

Press Release



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NEWTON SEES VALUE IN BANK BONDS

Bank writedowns and restructuring positive for bond holders

LONDON, 22 May 2008 – Despite the writedowns across the banking sector, Paul Brain, Director of Investment Management at Newton Investment Management, believes now is a positive time for bondholders, with attractive valuations and a paradigm shift in the way banks run their businesses.

Brain comments: “The events of sub-prime have led to a change in direction for banks. After years of pushing the boundaries focusing on high growth and increased leverage, banks are now reducing risk and tightening their lending practices. This shift from capital efficiency to capital protection is a significant transformation and positive for bond holders.”

The Newton Corporate Bond team has been gradually increasing exposure to bank bonds since January this year across the Newton Strategic Corporate Bond and Newton Global Dynamic Bond Funds.

Brain currently likes the bonds of Barclays, Lloyds TSB, JPMorgan and Bank of America.

However, despite the positive move by banks to tighten up their lending practices, restructure their balance sheets and retain dividends, Brain believes that there are still some risks on the horizon for the sector: “We could see further writedowns from banks, particularly those with exposure to the US housing and consumer lending markets. An economic slowdown in the US, Europe and the UK with increased default rates on credit cards and consumer loans could weaken the banking sector.”

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Notes to Editors:

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