

Presentation on:

Newton Asian Income strategy

Jason Pidcock

March 2011

Newton's Asian Income strategy



Objective

To achieve income with long-term capital growth

Benchmark

FTSE AW Asia Pacific ex Japan

This is a free float market capitalisation weighted regional index, including companies listed in the Asia Pacific region but excluding companies in Japan

- **Thematic** stock pricing approach with long-term investment horizon
- Designed to yield at **least 35% more than its benchmark index**, all new holdings must have a prospective yield greater than the index
- Any holding whose prospective yield falls **below a 15% discount to the index** will be sold*
- **Concentrated** portfolio of 40-50 stocks
- **Transparent, straightforward** structure

The power of perspective and flexibility

NEWTON
The Power of Ideas

Why dividends and why Asia for income?



Why dividends?

- They encourage **disciplined capital allocation** by companies and the **generation of cash flow**
- They can be used to **highlight value**
- They are an **important part of the returns** investors receive from an equity investment (especially in a low return world)

Why Asia for Income?

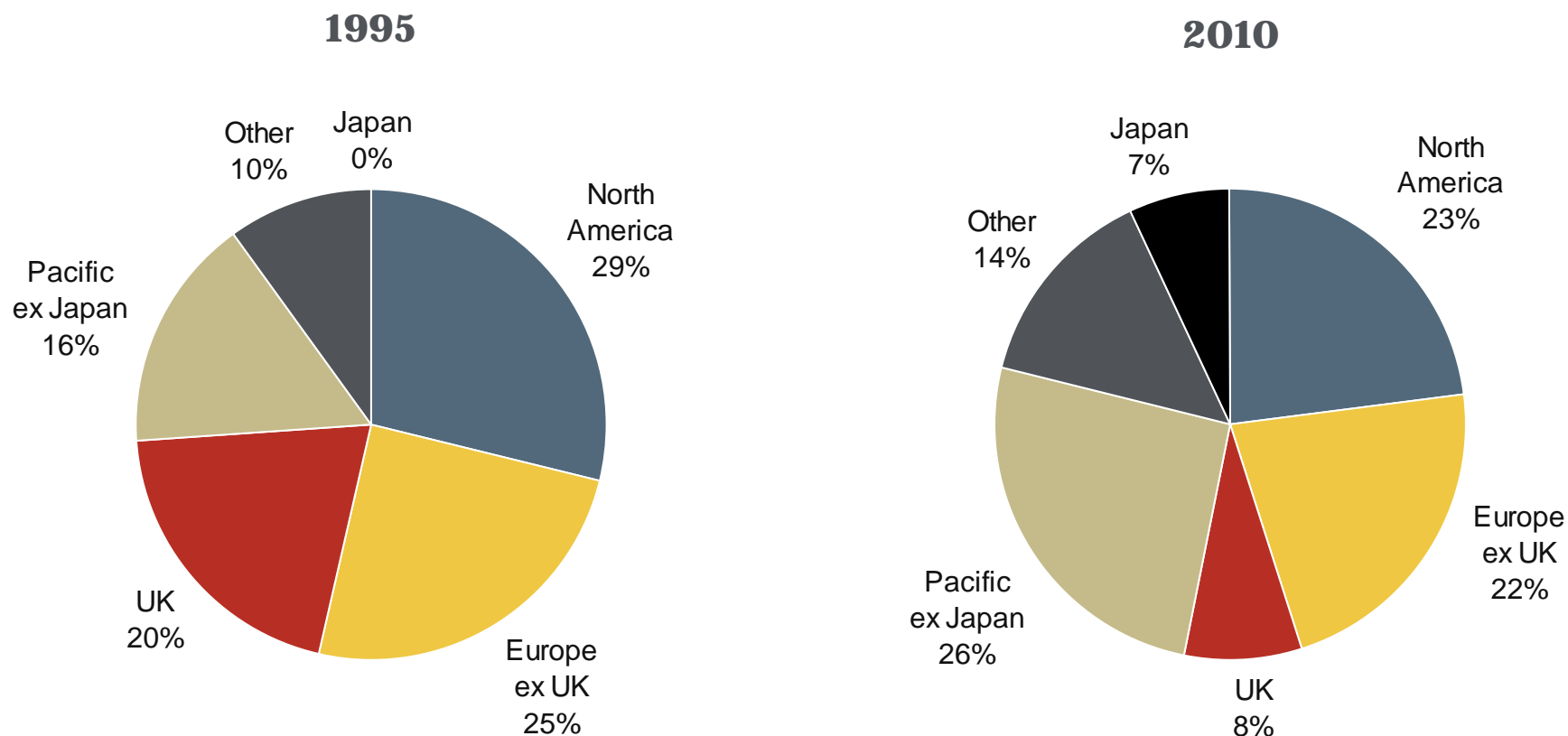
- A number of **high growth** economies
- Potential for **high earnings growth** in the region
- **Dividend growth** tied to earnings growth
- Good outlook for **sustained income growth**

* Subject to liquidity constraints

High yielding stocks are becoming more globally diversified



Geographical split of FTSE World index stocks yielding greater than 3%



Current yields are not indicative of future yields
 Source: FACTSET, Datastream, January 2011

Asia Pacific ex Japan dividend payout ratios (%)



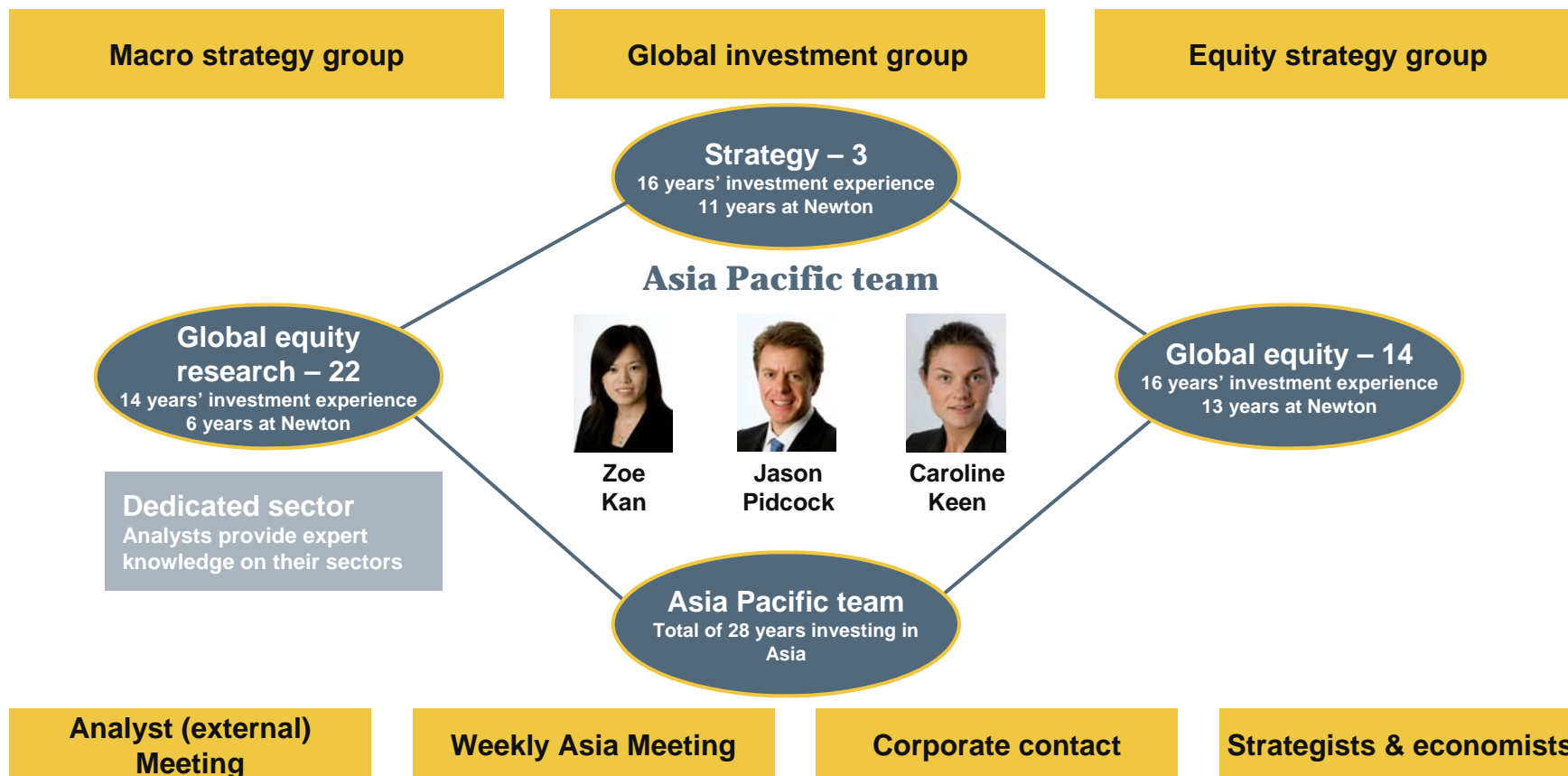
Source: CLSA - Bloomberg & MSCI as at February 2011

Newton's Asia Pacific team

Idea generation and input



Specialist Asia Pacific team supported by global equity managers and dedicated sector analysts



Source: Newton, January 2011

Highly interactive idea generation, format and informal discussions

The investment process



Our starting point is our **view of the world...**



- Themes provide long term orientation
- 'Big picture' to avoid short term focus

...in conjunction with analysts we **meet companies...**



- 23 career analysts split by global sector
- Provide +/- 10 global stock ideas
- Communication culture

...we look for those that meet our **key criteria...**

- ✓ Balance sheet strength
- ✓ Superior assets
- ✓ Brand strength
- ✓ Pricing power
- ✓ Financial prowess
- ✓ Astute management

...to construct the **high conviction portfolio**

- ✓ Portfolio holdings have a "quality" bias
- ✓ Focus on tomorrow's winners
- ✓ Focus on companies who gain market share
- ✓ Typically a 3 year investment horizon

Important information



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 part of the portfolio is invested in sub-investment grade bonds, which typically have a low credit rating and carry a high degree of default risk, then please be aware that this 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, then there are additional risks associated with these sectors. 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 Investment Management and should not be construed as investment advice. In addition the information contained in this presentation should not be construed as a recommendation to buy or sell a security.

Newton Investment Management Limited

BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
Tel: 020 7163 9000

Registered in England No. 1371973.
www.newton.co.uk

Registered office: as above.

Both firms are authorised and regulated by the FSA, are members of the IMA and are Bank of New York Mellon CompaniesSM

Also at

Newton Edinburgh

Capital House
2 Festival Square
Edinburgh EH3 9SU

BNY Mellon Fund Managers Limited

BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
Tel: 020 7163 9000

Registered in England No. 1998251

Newton Leeds

1 Whitehall Riverside
Leeds
West Yorkshire LS1 4BN

Important information



'Newton' refers to the following group of affiliated companies: Newton Investment Management Limited, Newton Capital Management Limited, Newton International Investment Management Limited, Newton Capital Management LLC and Newton Fund Managers (C.I.) Limited. Assets under management include assets managed by all of these companies except Newton Capital Management LLC, which provides marketing services in the U.S. for Newton Capital Management Limited. Except for Newton Capital Management LLC and Newton Capital Management Limited, none of the other Newton companies offer services in the U.S. In addition, AUM for the Newton Group may include assets managed by the firm's officers as dual officers or employees of The Bank of New York Mellon.

In the U.S., this document is issued by Newton Capital Management Limited. Newton Capital Management Limited is an investment management firm, authorized and regulated in the UK by the Financial Services Authority in the conduct of investment business and is a wholly owned subsidiary of The Bank of New York Mellon Corporation. Registered in England no. 2675952. Newton Capital Management Limited is registered as an investment adviser under the Investment Advisers Act of 1940. www.newtoncapitalmanagement.com

In the UK, this document is issued by Newton Investment Management Limited, The Bank of New York Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1371973. Newton Investment Management is authorized and regulated by the Financial Services Authority. www.newton.co.uk

In Jersey, this document is issued by Newton International Investment Management Limited and Newton and Newton Fund Managers (C.I.) Limited both of Liberte House, 19-23 La Motte Street, St. Helier, Jersey, C.I., JE2 4SY. Both companies are regulated by the Jersey Financial Services Commission.

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. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The value of overseas securities will be influenced by fluctuations in exchange rates. If part of the portfolio is invested in subinvestment grade bonds, which typically have a low credit rating and carry a high degree of default risk, then please be aware that this 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, then there are additional risks associated with these sectors. The information contained within this document should not be construed as a recommendation to buy or sell a security, or as investment advice. 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. Newton's process is driven by bottom-up stock-picking and this may from time to time engender considerable relative differences to the benchmark.

Important Information for past recommendations. The portfolio data included herein, should not be relied upon as a complete listing of the strategy's holdings (or of a representative strategy's top and bottom holdings) as information on particular holdings may be withheld if it is in the strategy's best interest to do so. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. Characteristics, portfolio holdings and sector weightings are subject to change without notice and may not represent current or future portfolio composition. Individual client accounts may differ from characteristics shown. The sector weights and holdings of any particular account may vary based on any particular investment restrictions applicable to the account. The portfolio date is 'as of' the date indicated. Stock position information refers to the representative strategy and not the composition of the comparative benchmark. This information is for illustrative purposes only and is subject to change at any time. In accordance with Rule 206(4)-1 under the Investment Advisers Act of 1940, upon request, we will furnish you with a list of all recommendations made by Newton within the immediately preceding twelve months.

The forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. In addition, the forecasts are based on external sources and assumptions about circumstances and events that may not yet have taken place and may never do so.