

Special Investment Briefing

November 2017

Newton Investment Management – FCA investigation

A number of our clients have contacted us after receiving the email below from Newton.

Today in the UK, the Financial Conduct Authority (FCA) issued a statement of objections to four asset management firms, including Newton Investment Management.

We are not in a position to comment on any aspects of the FCA's ongoing investigation. However, we would emphasise that we have been cooperating fully with the FCA, and we will continue to do so until this matter reaches its conclusion.

The FCA's investigation is focused on a very small number of Newton's UK equity-focused strategies which can invest in small and mid-cap UK equities. Specifically, it relates to activity surrounding two initial public offerings and a placement in 2014 and 2015. There has to date been no loss to any client as a result of the activity, and we do not anticipate any loss in the future.

We remain committed to ensuring that all of our accounts are managed to the highest legal and ethical standards. Our longstanding reputation as a respected financial institution is attributable to our strong track record, and is a core reason why clients continue to put their trust in us.

By way of background, our understanding is that the other three investment managers involved are Artemis Investment Management LLP, Hargreave Hale Ltd and River & Mercantile Asset Management LLP. The FCA believes the four firms may have broken competition law by disclosing the price they intended to pay, or accepting such information, or both, in relation to one or more of two Initial Public Offerings (IPOs) and one placing, shortly before the share prices were set. The sharing generally occurred on a bilateral basis and allowed firms to know the other's plans during the IPO or placing process when they should have been competing for shares.

This announcement relates to UK equity funds so does not directly affect either the Newton Real Return Fund or Newton Global Dynamic Bond Fund in which a number of our clients are invested. There is therefore no need for any immediate action. However, having regard to the recent disappointing performance of the Newton Real Return Fund and the announcement that the lead manager, Iain Stewart, is to take more of a back seat from January onwards, this latest news is unlikely to improve investor sentiment towards this investment vehicle. We continue to monitor the ongoing suitability of the Newton Real Return Fund and will inform clients if our research views change.

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Registered address: First Actuarial LLP, Mayesbrook House, Lawnswood Business Park, Leeds, LS16



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If you would like to discuss this then please get in touch with your First Actuarial contact or email andrew.overend@firstactuarial.co.uk or richard.lunt@firstactuarial.co.uk

