

## Cover Page

### **The Newton Follis Partnership Limited**

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## Material changes

Not applicable

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## Advisory Business

The Newton Follis Partnership Limited (Newton Follis) advises third party capital providers on participation in syndicates at Lloyd's of London. It works with members' agencies to provide additional advice on syndicate selection and underwriting strategies. It has 53 clients writing approximately £85mn of premium capacity.

The directors consider the firm's key attributes to be:

- We are an independent Lloyd's advisory firm.
- We specialise in objective research and underwriting strategy.
- Our interests and the clients' are aligned through our fee structure.
- We have a long history of successful syndicate and market analysis.
- Our highly experienced board of directors is very well connected in the market.
- Our performance record speaks for itself.

The Newton Follis Partnership Limited is regulated by the Financial Conduct Authority in the UK and is also registered as an investment adviser with the Securities and Exchange Commission in the United States of America. Such registration does not imply a certain level of skill or training.

The advice offered to clients is limited as stated above.

### History

The business originated in 1989 with the establishment by David Newton, an experienced Lloyd's agent, of a consultancy aimed at giving Lloyd's names an independent 'second opinion' on their syndicate portfolios and advisors. In 1998, David teamed up with Alison Follis, another experienced members' agent, to form Newton Follis to continue the business.

Thanks to its cautious advice over the difficult years of 1998-2001 and then urging aggressive expansion for 2002/03, its client portfolios have performed well. In 2001, Newton Follis established a link with the Anton members' agency (now Argenta Private Capital), through which the majority of its names now participate.

### Recent developments

In September 2012, Alison Follis stepped down as CEO and Dr Tony Harris joined the firm and assumed this role. William Cox joined as director of research in August 2013. David, Tony and William plan to continue to give high quality advice to Lloyd's names in the current uncertain times and, as opportunities present themselves over the next few years, to help them try to optimise risk and return.

After serving as a non-executive director for three years following her resignation as CEO, Alison Follis retired and left the board in April 2016.

## Fees and compensation

Fee Structures effective from 1 January 2009.

### Basis of fee scales:

The calculation of charges is based on a rolling seven years average participation under advice, or shorter period for newer clients. The fee is made up of a base charge plus a scale fee where the rolling average allocation is above £500,000. Fees may be negotiable in certain circumstances. There is an annual fee only option and a lower annual fee plus profit commission option. Clients may choose either model but may not switch between the two.

#### Annual Fee only:

A base annual fee of £5,000 applicable to clients with a seven year rolling average allocation of up to £500,000 (minimum charge).

Seven year rolling average allocations above £500,000: the base fee of £5,000 plus a fee calculated on the seven-year rolling average allocation above £500,000 on the scale below:

		Band fee
Base fee up to £500,000		£5,000
Next £500,000 (Over £500,000 - £1M)	0.50%	£2,500
Next £1M (Over £1M - £2M)	0.40%	£4,000
Next £1M (Over £2M - £3M)	0.30%	£3,000
Next £1M (Over £3M - £4M)	0.20%	£2,000
Next £1M (Over £4M - £5M)	0.15%	£1,500
Next £1M (Over £5M - £6M)	0.10%	£1,000
Next £4M (Over £6M - £10M)	0.05%	£2,000
Above £10M	No Extra Charge	

#### Annual Fee Plus Profit Commission Option:

A base annual fee of £4,000 applicable to clients with a seven year rolling average allocation of up to £500,000 (minimum charge).

Seven year rolling average allocations above £500,000: the base fee of £4,000, plus a fee calculated on the seven-year rolling average allocation above £500,000 on the scale below:

		Band fee
Base fee up to £500,000		£4,000
Next £500,000 (Over £500,000 - £1M)	0.30%	£1,500
Next £1M (Over £1M - £2M)	0.25%	£2,500
Next £1M (Over £2M - £3M)	0.20%	£2,000
Next £1M (Over £3M - £4M)	0.15%	£1,500
Next £1M (Over £4M - £6M)	0.10%	£2,000
Next £1M (Over £6M - £8M)	0.05%	£1,000
Next £4M (Over £8M - £10M)	0.025%	£ 500
Above £10M	No Extra Charge	

#### Incentive fee (Profit Commission):

5% on profits (declared syndicate results notified by Lloyd's, less Members' Agency fee and Newton Follis fee) subject to a full monetary deficit clause.

Fees payable by residents of countries in the European Union are subject to VAT at the prevailing rate.

The Newton Follis Partnership Limited has a fee sharing agreement with Argenta Private Capital Limited [revised in 2015] whereby we receive 35% of the equivalent Unlimited Members' Agency charge and 40% of the Profit Commission for clients who are mutual clients of Newton Follis to Argenta. When we calculate the fee for mutual clients, we give credit for 40% of the equivalent Unlimited Members' Agency charge, even though we receive only 35%.

Clients are not required to choose Argenta as their members' agent. Newton Follis has clients with other agents and they receive the same level of service.

## Performance based fees

See the section on 'Fees and compensation' above.

## Types of clients

Newton Follis provide services for trusts, corporations or business entities that are or wish to become underwriting members of Lloyd's of London.

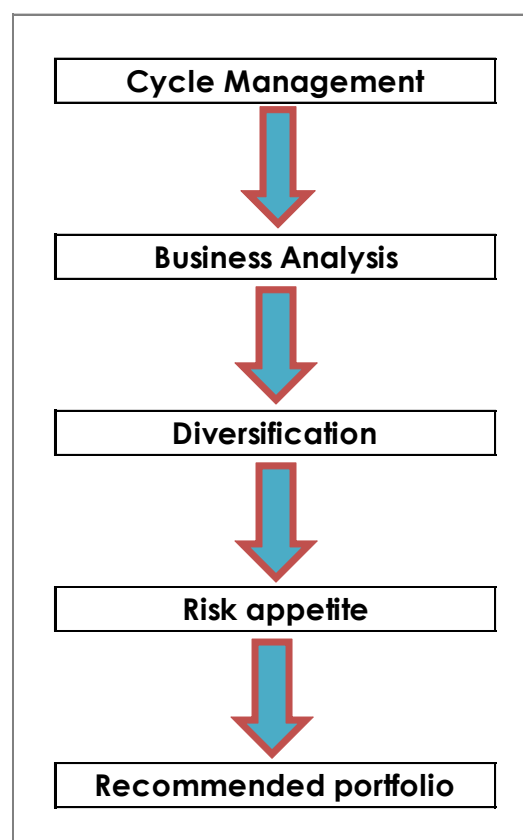
## Methods of analysis, investment strategies and risk of loss

Underwriting at Lloyd's can be rewarding but it is a volatile business. The reward arises from the ability to invest in underwriting businesses staffed by experts in their field who can manage their top line to match opportunities. The volatility arises from Mother Nature and unpredictable events; and the pricing cycle which characterises property-casualty insurance.

Our approach is to try to maximise reward and minimise risk. This has three components:

- Cycle management. Manage client underwriting to increase exposure to higher risk more profitable business when pricing is good and reduce it when pricing is weak.
- Business analysis. Select syndicates managed by people we trust to use their expertise wisely.
- Diversification. Select portfolios where exposure to volatile classes is sufficiently diversified to limit the overall impact of unexpected events.

We work with all the Lloyd's members' agencies to help construct such portfolios, tailored to the risk appetite of the individual.



### Cycle management

Our starting point for giving advice about Lloyd's is an awareness of what is happening in the property/casualty insurance business, particularly in the United Kingdom and the United States, the two markets which are most important to Lloyd's. In more recent years Lloyd's has developed initiatives to increase its premium income from the Continent of Europe, the Far East and Australia, South Africa and South America and has now a licence to operate in China. Trends here are monitored too.

Property/casualty insurance exhibits one of the highest magnitude business cycles of any industry. It is an old adage that we can recognise every manifestation of a business cycle except the present one. There are always plausible reasons why 'it is different this time'. Newton Follis' directors are seasoned analysts who aim to differentiate between the true upturn and all the false ones. The key to making money in a cyclical business is to increase higher risk more profitable underwriting exposures when prices are high and reduce them when prices are low. Fortunately, Lloyd's flexible capital and cost structure helps to discourage businesses carrying on underwriting unwisely in downturns to protect expense ratios. Most Lloyd's underwriters manage the cycle well and we aim to support these; helping our clients by retrenching their exposures significantly when pricing is weak.

#### Business analysis

Lloyd's syndicates write highly specialised, hazardous classes for which statistics are not available and, thus, the technical skill and judgement of the underwriting staff is paramount. Newton Follis looks closely at the track record of the syndicate and its individual underwriters and the competitive and economic background to the classes it writes. Considerable weight is placed on assessments of the character and judgement of the individuals involved.

#### Diversification/Risk Appetite

As Lloyd's syndicates accept hazardous risks they are vulnerable to unpredictable events, including hurricanes, earthquakes, terrorism, piracy and shifts in court judgements.

The secret of a sound Lloyd's portfolio is a rigorous monitoring of the risks which each syndicate accepts and ensuring that our clients' exposure to each of these is suitably diversified.

We also work carefully with the aim of tailoring portfolios to the risk appetite of the individual client.

## **Disciplinary information**

Not applicable.

## **Other financial industry activities and affiliations**

Not applicable.

## **Code of ethics**

Ethical behaviour underpins the way we behave, do business and treat one another. Our values determine our behaviour and we must support and uphold them so that they are an integral part of day to day life. Our code of ethics aims to guide our actions and those of people with whom we work closely, encouraging a way of working which is honest, responsible and respectful, generating trust. A copy of our code of ethics will be provided on request.

## **Brokerage practices**

Generally not applicable, but see section on 'Fees and compensation' with regard to our relationship with Argenta Private Capital Limited.

## **Review of accounts**

We review clients' underwriting portfolios regularly but can only make recommendations once each year owing to the nature of Lloyd's annual venture.

## **Client referrals**

Generally not applicable.

## **Custody**

Not applicable.

## **Investment discretion**

Not applicable

## **Voting client securities**

Not applicable

## Financial information<sup>1</sup>

THE NEWTON FOLLIS PARTNERSHIP LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2015

	<b>2015</b>		<b>2014</b>	
	£	£	£	£
<b>Fixed assets</b>				
Tangible assets		924		742
<b>Current assets</b>				
Debtors	62,412		64,947	
Cash at bank and in hand	431,019		446,740	
	<u>493,431</u>		<u>511,687</u>	
<b>Creditors: amounts falling due within one year</b>	<u>-17,966</u>		<u>-44,249</u>	
<b>Net current assets</b>		<u>475,465</u>		<u>467,438</u>
<b>Total assets less current liabilities</b>		476,389		468,180
<b>Capital and reserves</b>				
Called up share capital	260,000		260,000	
Other reserves	40,000		40,000	
Profit and loss account	<u>176,389</u>		<u>168,180</u>	
<b>Shareholders' funds</b>		<u>476,389</u>		<u>468,180</u>

## Requirements for State-Registered Advisors

Not applicable

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<sup>1</sup> The balance sheet is unaudited. The Newton Follis Partnership Limited, a UK registered company, is exempted by the UK authorities from the requirement to audit its accounts under section 477 of the Companies Act 2006.



## Our people

### David Newton, Founder, Chairman

After a spell in Advertising and Marketing (McCann Erickson, Grey and Lever Brothers) in London and New York; and Investment Management (Warburgs) in London, David's Lloyd's career began when he joined the Octavian Group, a combined managing and members' agency, in 1975. He started as investment manager, then new business manager and, by 1985, was joint managing director. He left Octavian in 1988 and moved to South Africa. With awareness from his employment of the conflicts inherent in the Lloyd's system, he set up as a consultant, offering independent advice to Lloyd's names, both on syndicates and which members' agent to join. This business flourished and, in 1998, he joined with Alison Follis to form The Newton Follis Partnership to carry on the work.

David was educated at St Pauls School, London and Trinity College, Oxford, where he studied Politics, Philosophy and Economics. He lives near Johannesburg, South Africa and his interests include bridge, chess, theatre, opera and travel.

Business address: Box 825, Northlands 2116, Johannesburg, South Africa. Tel: 00 27 11 880-6919

### Tony Harris, Chief Executive

After a spell as a stock broking analyst and then as a performance consultant at Legal & General Ventures, Tony's Lloyd's career started in 1993 when he was asked to head up the SBW Insurance Research Limited, which was formed by Lloyd's members' agents Stace Barr and Wellington. SBW Insurance Research was the pioneer of formal research into Lloyd's syndicates, devising methods for assessing the risk and return profiles of underwriting syndicates and portfolios. SBW became part of Amlin plc and was sold to CBS in 2000, when Tony left. Since then Tony has worked as an expert witness on disputes relating to investments; and, between 2004 and 2009, helped set up a research team, working on commercial property funds, for HSBC Global Asset Management.

Tony was educated at the University of Bristol (BSc, Psychology) and University of Sussex (DPhil, Experimental Psychology). He lives in London and his interests include opera, cycling, theatre, and reading.

Tony was an unlimited Name from 1992 to 1998 and since 2013 He underwrites through a NameCo.

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### William Cox, Director, Insurance Research

William's career in the Lloyd's market spans almost 25 years. He has worked primarily as a syndicate and insurance analyst at Wellington Underwriting Agencies, Amlin (formerly Murray Lawrence Members Agency), Argenta Private Capital, Teather & Greenwood stockbrokers and a Norwegian backed insurance fund providing capital to the Lloyd's market. With a background spanning both managing and members' agencies, he has extensive experience of syndicate business planning, underwriting portfolio selection and construction, as well as innovation in the field of third party capital provision. William worked with Tony Harris previously at SBW Insurance Research Limited in the 1990s. William joined NFP in May 2013. William was educated at the Leys School, Cambridge, and the University of East Anglia, where he read Mathematics. He lives in London and his interests include theatre, sport, travel, gardening and culinary experimentation.

### David Monksfield, Non-executive Director

David is Executive Chairman of Argenta Private Capital Limited and a director of other Argenta companies. He has worked in the Lloyds community since 1981 both as a Members' and Managing Agent and has served on various Lloyd's related committees and working parties.

He is a director of Talisman Underwriting Plc, an unlisted holding company for 3 corporate members at Lloyd's that he helped form in 1997.

He has been a director of the ALM since 2009, a director of the Stop Loss Mutual Insurance Association Ltd since 2004 and in 2015 became a non-executive director of The Newton Follis Partnership Limited.

David has an honours degree in Automation engineering from the City University. He became a Member of Lloyds in 1982 and now underwrites through a LLP.

Marion Wondja Dooh, Administration & Research Assistant

Marion is a French national. She trained as a lawyer in Rennes (Bachelor of Law) and in Paris Sorbonne (Master II in Business and Tax law). After internships at a Notaire, at FIDAL (a Paris law firm), Société Générale and AXA Private Equity, and a short career in wine and fashion retail in Paris, Marion moved to London in 2011. She sold French designer clothes here before joining Newton Follis in November 2012 when the office moved to London.

Marion lives in London and her interests are fashion, photography and travelling.

## **Supervision**

The Board of directors supervises the running of the business including its advisory activities.