

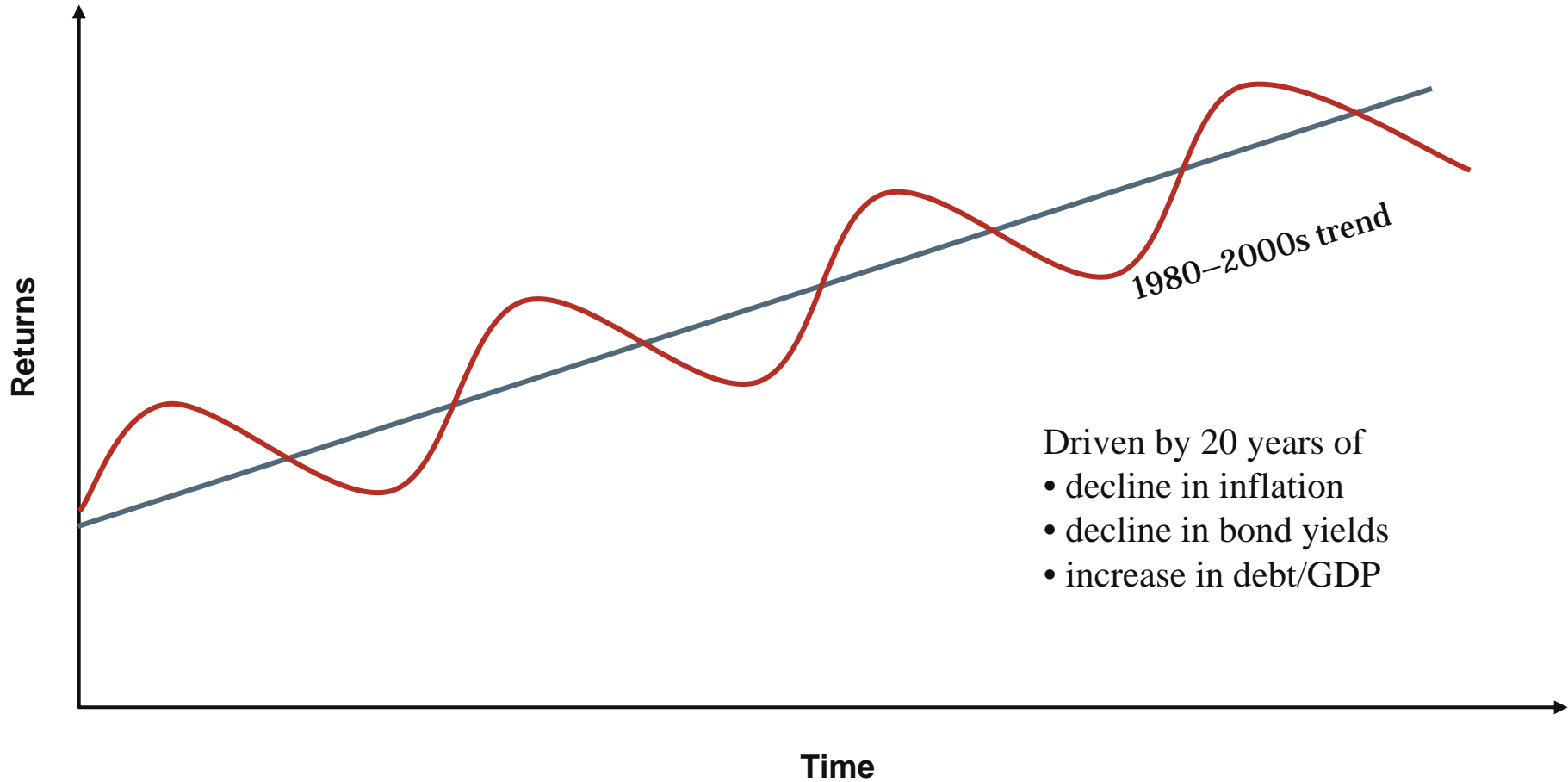
Presentation on:

# **Newton UK Equity Income Strategy**

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**March 2011**

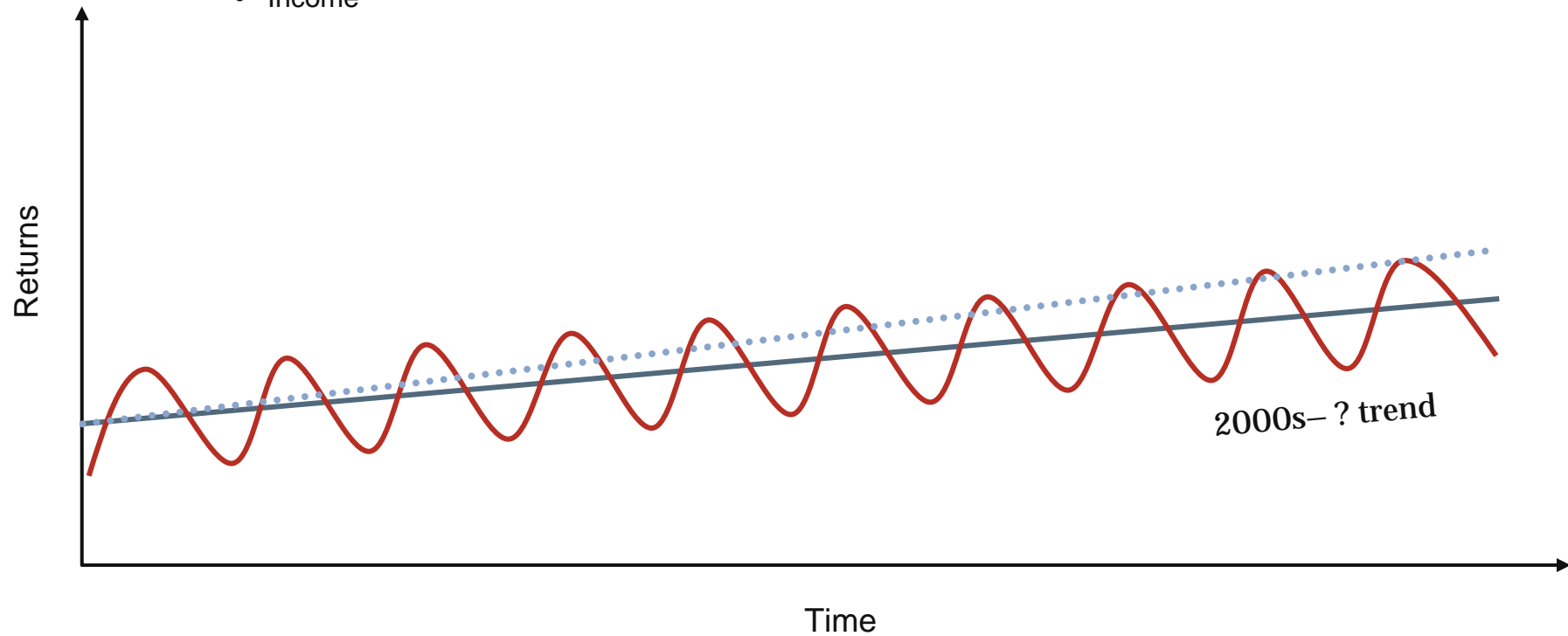
# The 'great moderation' is over...



# Volatile world – desirable attributes



- Active
- Reduce volatility, preserve capital
- Income

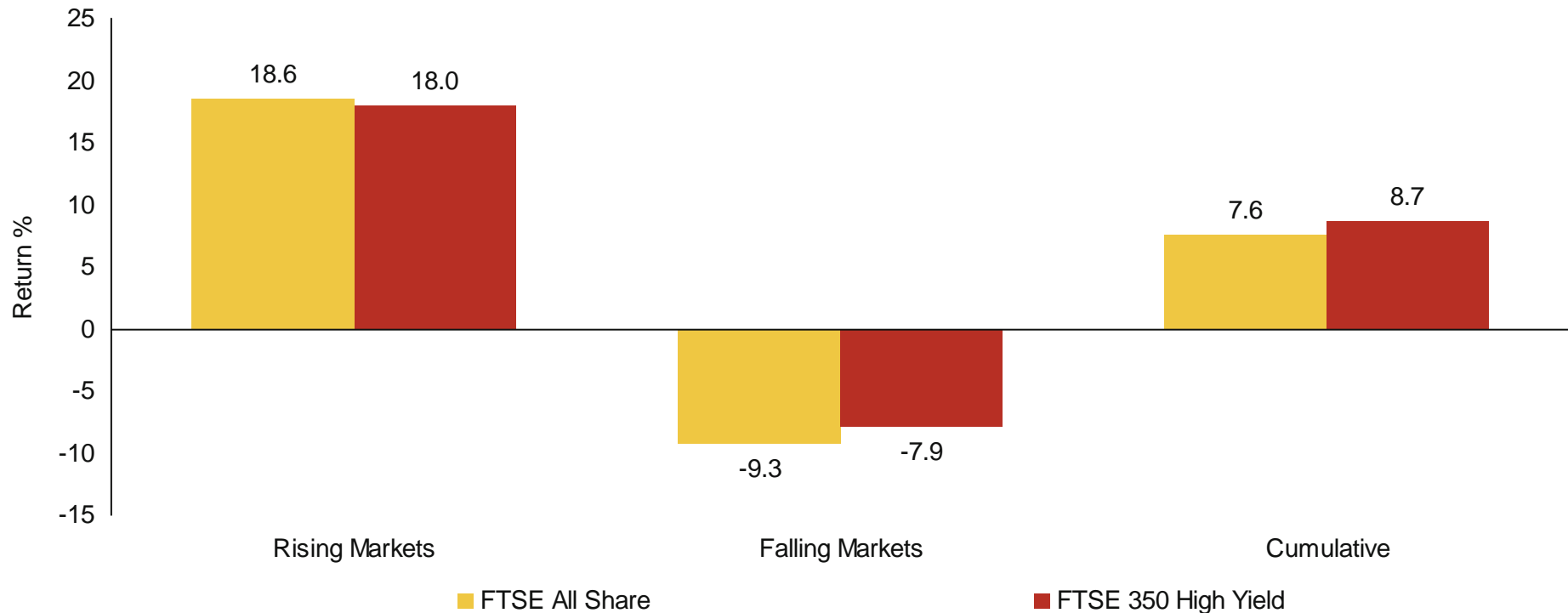


# High yield equities can offer greater downside protection in falling markets and participate in the upside in rising markets



**Annualised total return % - based on quarterly returns from 31/12/1994 – 30/09/2010**

**Performance in different equity markets (annualised)**

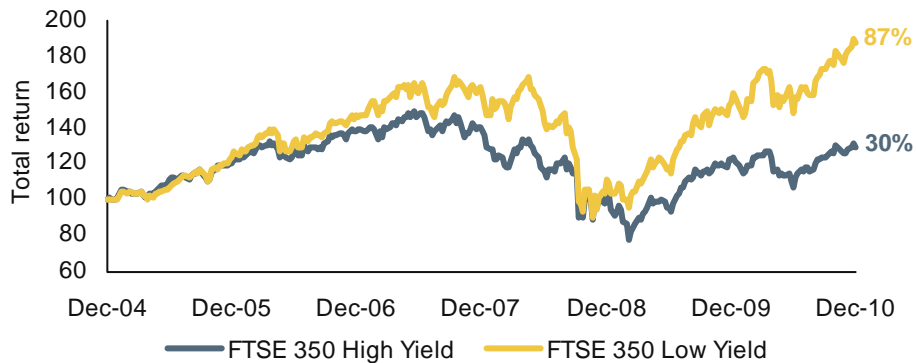


Source: Lipper, based on FTSE All Share rising or falling

# The FTSE 350 High Yield index has underperformed the FTSE All Share 5 out of the last 6 years and has been derated by 40%

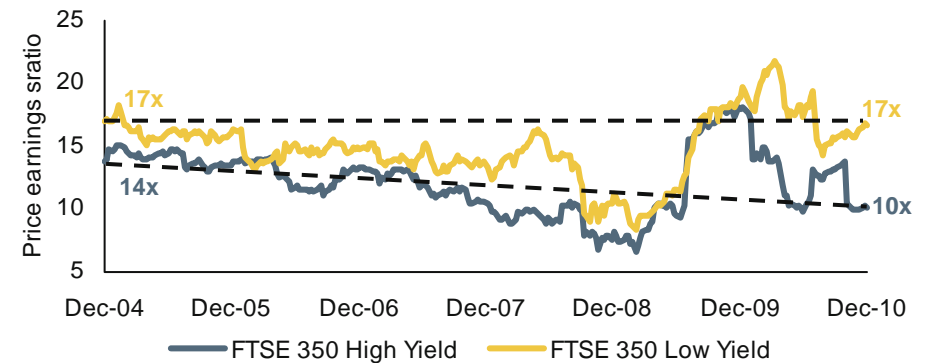


## Cumulative total return high yield versus low yield



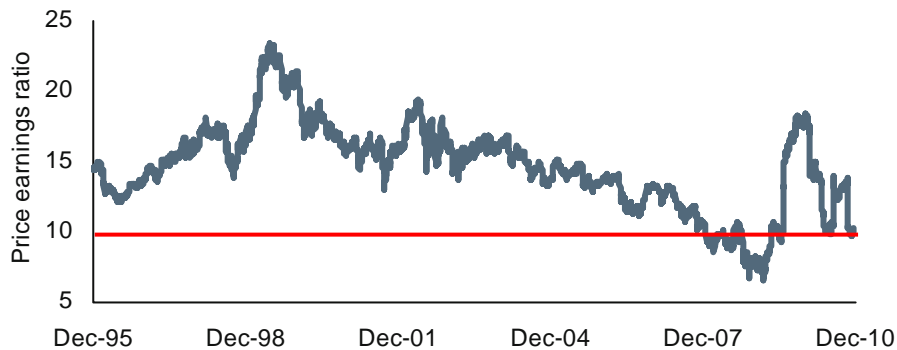
Source: Datastream

## PE ratio high yield versus low yield



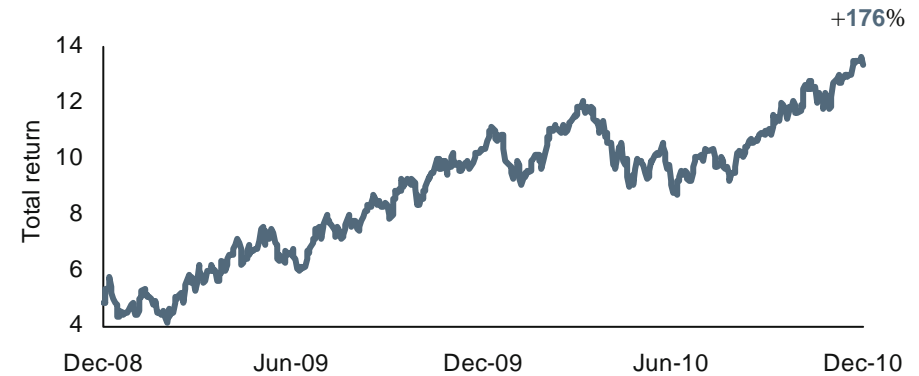
Source: Datastream

## PE ratio FTSE 350 High Yield last 15 years



Source: Datastream

## FTSE 350 Mining total return 31/12/08 – 31/12/10



Source: Datastream

# Newton UK Equity Income Strategy Positioning



## Positions

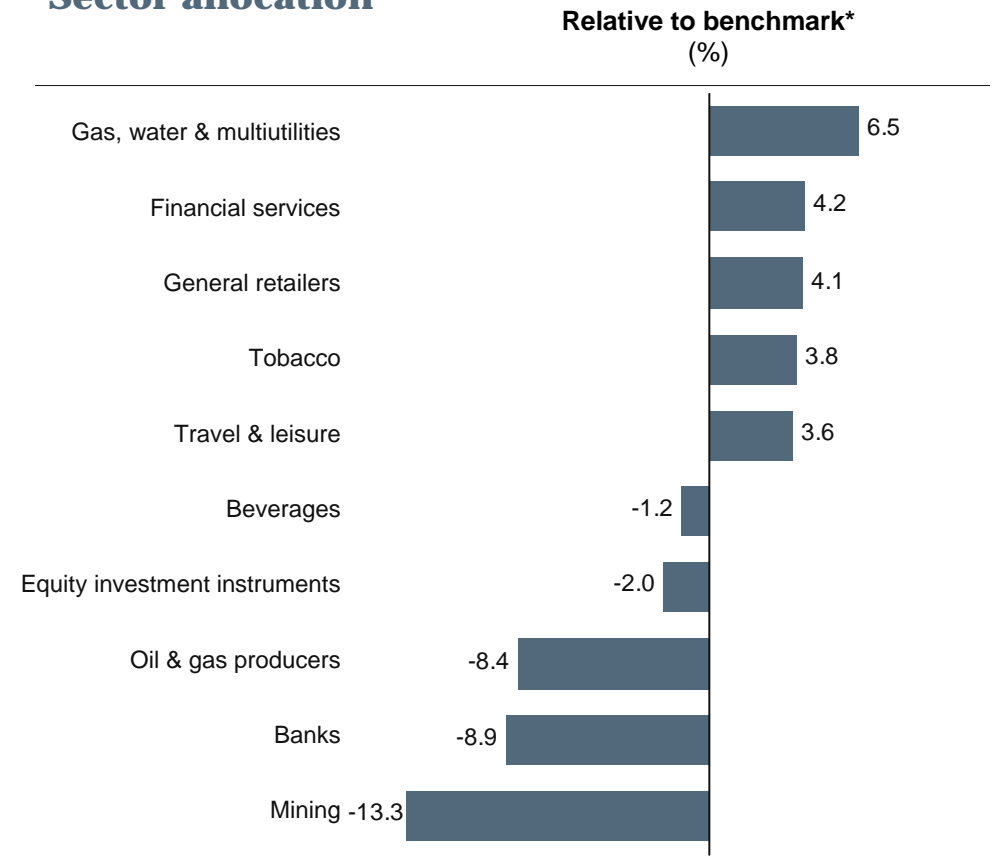
Top 15	Portfolio (%)	FTSE All Share (%)*	Relative (%)
GlaxoSmithKline	6.8	3.6	3.2
Britvic	2.0	0.1	1.9
British American Tobacco	4.6	2.7	1.9
Imperial Tobacco	3.0	1.1	1.9
Tate & Lyle	1.9	0.1	1.8
Standard Life	2.0	0.3	1.8
Scottish & Southern Energy	2.3	0.6	1.7
United Utilities	1.7	0.2	1.5
Halfords	1.4	0.1	1.3
Marston's	1.3	0.0	1.3
British Land	1.5	0.3	1.3
Close Brothers	1.3	0.1	1.2
National Grid	2.3	1.1	1.2
Greene King	1.3	0.1	1.2
RSA Insurance	1.4	0.2	1.2

Bottom 5	Portfolio (%)	FTSE All Share (%)*	Relative (%)
Rio Tinto	0.00	3.8	-3.8
BP	1.60	4.9	-3.3
BHP Billiton	0.00	3.1	-3.1
HSBC	3.30	6.3	-3.0
Anglo American	0.00	2.4	-2.4

Source: Newton as at 31 December 2010

\* Benchmark: FTSE All Share

## Sector allocation



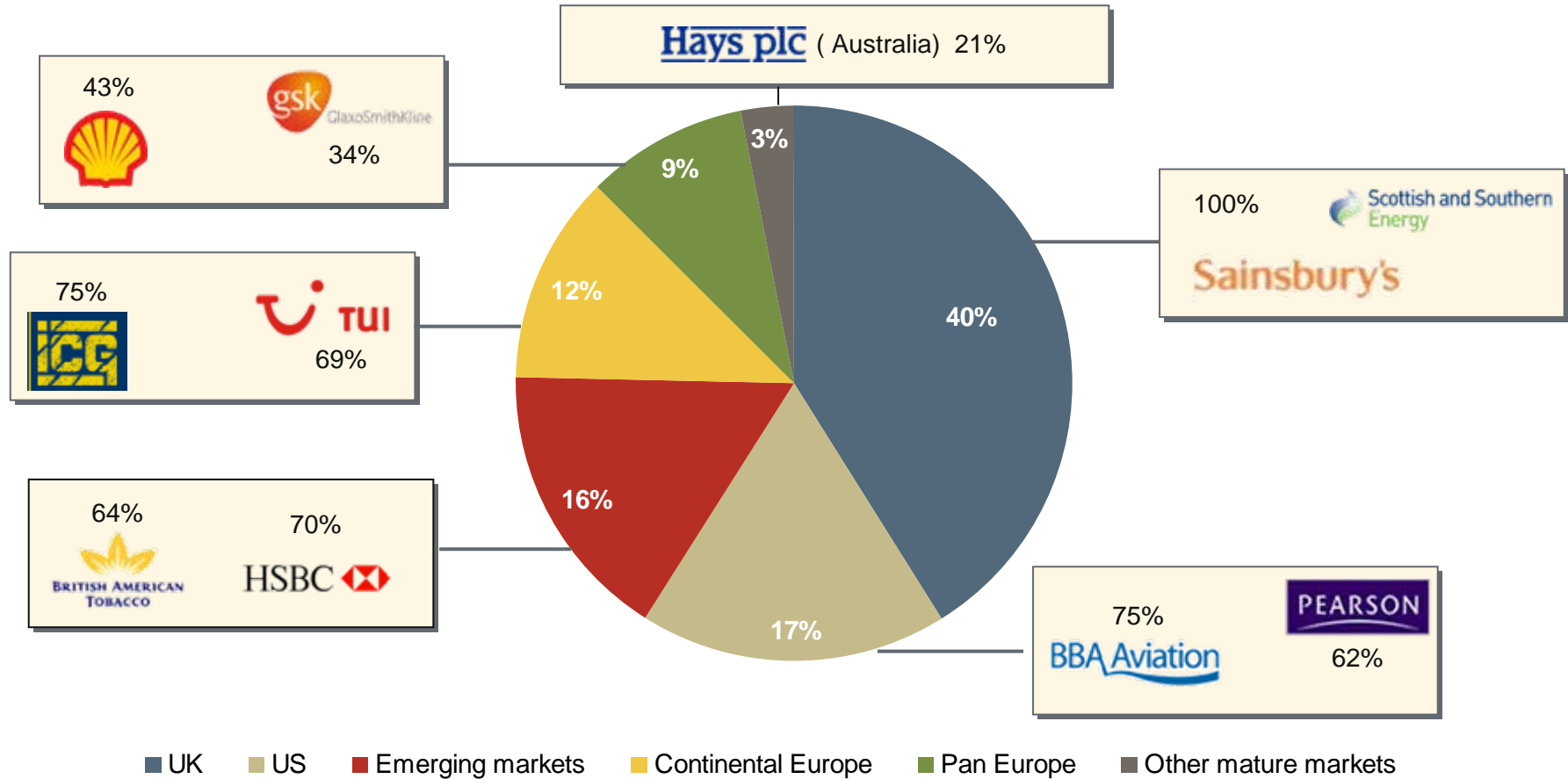
A focused strategy reflecting our strongest views

**NEWTON**  
The Power of Ideas

# UK Equities can offer global exposure – 60% of sales from UK equity income strategy come from outside the UK



Newton UK Equity Income strategy weighted geographic sales exposure as at 31/12/2010



Source: latest company reports or results, Newton PEU Pan Europe (incl UK), EU Europe, EM emerging markets, Other mature markets include Japan, Canada and Australia

# Important information



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