Pillar III Disclosure

Phoenix Asset Management Partners Limited (PAMP)

31 December 2019

1 Introduction

This document fulfils the Pillar III disclosure requirement 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.

- **Pillar I:** Minimum capital requirements, including credit risk, market risk and the fixed overhead requirement
- **Pillar II:** Individual firms make 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
- **Pillar III:** Public disclosure requirements of the Firm's risks, risk management and capital resources.

The disclosures detailed in this document relate to PAMP using the audited financial statements as of 31 March 2019.

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, Channon Holdings Limited (CHL). PAMP is the only regulated entity of the Group.

This disclosure is updated and published annually or more frequently if the Firm experienced a material change in its business environment that would impact its current risk assessment. This disclosure is produced solely to satisfy the Pillar III requirement.

3 Risk management framework

3.1 Governance

The Board of Directors, PAMP's governing body, are 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's Pillar II assessment.

3.2 Material risks analysis

As per PAMP's Risk Analysis, the Firm believes there are three kind of risks that are material to both the capital and liquidity position of the Firm. They are Market Risk, Operational Risk and Business 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 and its exposure to foreign exchange is immaterial.

However, PAMP's income depends on how the securities its investment vehicles are invested in 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 investing.

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, the Firm has significant exposure to the UK stock market. Market risk is managed with thorough investment research.

4 Capital resources and adequacy

4.1 Capital adequacy – Pillar I

PAMP's 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 (the higher of MiFID/ AIFMD)	Consolidated £000s
A - Credit & Market risk capital	654
B - Fixed overheads	755
Total Pillar I requirement = higher of A or B	755

4.2 Pillar I - 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 I. However, operational risk is included within its Pillar II 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 II - ICAAP

Pillar II requires a firm to review and quantify its own risks and out aside additional capital if required. Pillar II covers three particular areas:

- Risks not covered by Pillar I (operational, liquidity, business and others)
- Stress testing is conducted over a three-year period using various scenarios
- The cost of winding down the Firm in an orderly fashion

In order to be prudent, PAMP has decided to hold additional capital against operational risk – the risk of loss resulting from failures in relation to the people and systems of the firm or from external events, including risk resulting from trading, settlement and valuation procedures. This area is considered to be the biggest risk for PAMP.

Pillar II requirements		Consolidated £000s
Pillar II requirements	Credit Risk	0
	Market Risk	0
	Liquidity Risk	0
	Operational Risk	135
	Insurance Risk	0
	Concentration Risk	0
	Residual Risk	0
	Securitisation Risk	0
	Business Risk	0
	Interest Rate Risk	0
	Pension Obligation Risk	0
	Group Risk	0
	Stress Testing	0
Total Pillar II requirement		135

4.4 Capital resources – own funds

When considering the total regulatory requirement, PAMP combined its Pillar I and Pillar II requirements. As of 31 March 2019, the Group had consolidated own funds well in excess of the its regulatory requirements.

Total Regulatory capital requirement	Consolidated £000s
Pillar I (the higher of MiFID/AIFMD) + Pillar II	890
Own funds	1,687
Surplus over requirement	797

5 Remuneration

5.1 Remuneration Policy & processes

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.

PAMP's Remuneration Policy is designed to ensure it:

- is consistent with and promotes sound and effective risk management,
- does not encourage excessive risk taking,
- includes measures to avoid conflicts of interest, and
- is in line with PAMP's business strategy, objectives, values and long-term interests.

The Directors of PAMP constitute the governing body and are responsible for the establishment and maintenance of the Remuneration Policy. The overall goal is to contain fixed costs, encourage a long-term approach, reward good long-term performance and share success.

PAMP's policy on the allocation of remuneration requires that its governing body set 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. It is unlikely that any awards will be made in the event of PAMP making a loss.

PAMP considers that the establishment of a Remuneration Committee would not be proportionate given the size and non-complex nature of both its activities and organisation.

5.2 Remuneration Structure

PAMP employees are remunerated with an annual fixed salary and variable compensation. The variable element is fully flexible. Payment is dependent on the overall performance of the firm. It may be a greater proportion of total remuneration than fixed salary but could also be zero.

Gary Channon is a shareholder in Channon Holdings Limited, which in turn is a shareholder of PAMP. PAMP employees are also able to become shareholders in PAMP after an allotted time at the business. According to the Shareholders Agreement of PAMP all profits (after tax and allowing for future capital needs of the business) are distributed to shareholders as dividends. Therefore, Gary Channon and relevant PAMP employees are incentivised, as shareholders in the business, to increase its value to shareholders and its distributable profits.

In addition, PAMP has a Partnership Group where relevant executives are entitled to a share of PAMP's operating profits. This scheme is assessed annually by the Board and CIO. This assessment is taken in the context of the firm's business strategy, its financial position, its future capital requirements and the annual performance appraisal of the scheme's participants.

5.3 Remuneration disclosure

During PAMP's financial year ended March 31, 2019, 18 persons were employed by PAMP, 6 were considered Remuneration Code Staff and 6 were members of the Partnership Group.

Out of a total of £4.2m remuneration, £2.4m was variable in nature. There were no carried interests.

All PAMP employees are considered to be relevant staff for our AIFs. Figures do not include the non-executive director who is paid in the form of fees. Employees may be represented in more than 1 grouping.