

“Income from Asia this year will still stack up well compared to the alternatives,” says Newton’s Pidcock

- ***“With no credit crunch in the region, growth could surprise in certain Asian markets over the next four quarters,” says Pidcock;***
- ***Newton Asian Income Fund payout expected to be within 10% of last year’s high;***
- ***Thematic yield-driven approach provides perfect foil for Asian market volatility;***

Speaking at a recent investment seminar, Jason Pidcock lead manager of the Newton Asian Income and Newton Oriental Funds explained that the outlook for Asia looks considerably rosier than it does for more mature western markets.

“One of the big differences between East and West right now is that there’s no ‘credit crunch’ in Asia. While the West has seen access to credit become severely constrained, there are few such restrictions in Asia. Meanwhile, China has engineered a credit boom so far in 2009, with very high levels of bank lending.

“This will provide a lot of short term stimulus to China’s economy and we may see four consecutive quarters of stronger than expected growth as a result of this and the increasingly positive economic data that we are seeing coming out of China. The Chinese economy will have to pay the price for this profligacy,” said Pidcock, “but we aren’t likely to see the first signs of problems such as bad loans materialising until some point next year.

“We also think India will escape recession this year,” he said, “although both have shown marked slowdowns in growth this year.”

When asked as to the sustainability of dividends in Asia’s markets this year, Pidcock explained, “We expect to see the actual value of the income paid from the Newton Asian Income Fund fall by around 10% from last year’s high although we expect dividends levels as whole to fall by more than this across Asia this year. At today’s share price* we expect the dividend yield for the Fund for this year to be about 5.8% compared to the regional index yield of about 4.3%, so we are comfortably maintaining the Fund’s 35% premium.”

Pidcock’s thematic approach has delivered strong relative performance for the Asian Income Fund in recent times even against those funds with seemingly similar investment aims. This has been due chiefly to its focus on dividends.

“Despite the backdrop,” said Pidcock, “a fair number of the companies that we own have maintained their dividend. It might have meant that the payout ratio has gone up, but they’ve been able to maintain the dividend because the balance sheet was strong or, as in the case of TSMC in Taiwan, they are paying out of retained earnings. Some Asian stocks have even raised their dividends. We’ve already received a special dividend from the Philippine Long Distance Telephone Company while Parkway Life REIT is also raising its dividend, among others.

“Our yield discipline means that we sell those stocks that have been forced to cut dividends more aggressively. Meanwhile, our focus on relatively safe defensive companies with strong balance sheets, good cash flows and the ability to pay out regular dividends gives investors a little bit more comfort in these testing times.”

View the recent webcast by Jason Pidcock where he discusses dealing with the dividend outlook for Asia and how its various markets look set to cope in the current climate.

[View webcast](#)

* As at 22/04/09. Yields are not a reliable indicator of future or actual performance of the individual funds or stocks. All Yield figures that are used are calculated on the basis of dividing the last 12 months dividends by the current price. Current yields are not indicative of future yields.

IMPORTANT INFORMATION

This is a financial promotion and is not intended as investment advice. The information provided within is for use by professional investors and/or distributors and should not be relied upon by retail investors. All information relating to Newton Investment Management Limited (NIM) has been prepared by NIM for presentation by BNY Mellon Asset Management International Limited (BNYMAMI). Any views and opinions contained in this document are those of NIM at the time of going to print and are not intended to be construed as investment advice. BNYMAMI and its affiliates are not responsible for any subsequent investment advice given based on the information supplied.

This document may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorised.

Newton Investment Management Limited are authorised and regulated by the Financial Services Authority. Newton Investment Management Limited, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1371973.

Newton Asian Income Fund and Newton Oriental Fund are sub-funds of BNY Mellon Investment Funds, an investment company with variable capital (ICVC) incorporated in England and Wales under registered number IC27 and authorised by the Financial Services Authority. BNY Mellon Fund Managers Limited (BNY MFM) is the Authorised Corporate Director. BNY Mellon Fund Managers Limited, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1998251. Authorised and regulated by the Financial Services Authority. The investment adviser of the Newton sub-funds is NIM.

The Prospectus and/or Simplified Prospectus should be read before an investment is made. This document can be obtained from bnymellonam.co.uk/newton.co.uk or by calling 0500 66 00 00. To help us continually improve our service and in the interest of security, we may monitor and/or record your telephone calls with us.

ICVC investments should not be regarded as short-term and should normally be held for at least five years. Changes in the rates of exchange may affect the value of investments. Certain funds can invest in overseas securities which may also generate profits overseas and pay dividends in foreign currencies, which means the fund is exposed to changes in currency rates. Certain funds may invest in emerging markets. It should be noted that these markets have additional risks associated with local custody and registration practices that may be less developed than more mature markets. Certain funds take their charges from the capital of the fund. Investors should be aware that there is potential for future capital erosion. Certain funds may have a concentrated portfolio of stocks due to investment in a single geographic area and a limited number of securities, giving rise to concentration risk. Certain funds may invest in illiquid securities, which means that there is a possibility that they cannot be readily converted

into cash when required. The value of these securities is subject to greater fluctuation if they are not regularly traded. All of the sub-funds may use derivatives for efficient portfolio management (EPM) purposes. EPM restricts the use of derivatives for the reduction of risk, the reduction of cost and the generation of additional capital or income with no or an acceptable low level of risk. EPM transactions must be economically appropriate and the exposure fully covered. All of these factors may affect the performance of the Fund.

This document is issued in the UK and in mainland Europe (excluding Germany) by BNY Mellon Asset Management International Limited. BNY Mellon Asset Management International Limited, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorised and regulated by the Financial Services Authority.

BNY Mellon Asset Management International Limited, BNY MFM and NIM and any other BNY Mellon entity mentioned are all ultimately owned by The Bank of New York Mellon Corporation.

BNY MFM and NIM are members of the IMA.

CP3630-20-05-2009(1w)