

Newton European Higher Income strategy

OBJECTIVE:

To achieve income, together with long-term capital growth, through investment in European securities, excluding the UK.

Our European Higher Income portfolios are constructed holistically using our research-driven / 'bottom-up' investment process. Our approach concentrates on investing in attractively valued stocks of companies with good prospects and strong fundamentals. The European Higher Income strategy follows a strict yield discipline: the most attractive stocks for this strategy tend to be those of good quality, cash-generative companies with reliable dividend yields.

The strategy is underpinned by our global thematic investment process, which represent our views of forces of long-term change in the global economy, and help us to identify areas of both risk and opportunity across the global investment landscape. This gives us a valuable perspective which enables us to maintain our long-term focus without being swayed by short-term market "noise". The strategy uses the thematic framework and global perspective in combination with its strict yield discipline to seek companies from around the world which offer potential for long-term, stable dividend growth.

Benchmark:	FTSE World Europe ex-UK Index
Typical number of holdings:	45-60
Yield discipline:	Portfolios should produce a dividend yield of at least 15% more than the index. Every holding in a European Higher Income portfolio should yield at least 15% more than its domestic market index at the point of purchase. Any holding whose prospective yield falls below its domestic market index yield is sold.*
Strategy AUM:	Below £200m (as at 31 December 2010)
Strategy inception:	GIPS®-compliant composite inception: 1 October 1996 Representative portfolio (Newton European Higher Income) inception: 30 January 2007

*Subject to liquidity constraints.

FTSE Europe ex-UK Index

The FTSE Europe ex-UK Index is part of a range of indices designed to help European investors benchmark their international investments. The index comprises Large (85%) and Mid (15%) cap stocks providing coverage of the 20 Developed & Secondary Emerging markets in Europe excluding the UK. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalisation.

Distinguishing features

- Conviction-based strategy with no sector constraints, investing in the Europe ex-UK region
- Employs a valuation screen to achieve a dividend yield well above that of the index
- Portfolios tend to hold stocks of cash-generative companies with highly attractive dividend yields
- A constantly evolving and forward-looking approach that anticipates change and identifies opportunities
- Holistically constructed portfolios which benefit from a broad perspective owing to our global, thematic outlook

Meet the Managers



Rajesh Shant

Raj is lead manager of the European Higher Income strategy. Prior to joining Newton in 2002, Rajesh acquired a range of investment experience working in high level roles at Credit Suisse Asset Management and Royal Insurance Management. He began his career at Midland Montague, before moving to Provident Mutual as an investment analyst.



Fred Moore

Fred is alternate manager of the Newton European Higher Income strategy. Fred joined Newton in 2008, prior to which he qualified as a chartered accountant at Deloitte and Touche.

A concentrated portfolio does not have the diversity of investment that is generally expected. This means that each stock within a portfolio may have a more significant effect on its performance. Where yields are discussed, yields are not necessarily a reliable indicator of future or actual performance of individual stocks. This is a financial promotion and is not intended as investment advice. Past performance is not a guide to future performance. The value of investments, and income from them, is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment, you may get back less than you originally invested.

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