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The role of the analyst at Newton

Our analysts play a vital part in our global thematic approach at Newton. In this short paper, we explain the role of the analysts and how they work with our portfolio managers to identify 'winning' investment opportunities on behalf of our clients.

A global thematic approach

At Newton, we have employed a global, thematic approach to investment for over 30 years in seeking to overcome the short-term uncertainties that challenge investors. As well as being the cornerstone of our commitment to achieving investment objectives for our clients, our approach has involved a transparency that we believe is essential in the building of longstanding relationships with those clients. The key benefit of our global, thematic approach is that it allows us to gain long-term perspective on global financial markets and economies. Such perspective helps us to anticipate how the world will change and it directs our analysts and fund managers towards profitable investment opportunities across the world.

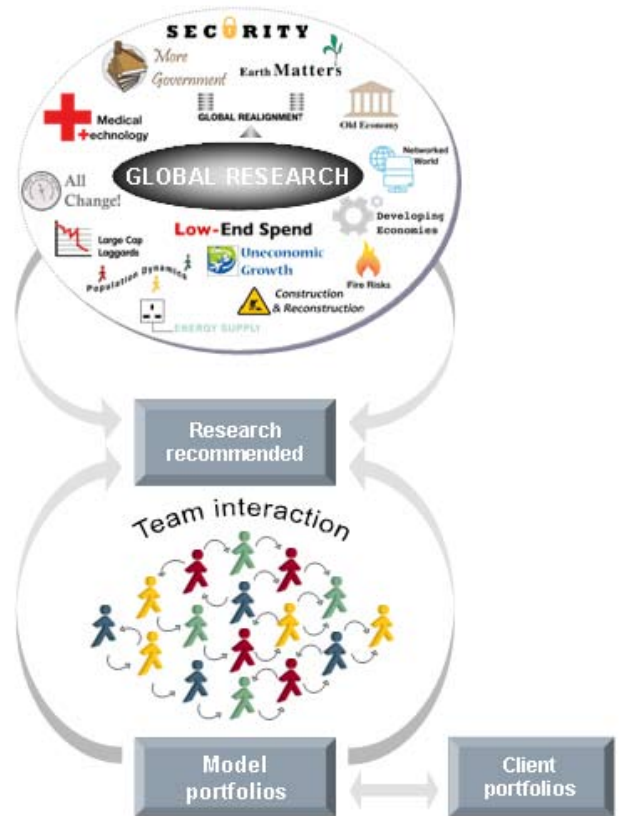
Perspective in one location

The key to preserving perspective is our structure. Our fund managers are backed by strong teams and, in particular, Newton employs highly qualified career analysts, many of whom have direct experience in the global sectors for which they are responsible. Our global analysts and fund managers sit in one location, London, rather than being spread around the world, and this collaborative arrangement promotes perspective on the investment landscape, strong idea generation and the swift implementation of investment ideas.

Our analysts

Specialist global research at Newton is a distinct career path from portfolio management. We have 32 analysts in total, including 20 career global industry equity analysts, each of whom has responsibility for a particular sector (or

a combination of sectors) and for identifying the global 'winners' in their sector(s). In addition, we have four credit analysts, five economists/strategists and three corporate governance and SRI officers. Our analysts have a broad range of backgrounds, with some having enjoyed careers in the industries that they research and others having had experience, for example, in accounting, consulting or investment banking.



The importance of proprietary research

The role of our research analysts, who conduct their research on a global basis, distinguishes us from a number of other investment management companies. One of our key strengths is our ability, through the work of our global

analysts, to conduct proprietary research across global sectors, and not simply within the narrow confines of geographic borders. Instead of being organized by country, mandate or benchmark type, our analysts carry out research in the sector(s) to which they are assigned.

Owing to continuing technological improvements, information has never been so abundantly available to investors, but we believe that investment management success is increasingly less attributable to the amount of information gathered than to the quality and interpretation of that information. The ability of our analysts to analyze information intelligently in a global, thematic context enables them to identify investment ideas effectively. The single location of our investment team is a powerful factor in enabling us to work as a focused group; we work locally, but we think globally.

How our analysts work

Our global industry analysts are expected to be the experts on their global sectors and to disseminate their views across Newton on the absolute and relative performance prospects for their areas of responsibility. Analysts are expected to contribute to the investment debate that helps establish our thematic and macroeconomic views; their interaction with company management and their insightful questioning at company meetings provide highly valuable contributions to the investment debate in this respect.

Our equity and bond analysts use our themes (our interpretation of the main forces of change in the world) to focus their research and, in conjunction with their fundamental research, to produce research-recommended lists of securities. Themes also stimulate investment debate among the investment team as a whole and may encourage portfolio managers to supplement these research-driven lists with their own stock ideas. The analysts generate investment ideas by drawing upon a wide range of internally sourced information,

and they use carefully selected external broker research as well. The analysts look to identify, on a global basis, good quality and attractively valued companies by employing a variety of valuation techniques, including earnings, asset value, cashflow and cost of capital measurements, according to the nuances of particular industries or companies.

In an absolute sense, if a sector is going to underperform, analysts are asked to say so. In a relative context, our research team leader compares the analysts' stock selections with a meaningful index. This forms the basis for the stock selection aspect of our analysts' annual performance appraisals. Analysts are also appraised on their effectiveness at communicating their views and ideas across the house.

Interaction between analysts and portfolio managers

Ultimately, stock selection decisions are the responsibility of our portfolio managers, who consider the recommendations of analysts, together with wider market considerations and the specific requirements of clients, to determine the composition of portfolios. Since each portfolio has its own benchmark, restrictions and risk profile, inevitably portfolios differ in configuration from the research recommended lists. However, commonality between our analysts' recommendations and portfolios is generally high, as is commonality between portfolios with similar objectives to one another.

The interaction between our analysts and portfolio managers is vital to our achieving the optimum output from our research. Newton's 'twinning' system (by which specific global analysts work in partnership with individual portfolio managers in identifying investment opportunities) is highly beneficial in ensuring that ideas are debated widely across the investment team. Teamwork is critical to the success of our process; analysts and portfolio managers work together through formal and informal meetings to ensure that the best ideas are incorporated as widely as possible in client portfolios.

Past performance is not a guide to future returns. 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. The opinions expressed in this presentation are those of Newton Capital Management Limited and should not be construed as investment advice.

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