Phoenix

Pillar 3 Disclosure

December 2018

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

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1. Regulatory Overview

This document sets out the Pillar 3 market disclosures for PAMP, a company authorised and regulated by the Financial Conduct Authority ("FCA") in the UK. The Firm is a CPMI firm, subject to both MiFID and AIFM regulatory requirements. MiFID rules are set out in the FCA's General Prudential Sourcebook ("GENPRU") and Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"). AIFM requirements are captured by the "Interim Prudential sourcebook for Investment Businesses" ("IPRU-INV"). This document is prepared in accordance with the disclosure requirements of BIPRU 11. BIPRU 11 integrated the Capital Requirements Directive III ("CRD III"), the common framework for implementing Basel II in the European Union, for UK regulated firms.

In June 2013, the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV) were introduced, although in the UK many investments firms were granted exemptions by the FCA. The EU is actively working on issuing new regulations. When these new regulations are finalised and become enforceable in the UK, PAMP will be in scope for the Investment Firms Regulation and Directive.

The framework under both CRD III and CRD IV is made of three pillars:

Pillar 1: Minimum capital requirements, including credit, market risk requirements and the fixed overhead requirement;

Pillar 2: Individual firms further making an overall assessment of their capital adequacy. This analysis is crystallised by the Individual Capital Adequacy Assessment Process ("ICAAP"). The ICAAP report should capture all risks not adequately covered by the Pillar I requirements; and

Pillar 3: Public disclosure requirements of the Firm's risks, risk management and total capital resources.

The disclosures detailed in this document relate to PAMP and are made as of 31 December 2018, using the audited consolidated financial statements as of 31 March 2018.

The rules provide that an entity may omit one or more of the required disclosures if it believes that the information is immaterial. A disclosure is deemed to be material if the omission or misstatement of that information would be likely to change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions. Where a disclosure is considered to be immaterial, this has been stated.

2. Scope

PAMP provides investment management and advisory services to segregated mandates and alternative investment funds (AIFs). It is a consolidated disclosure due to PAMP being owned by a financial holding company, the Channon Holdings Limited (CHL).

PAMP is the only regulated entity of the Group, solely made of PAMP and CHL.
This disclosure is updated and published annually or more frequently if the Firm experience a material change in its business environment that would impacting its current

risk assessment. This disclosure is solely produced to satisfy the Pillar III requirement. Although it partially relies on audited data, the disclosure itself is not required to be audited and should not be construed as such.

There are no current or foreseen material practical or legal impediment to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertaking.

3. Governance and Risk Management Framework

3.1 Governance

The Board of Directors, PAMP governing body, is responsible for the direction and strategy of PAMP, the management of risks faced by the business and the oversight of all business activities. The governing body is committed to a robust control environment and regularly reviews the risks faced by the Firm. These are documented in the PAMP Risk Matrix which describes all identified risks and individually quantifies their potential financial impact. The result of this analysis takes into account existing mitigating factors and then feeds into PAMP Pillar II assessment.

3.2 Material risks analysis

As per PAMP Risk Analysis, the Firm believes there are four kind of risks that are material to both the capital and liquidity position of the Firm. They are Market Risk, Operational Risk, Business Risk and Reputational Risk.

3.2.1 Market risk

This is the risk of adverse movements in equity and commodity prices, interest and/or foreign exchange rates impacting the Firm's earnings or value. Technically, PAMP has no direct exposure to Market Risk: it does not engage in principal trading, does not invest in commodities, does not trade in derivatives, has no exposure to interest rate risk (the Firm is un-leveraged and does not rely on interest sensitive income either) and its exposure to foreign exchange is immaterial.

However, PAMP income depends on the value of the AUM the Firm manages and on how the securities its investment vehicles are invested in (the Funds) perform. On this look-through basis, Market risk is material and the Firm mitigates that risk by conducting thorough market research before investing in a company and by maintaining this research after having invested in that company.

3.2.2 Operational Risk

This is the risk of losses arising from operational failures or inadequacies, originating from either internal processes, systems, people or external events. PAMP is risk averse, managing this type of risk through a proactive approach that identify individual operational risks and closely monitoring the effectiveness of the controls designed to mitigate and monitor those risks.

3.2.3 Business Risk

This is the risk arising from a change in business, both as a result of internal decisions and external factors and events. This risk is closely linked to Market Risk and reputational risk: the Firm has a simple business model which has a significant exposure to the UK stock market / Market risk. As per section 3.2.1, Market risk is managed with thorough investment research.

3.2.4 Reputational Risk

Negative public coverage can come from many angles, e.g. litigation, excessive staff turnover, bad press articles, significant loss of customer base, to name but a few. The Firm's business strategy implies the need for investors to solidly trust PAMP's business acumen and investment strategy. To guard against this risk, PAMP is focused on doing what is right, on staff integrity and by leading by example. The Firm endeavours to employ high quality employees who are professional in all their dealings. It seeks to implement a culture of ethical behaviour in all areas of the business.

4. Capital resources and Adequacy

4.1 Pillar 1 – Capital Adequacy

The Firm maintains sufficient capital to meet its regulatory requirements by holding capital resources above such regulatory requirements. PAMP consolidated regulatory requirements are based on the higher of Pillar I and Pillar II capital requirements.
PAMP Pillar I consolidated requirement is the greater of the sum of credit plus market risk requirements (A), and the fixed overheads requirement (B) as per the table below.

Pillar I requirements	£000s
Credit risk	481
Market risk	-
A - Credit & Market risk capital	481
B - Fixed overheads	701
Total Pillar I requirement (higher of A and B)	**701**

4.2 Pillar 1 – Capital requirements

4.2.1 Operational Risk

As PAMP is categorised as a BIPRU firm, it is not required to calculate an operational risk requirement under Pillar 1. However, operational risk is included within its Pillar 2 assessment.

4.2.2 Market Risk

The Firm has no direct exposure to Market risk as explained in section 3.2.1.

4.2.3 Credit Risk

The risk weighted exposure follows the standardised approach, as 8% of the risk weighted exposures made of investments, cash deposits and debtors.

4.3 Pillar 2 – ICAAP

In addition to the Pillar I requirements discussed above, each entity in scope has an internal capital target set by the Board. In advance of any significant business decisions being made, the impact these will have on the capital of that entity and of the Group is fully assessed in order to ensure a suitable capital surplus is maintained.

The primary purpose of the ICAAP is to inform the Board of the on-going assessment of the PAMP's risk, how PAMP intends to mitigate those risks and how much current and future capital is necessary. The ICAAP consists of a number of steps, which are conducted at least annually:

- The adequacy of risks covered by Pillar I (credit risk and market risk) is assessed and a decision made as to whether additional capital is required,
- Risks not covered by Pillar I (operational, liquidity, business and others) are reviewed and assessed with additional capital put aside if required,
- The sum of the risk assessment is then compared to the costs of winding down the Firm in an orderly fashion; and
- Finally, stress testing is conducted over a three-year period using various scenarios and the potential impact on various metrics is assessed.

Where the Pillar II assessment is higher than the Pillar I requirement, the firm holds additional capital, both at the consolidated and solo level.

The adequacy of the capital held by the Group is assessed as part of the ICAAP review and is subject to formal approval by the Board of Directors. As of the 31st of March 2018, the Firm had capital levels well above its Pillar I and Pillar II requirements.

4.4 Capital Resources – Own Funds

As of 31 March 2018, PAMP consolidated capital resources, its own funds, totaled £2,911,000. As per the table below, these resources are well in excess of the Group regulatory requirements.

	£000s
Higher of Pillar I and Pillar II	701
Own Funds	2,911
Surplus over Requirements	2,210

5. Remuneration Policy and Practices

PAMP follows the FCA Remuneration Code Rules and principles described in SYSC19 (the "Code") and its related guidance. This Code is applicable to FCA approved persons or those classified as Code Staff (such as those with control functions or significant influence functions) as defined by the FCA rules. As a small firm and as per SYSC19B, PAMP can follow the principle of proportionality and disregard some of the Code's provisions. PAMP Remuneration policy is threefold: Remuneration Code Staff, Proportionality Review and the overall Remuneration Policy.

Due to its small size, nature and lack of complexity, PAMP does not have an independent remuneration committee.

Final decisions on staff remuneration (both fixed and variable) are determined by the governing body. PAMP seeks to align the interest of its employees with its investors. Variable remuneration is dependent on the success of the company and only comes from realised profits. PAMP sets aside a proportion of the Firm's profits to form a bonus pool out of which variable remuneration awards will be made. The size of the bonus pool will be at the discretion of the Directors, and duly recorded, giving due consideration to both the need to incentivise personnel and to the current and future risks faced by the firm and its products.

As of December 31st, 2018, there were five employees identified as Remuneration Code Staff out of a total headcount of 16 employees. As per PAMP's audited accounts, total employee costs were £4,019,839 as of 31st March 2018. Further information is available in the Phoenix UK Fund financial statements for the year ended 31 December. 2018.