Phoenix

Pillar 3 Disclosure

Phoenix Asset Management Partners Ltd. is authorised and regulated by the Financial Conduct Authority (FCA)

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1. Regulatory Overview

The 2006 Capital Requirements Directive ("CRD") created a revised regulatory capital framework across Europe based on the provisions of the Basel II Capital Accord. The new framework consists of three 'pillars':

Pillar 1: sets out the minimum capital requirements that regulated entities are required to meet;

Pillar 2: requires regulated entities to assess whether additional capital is required to capture risks not covered in Pillar 1 by means of the Internal Capital Adequacy Assessment Process ("ICAAP"); and

Pillar 3: requires disclosure of certain details regarding capital, underlying risks and risk management controls.

Chapter 11 of the Prudential Sourcebook for Banks, Building Society and Investment Firms ("BIPRU") in the Financial Conduct Authority ("FCA") Handbook details the disclosures that all BIPRU firms are expected to consider. The rules permit a firm to omit disclosures if the information is not regarded as material. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly, where Phoenix Asset Management Partners Limited ("PAMP") has considered an item to be immaterial, it has not been disclosed.

2. Capital Adequacy

PAMP is authorised and regulated by the FCA and is categorised by FCA as a Collective Portfolio Management Investment firm.

As such, PAMP's minimum capital resource requirement under Pillar 1 is the higher of:

- the funds under management requirement plus the PII capital requirement; and
- the fixed overhead requirement plus the PII capital requirement

As a Collective Portfolio Management Investment firm, PAMP is also subject to the requirements of GENPRU and BIPRU and must at all times maintain capital in excess of higher of the sum of its credit and market risk requirements (calculated in respect of its designated investment business only) and the fixed overhead requirement. Credit risk for PAMP is the risk that management fees due are not collected. The firm is also exposed to banks where cash balances are deposited. Fees receivable are paid directly by the funds and cash balances are held with banks possessing high credit worthiness. Consequently, the risk of past due or impaired exposures is minimal. PAMP uses the standardised approach for credit risk and calculates its credit risk capital requirement as 8% of its risk weighted assets. PAMP is not exposed directly to market risk as it does not hold principal positions.

PAMP's Pillar 1 capital resource requirement is the fixed overhead requirement plus the PII capital requirement which amounted to £542k as at 31 March 2016. Pillar 2 requires regulated entities to assess whether additional capital is required to cover risks not covered in Pillar 1. PAMP has undertaken such an assessment and it is documented in the ICAAP. Based on the results of the ICAAP, the Board of Directors have concluded the current level of capital is adequate.

The regulatory capital resources of PAMP as at 31 March 2016 are made up of Tier 1 capital of £1.6m. No additional capital to that held to cover Pillar 1 requirements is considered necessary.

3. Governance and Risk Management Framework

The PAMP Board of Directors form the governing body of the firm and have overall management and oversight responsibility. They meet formally on a monthly basis and are ultimately responsible for ensuring that PAMP complies with all regulatory requirements, including the maintenance of adequate risk management policies and procedures.

The key risks identified by PAMP as well as the management strategies in place for dealing with such risks, have been recorded in the ICAAP. The risks are assessed according to the likelihood of occurrence and potential impact on the firm with the overall score taking into account the mitigating controls in place. Stress tests are undertaken to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is adequate.

The key risk considered in the ICAAP is a fall in assets under management and hence management fees earned. It has been determined that the risk this presents is acceptable and that there are sufficient mitigating factors in place such that no additional controls are necessary and no additional capital is required.

The Board of Directors keep all areas of PAMP's business under review and look to enhance existing controls and develop processes on a continuous basis.