Phoenix Asset Management Partners Limited

Pillar 3 Disclosures as at 30 March 2010

The FSA framework for Capital Adequacy consists of three 'Pillars':

• Pillar 1: Minimum Capital Requirements

• Pillar 2: The need to assess whether the capital held under Pillar 1 is sufficient to meet the additional risks not covered by Pillar 1, documented in the Firm's ICAAP.

• Pillar 3: Disclosure requirements allowing market participants to assess information on a firm's risks, capital and risk management procedures

The purpose of the ICAAP document is for senior management to assess whether or not Phoenix Asset Management Partners Limited ("PAMP") has adequate capital resources at its disposal so that a determination can be made as to whether greater internal capital is required under Pillar 2. As such, the ICAAP informs PAMP's Board of Directors of the ongoing assessment of the firm's risks, how the firm intends to mitigate those risks and how much current and future capital is necessary having considered possible mitigating factors. The ICAAP is also a document intended to explain PAMP's internal capital adequacy assessment process to the FSA.

The Financial Services Authority, in BIPRU 11, outlines the minimum disclosure requirements. The information below satisfies PAMP's Pillar 3 requirement.

Legal Entity covered by the ICAAP

The legal entity covered by the ICAAP is **Phoenix Asset Management Partners Limited ("PAMP")**. PAMP is required to carry out an internal capital adequacy assessment process by the ICAAP rules as detailed in GENPRU 1.2.30 R to GENPRU 1.2.39 R (Systems, strategies, processes and reviews), GENPRU 1.2.42 R (Main Requirements: Stress and scenario tests) and GENPRU 1.2.60 R to GENPRU 1.2.61 R (Documentation of risk assessments) as they apply on a solo level.

Material Risks Considered

Specific risks identified in PAMP's ICAAP report relate to:

- A Fall in Assets Under Management
- Operational Risk

In each case it has been determined that the risk that these factors present are acceptable and that there are sufficient mitigating factors in place such that no further action is required to the controls in place or to the capital held by the firm. These and other issues are discussed in further detail in Section 5 of this report. A full list of risks considered is set out in a separate risk assessment document.

The Board keeps all areas of the firm's business under review and looks to enhance existing controls and develop processes in place on a continuous basis. The firm maintains a due diligence questionnaire covering the approach to risk mitigation. Although not part of the ICAAP, the DDQ may be of interest if further information is sought in this regard.

ICAAP Summary

The purpose of the ICAAP is to provide a documented record of PAMP's assessment of its current and future capital requirements based on:

(i) Current financial performance;

(ii) Future financial performance projections; and

(iii) The identification of Pillar 1 and Pillar 2 capital requirements and PAMP's assessment of the impact of external factors.

The ICAAP uses PAMP's budget projections for the period 2010-2011. These projections will be continuously reviewed and may be modified depending on market conditions. The Firm also provides the historic financial data for the Firm as at 30 March 2010, the last set of audited financials.

PAMP's profitability and capital retention are clearly major determinants in assessing the adequacy of the Firm's capital. Some of the factors that affect the capital in the business include:

(i) An assessment of PAMP's exposure to risk;

(ii) PAMP's risk control methodology; and

(iii) PAMP's stress testing of its financial projections.

Based on the results of this ICAAP, which we believe are supported by realistic and appropriate calculations and forecasts, we conclude that PAMP's current capital is adequate and would meet the CRD requirements up until 2011 given the scope of the Firm's activities, risk exposures and risk appetite, which we expand upon in the following sections.

This report has been placed before and approved by the Board, which constitutes the governing body of the firm. The ICAAP is reviewed by the Board and updated at least annually although there may be interim reviews depending on market conditions and business developments.

Summary of Capital Requirements:

These may be summarised as follows:

		£000	**£000**
Pillar 1 Capital Requirement (per regulatory return for 30.03.10)			**234**
Additional capital required for Pillar 2			
	Business risk	nil	
	Operational risk	nil	
	Credit risk	nil	
	Market risk	nil	
	Other risk	nil	
Less: adjustment for double counting in respect of risks relevant to more than one section		nil	
Total additional capital (if any) required for Pillar 2			
Total Capital required			**234**

The Pillar 1 Capital Requirement as at 31.03.2010 is the *higher* of:

- Base Capital Requirement of €50,000 (£42,700); or
- Fixed Overheads Requirement (“FOR”) of £234,000; or
- The sum of its credit and market risks (as shown in the table below):

			£000
Credit Risk			
	Credit Risk		38
Market Risk			
	Position Risk		0
	Foreign Exchange Risk		0
Concentration Risk			
	Concentration Risk		0
Total			**38**

Since the FOR is greater than both the firm’s base capital requirement and also the total of its credit and market risks, it is the FOR which determines the firm’s regulatory capital requirement in this instance.

The firm has adopted the standardised approach to credit and market risk and the above figures have been produced on that basis. The firm is not subject to an operational risk requirement and no waiver has been sought to enable it to use such a requirement in place of the FOR as there is no perceived benefit from so doing.

The FSA requirement is that PAMP must have capital in excess of £234k in order to not breach its Capital Resources Requirement (CRR). PAMP works closely with their accountants (Moore Stephens LLP) to ensure that the firm is always in excess of its CRR. Since the ICAAP rules came into force in 2008, PAMP has held capital in excess of its CRR.

MAIN FINDINGS

The main findings of PAMP’s ICAAP document are that:

- The firm has adequate capital for the size and complexity of its business. Specifically, the amount of capital required to be held is equivalent to the capital resource requirement determined by the Pillar 1 calculation as set out in the table below.
- The firm’s risk management process is considered adequate for the purposes of mitigating the need to hold further capital in the firm.
- The firm has adequate resources in order to meet planned business needs.

MANAGEMENT OF THE ICAAP

The approach of the Firm to assessing the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to the Firm and the internal controls in place to mitigate those risks. The Firm's ICAAP is formally reviewed by the Executive Committee annually, but will be revised should there be any material changes to the Firm's business or risk profile.