

Press Release



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Low interest rate environment strengthens case for income funds, says Newton's Frikkee

London, 20 January 2009 – With interest rates being cut dramatically and expectations of a lower return equity environment, Newton Investment Management believes that now, more than ever, is the time for investors to be considering investing in equity income funds.

UK interest rates are at their lowest official rate since the Bank of England was founded in 1694 and investors' savings rates have been decimated. Tineke Frikkee, Manager of the Newton Higher Income Fund, believes as a result investors will look to alternative sources for income:

"In a low interest rate environment investors' are more likely to seek an income stream with the potential for capital growth and income funds are a good way of meeting this need," Frikkee states.

She adds: "A higher than average dividend yield will provide downside support in this more challenging environment. This can be achieved by targeting companies with attractive dividend yields and the prospect of dividend growth, for example companies like Vodafone and National Grid. Dividend growth will not only significantly contribute to total returns, but also provide firm guidance to corporate growth prospects, cash flow generation and balance sheet strength."

Frikkee also believes that currency movements will support UK dividend growth with 35% of UK dividends coming from UK companies that report their earnings and declare their dividends in US dollars+.

Paul Feeney, Head of International Distribution at BNY Mellon Asset Management added:

"While the UK equity income sector's average dividend yield of 6.0%* appears attractive in current markets, investors need to examine the individual funds' track records in growing their dividend. We believe that successful funds will be focused on relatively low earnings risk and a greater reliance on dividend yield and dividend growth as part of total return."

Since inception in June 1987, The Newton Higher Income Fund has grown its income payment by an average of 6.0% per annum. The fund offers an attractive yield of 6.3% compared to a yield of 4.5% for the FTSE All Share and 6.0% for IMA UK Equity Income average*.

* Source Lipper as at 31 December 2008. All yield figures used are calculated on the basis of dividing the last 12 months' dividends by the current price. + Source Citigroup. Current yields are not indicative of future yields. Other information source BNY Mellon Asset Management International Limited as at 30 September 2008. This press release is qualified for issuance in the UK only and is for information purposes only. It does not constitute an offer or solicitation of securities or investment services or an endorsement thereof in any jurisdiction or in any circumstance in which such offer or solicitation is unlawful or not authorised. This press release is issued by BNY Mellon Asset Management International Limited to members of the financial press and media and the information contained herein should not be construed as investment advice. Past performance is not a guide to future performance. Registered office: The Bank of New York Mellon Centre, 160 Queen Victoria Street, London, EC4V 4LA. Registered in England no. 1118580. Authorised and regulated by the Financial Services Authority
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Newton is well regarded for its expertise in managing equity income funds, with a range of funds including: Newton Global Higher Income Fund, Newton European Higher Income, and the Newton Asian Income Fund.

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Notes to Editors:

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