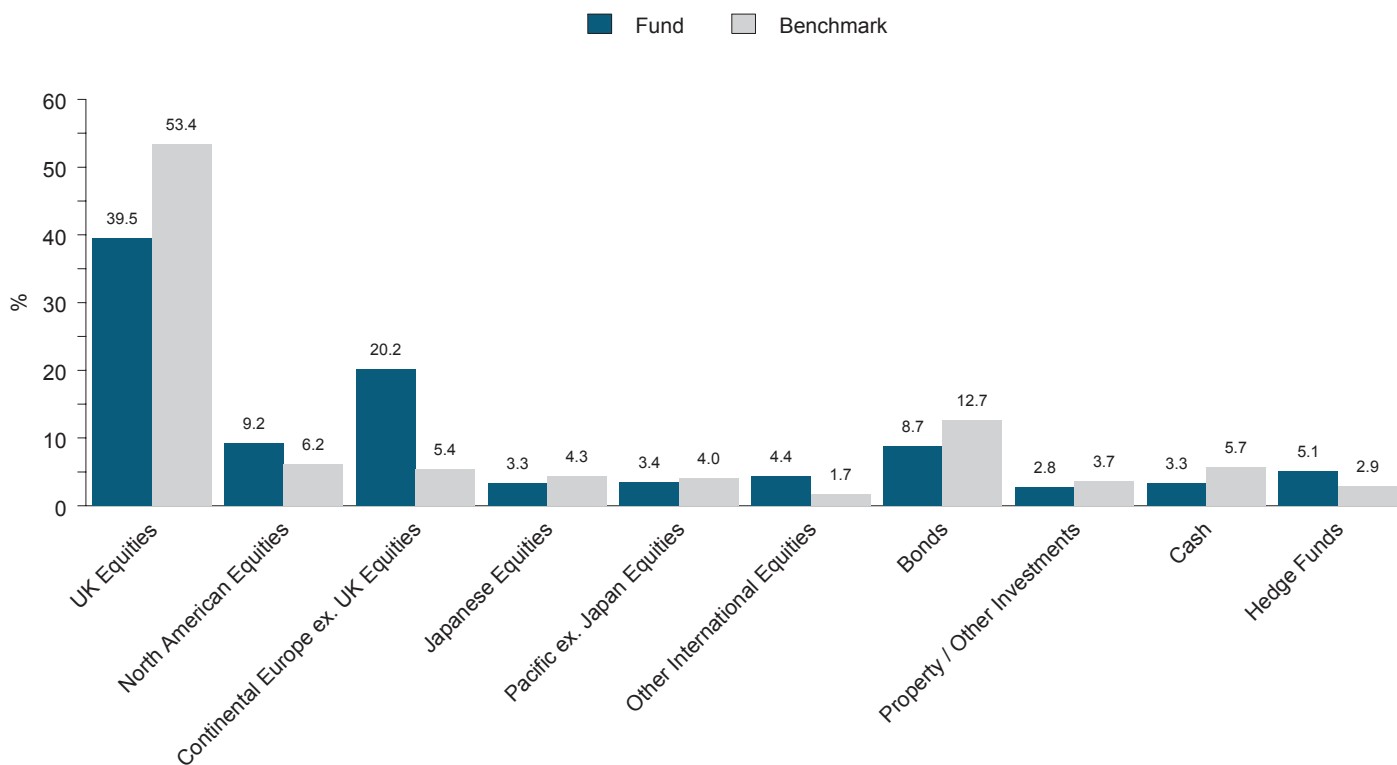
Fund Analysis

Newton Balanced Bridge Fund

Industrial Weightings versus Benchmark



Regional and Asset Class Weightings versus Benchmark



Fund Analysis

Newton Balanced Bridge Fund

Top 10 Holdings as at 31 March 2007

UK Equities	%	Overseas Equities	%
BP PLC	3.1	Statoil ASA	1.2
Vodafone Group PLC	3.1	Siam Commercial Bank PCL	1.1
HSBC Holdings PLC	2.2	ConocoPhillips	1.0
BHP Billiton PLC	2.0	Rodamco Europe NV	1.0
GlaxoSmithKline PLC	2.0	Companhia Vale do Rio Doce	1.0
Barclays PLC	1.9	Total SA	1.0
Royal Dutch Shell PLC	1.5	Occidental Petroleum Corp	1.0
Prudential PLC	1.5	Elders (Merrill Lynch Intl) Japan Capital Protected II 13C	1.0
Standard Chartered PLC	1.5	Panalpina Welttransport AG	1.0
National Express Group PLC	1.3	Telstra Corp Ltd	0.9

Major Contributors to Relative Performance During the Quarter

Positive	%	Negative	%
BHP Billiton PLC	0.21	High Tech Computer Corp	-0.13
Companhia Vale do Rio Doce	0.18	ConocoPhillips	-0.11
Gildan Activewear Inc	0.17	Vodafone Group PLC	-0.09
Panalpina Welttransport AG	0.17	Nikko Cordial Corp	-0.09
Deutsche Boerse AG	0.16	Teck Cominco Ltd	-0.08

Significant Transactions

Acquisitions

DSG Intl PLC
UK Commercial Property Tst Ltd
E.ON AG
Millicom Intl Cellular
Elders (Merrill Lynch Intl) 7% Fixed Income Shs Cls 24B

Disposals

Samsung Electronics Co Ltd
Nikko Cordial Corp
Scottish & Southern Energy PLC
Anglian Water Services Finance.4.125% I/L Nts 28/7/20 GBP1000
ConocoPhillips

Investment Themes

Newton Balanced 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, Unicredito

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 Balanced 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 2.5% for the period against 2.2% for the benchmark. Good contributions to performance came from the holdings in Deutsche Boerse, Panalpina, Gildan Activewear and the mining companies, whereas a lack of exposure in the consumer goods and consumer services sectors detracted.

We have decided to place a greater emphasis on the income generation within the portfolio and changes made during the quarter have increased the expected annual dividend yield from 2.7% at the end of December to 2.9%. New holdings introduced include E.ON, Terna Participacoes, DSG International (formerly known as Dixons), UK Commercial Property Trust and we added to existing holdings in Barclays, Centrica, Vodafone and Statoil. Sales from within the equity element of the portfolio to fund these changes have generally been driven by profit taking in favoured positions that have continued to perform strongly, such as Panalpina, Scottish & Southern Energy, Tesco, Accor, ConnocoPhillips and Deutsche Boerse. In addition, 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.

E.ON produces and distributes electric power and natural gas. The company has been attempting to buy Endesa of Spain since February 2006, and was valued by the market at a significant discount to its peers owing to the

uncertainty surrounding this takeover bid. In the event of the bid being successful at the price offered we believed that the shares were undervalued. If on the other hand the bid were to fail, pressure on the board to return cash to shareholders would increase, which we think would also be positive. On April 4 an agreement was reached with rival bidders Enel and Acciona under which E.ON withdrew its offer. In return E.ON will buy selected assets, predominantly in Western Europe, from both Endesa and Enel. E.ON's share price has reacted positively to these developments.

Terna Participacoes is an operator of concessions to transmit electricity around Brazil. It 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%.

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 cyclical nature 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.

The proceeds were reinvested in the telecom sector with the purchase of Millicom International Cellular. Millicom, a mobile phone operator, has exposure to a variety of developing markets in Asia, Africa and Central and South America. Management have dealt successfully with phenomenal growth rates in subscribers as falling handset prices and growing affluence drives growth.

Within the portfolio's alternative investments, we have continued our policy of reducing holdings when they are at significant premiums

Fund Manager's Report

Newton Balanced Bridge Fund

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 inevitably question for how long this can last and what will be the event that causes a correction. Current concerns centre upon a housing led slow down in US consumption and the potential ripple effect on the global economy. However, corporate balance sheets are generally strong and should withstand any minor reduction in profit growth

resulting from consumers reigning in their appetites. This coupled with continuing support from private equity and infrastructure fund investors should underpin markets in the near term. 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 Balanced 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 Balanced Bridge Fund is invested in the same manner as segregated high net worth private clients of Newton in line with the private client income and 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. The additional holdings consist of other strong Newton ideas and take 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. From time to time it also 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 Balanced Bridge Fund

	% WEIGHT
Newton Balanced Bridge Fund	100.00
Equities	80.11
Oil & Gas	10.78
Oil & Gas Producers	10.78
BP PLC	3.13
ConocoPhillips	1.05
ENI SpA	0.67
Neste Oil Oyj	0.82
Newfield Exploration Co	0.44
Occidental Petroleum Corp	0.97
Royal Dutch Shell PLC	1.54
Statoil ASA	1.17
Total SA	1.01
Basic Materials	5.57
Chemicals	0.80
Air Liquide	0.80
Industrial Metals	1.74
Companhia Vale do Rio Doce	1.02
Teck Cominco Ltd	0.72
Mining	3.03
BHP Billiton PLC	2.00
Xstrata PLC	1.03
Industrials	9.49
Construction & Materials	2.60
Acciona SA	0.93
Cemex SAB de CV	0.74
Hanson PLC	0.93
Aerospace & Defence	2.24
Cobham PLC	0.86
QinetiQ Group PLC	0.48
Smiths Group PLC	0.90
Industrial Transportation	1.87
Deutsche Post AG	0.92
Panalpina Welttransport AG	0.95
Support Services	2.77
Bunzl PLC	1.09

Portfolio Valuation

Newton Balanced Bridge Fund

	% WEIGHT
Serco Group PLC	1.06
Wolseley PLC	0.62
Consumer Goods	3.72
Beverages	1.02
Diageo PLC	1.02
Household Goods	0.53
Woong Jin Coway Co	0.53
Personal Goods	0.90
Gildan Activewear Inc	0.90
Tobacco	1.27
Japan Tobacco Inc	0.78
KT&G Corp	0.49
Health Care	6.00
Health Care Equipment & Services	1.72
Medtronic Inc	0.70
Smith & Nephew PLC	1.02
Pharmaceuticals & Biotechnology	4.28
GlaxoSmithKline PLC	1.98
Lilly (Eli) & Co	0.83
Novartis AG	0.75
Roche Hldgs AG	0.72
Consumer Services	5.65
Food & Drug Retailers	1.03
Tesco PLC	1.03
General Retailers	1.15
DSG Intl PLC	0.91
eBay Inc	0.24
Media	0.50
McGraw-Hill Cos Inc	0.50
Travel & Leisure	2.97
Accor SA	0.92
Marston's PLC	0.75
National Express Group PLC	1.30
Telecommunication	7.90
Fixed Line Telecommunications	3.20

Portfolio Valuation

Newton Balanced Bridge Fund

	% WEIGHT
Cable & Wireless PLC	1.01
France Telecom SA	0.60
Telecom Italia SpA	0.33
Telstra Corp Ltd	0.94
Telstra Corp Ltd Installment Rcpts (29/5/08 PP)	0.32
Mobile Telecommunications	4.70
Advanced Info Service PCL	0.39
Millicom Intl Cellular	0.62
MTN Group Ltd	0.61
Vodafone Group PLC	3.08
Utilities	4.37
Electricity	1.77
Fortum Oyj	0.82
Scottish & Southern Energy PLC	0.95
Gas Water & Multiutilities	2.60
Centrica PLC	0.80
E.ON AG	0.80
Terna Participacoes SA	0.47
Veolia Environnement	0.53
Financials	20.09
Banks	10.65
Barclays PLC	1.88
DBS Group Holdings Ltd	0.76
EFG Eurobank Ergasias SA	0.81
HSBC Holdings PLC	2.25
KBC Group NV	0.80
Siam Commercial Bank PCL	1.14
Standard Chartered PLC	1.49
UBS AG	0.72
Unicredito Italiano SpA	0.81
Nonlife Insurance	1.45
Allianz SE	0.79
Hartford Financial Services Gp	0.67
Life Insurance	3.90
Irish Life & Permanent PLC	0.64
Old Mutual PLC	0.84
Prudential PLC	1.51
Resolution PLC	0.91
Real Estate	1.92
Land Securities Group PLC	0.90

Portfolio Valuation

Newton Balanced Bridge Fund

	% WEIGHT
Rodamco Europe NV	1.02
General Financial	2.16
Deutsche Boerse AG	0.88
ICAP PLC	1.27
Technology	3.05
Software & Computer Services	1.21
Amdocs Ltd	0.23
Microsoft Corp	0.41
SAP AG	0.31
VeriSign Inc	0.25
Technology Hardware & Equipment	1.85
Canon Inc	0.72
Cisco Systems Inc	0.72
High Tech Computer Corp	0.40
Unitised / Structured Investments (Equities)	3.49
UK Equity Funds	1.00
Newton UK Smaller Cos Cls 'X'	1.00
Pan European	0.65
Symphony Eurostoxx50 Autocall	0.65
Japan	1.84
Capita Financial Managers Morant Wright Japan B (Acc)GBP	0.88
Elders (Merrill Lynch Intl) Japan Capital Protected II 13C	0.95
Bonds	8.74
Government Bonds	1.70
UK Bonds	1.70
Treasury 5.75% Stk 7/12/2009	0.65
Treasury 5% Stk 7/09/2014	1.05
Index Linked	0.52
UK Index Linked	0.52
British Telecommunications PLC 3.5% Idx Lkd 25/04/2025 GBP	0.52
Corporate Bonds	6.04
UK Corporate Bonds	6.04
Barclays Bank PLC 6% Bds 29/06/2049 GBP10000	0.95

Portfolio Valuation

Newton Balanced Bridge Fund

	% WEIGHT
Daily Mail & General Trust PLC 7.5% Bds 29/3/2013 GBP10000	0.56
EMI Group PLC 9.75%-Var Bds 20/5/2008 GBP	0.30
France Telecom SA 8% EMTN 20/12/2017 GBP1000	0.28
HBOS Treasury Services PLC 6.0884% Non Cum Prf GBP1000	0.96
HBOS Treasury Services PLC 6.475% Non Cum Prf GBP1	0.61
Iron Mountain Inc 7.25% Bds 15/04/14 Reg'S'	0.25
Kelda Group PLC 6.875% Gtd Bds 23/4/2010 GBP	0.29
Saphir Finance PLC 6.369% Perp 25/08/2049 GBP	0.65
Standard Chartered PLC 8.25% Non-Cum Irr Prf GBP1	0.43
Standard Chartered PLC 7.375% Non-Cum Irr Prf GBP1	0.50
Tesco PLC 6.625% EMTN 12/10/2010 GBP	0.25
Unitised / Structured Investments (Bonds)	0.48
UK Bond Funds	0.48
Elders (Merrill Lynch Intl) 7% Fixed Income Shs Cls 24B	0.48
Property	2.76
INVESCO Property Income Tst	0.59
Invista Foundation Prop Trust	0.48
Teesland Advant Prop Inc Trust	0.86
UK Commercial Property Tst Ltd	0.84
Cash	3.27
Hedge Funds	5.11
AcenciA Debt Strategies Ltd	0.68
AcenciA Debt Strategies Ltd Ord 'C' Shs NPV	0.11
Alternative Inv Strategies Ltd	0.78
Close Allblue Fund Ltd	0.66
Dexion Absolute Ltd	0.67
Dexion Alpha Strategies Ltd	0.45
Dexion Trading Ltd	0.44
Gottex Market Neutral Tst Ltd	0.49
Signet Gbl Fxd Inc Strategies	0.38
Signet Gbl Fxd Inc Strategies 'C' Shares NPV	0.09
Tapestry Investment Co PPC Ltd	0.37

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.

Issued by Newton Investment Management Limited. The Balanced Bridge Fund is an authorised unit trust operated by Mellon Fund Managers Limited. Newton Investment Management Limited and Mellon Fund Managers Limited are authorised and regulated by the Financial Services Authority and are members of the IMA.

Registered office for Newton Investment Management Limited (NIM) and Mellon Fund Managers Limited (MFM), Mellon Financial Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No 1371973 (NIM) and No. 1998251 (MFM). Authorised and regulated by the Financial Services Authority.

Newton Investment Management Limited (NIM)
Mellon Financial Centre
160 Queen Victoria Street
London EC4V 4LA

Mellon Fund Managers Limited (MFM)
Mellon Financial Centre
160 Queen Victoria Street
London EC4V 4LA

Telephone: 020 7163 9000
Fax: 020 7163 5063
e mail: privateclients@newton.co.uk
www.newton.co.uk/pim

Registered office for NIM and MFM: Mellon Financial Centre
160 Queen Victoria Street, London EC4V 4LA
Registered in England No.1371973 (NIM) and No.1998251 (MFM).
Authorised and regulated by the Financial Services Authority.

A Mellon Financial CompanySM

NIM Edinburgh

2 Festival Square
Edinburgh EH3 9SU

NIM Leeds

No. 1 Whitehall Riverside
Leeds LS1 4BN