

Pillar 3 Disclosure

International Asset Management Limited (“IAM” or “the Firm”) is an investment management firm authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (“UK”).

The UK’s versions of Capital Requirements Directive (“CRD”) and Alternative Investment Fund Management Directive (“AIFMD”) establish the regulatory capital framework governing the amount and nature of capital credit institutions and investment firms in the must maintain. The CRD and AIFMD have been implemented by the FCA through the General Prudential Sourcebook (“GENPRU”), the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”) and the Interim Prudential Sourcebook for Investment Business (“IPRU (INV)”) sections of the FCA’s Handbook of Rules and Guidance (“Handbook”).

The CRD consists of three “Pillars”:

- Pillar 1 sets out the minimum capital amount that meets the firm’s credit, market and operational risk capital requirement;
- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The AIFMD adds further capital requirements based on the Alternative Investment Fund (“AIF”) assets under management (“AUM”) and professional liability risks.

The rules in BIPRU 11 set out the provision for Pillar 3 Disclosure. This document is designed to meet IAM’s Pillar 3 Disclosure obligations. This Pillar 3 Disclosure has been made IAM in accordance with the requirements of BIPRU 11. IAM’s Pillar 3 Disclosure is issued on an annual basis after the year end and published as soon as practically possible. Unless otherwise stated, all figures are as at 31st December 2020.

IAM is permitted to omit certain disclosures if the Firm believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm. In addition, IAM may omit certain disclosures where the Firm believes that the information is regarded as proprietary or confidential. In the Firm’s view, proprietary information is that which, if it were shared, would undermine IAM’s competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our employees, customers, suppliers and counterparties.

Scope and application of the requirements

As IAM is authorised and regulated by the FCA, the Firm is subject to minimum regulatory capital requirements. IAM is a Full Scope UK Alternative Investment Fund Manager (“AIFM”) with additional “top-up” permissions and, consequently, is prudentially categorised as a Collective Portfolio Management Investment (“CPMI”) firm by the FCA. IAM is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Risk management

IAM’s Directors are responsible for:

- Determining the Firm’s strategy;
- Identifying the risks relating to the Firm’s activities, processes and systems;
- Setting the levels of tolerable risk; and
- Establishing policies and procedures for assessing and managing risk.

IAM is cautious with regards to risk. As at the time of writing, the principal risks identified by IAM’s Directors are:

- **Market Risk** – The level of AUM is influenced by the growth or contraction of the underlying markets, investment performance and net flows. For some clients, revenue is directly related

to AUM's and, therefore, market risk is a key concern and is monitored monthly and considered in the context of relative performance.

- **Performance Risk** – Client investments and redemptions impact IAM's AUM and are influenced by the performance of the funds in absolute terms and also in relation to the expected outcomes and to other funds in the peer group. As the level of AUM impacts revenues and performance fees, performance risk is key to the revenue streams of IAM. Poor performance may lead to client outflows and loss of potential performance fees. Performance of the fund is reported monthly to senior management.
- **Brexit Risk** – IAM continues to monitor the impact of and risks related to Brexit across its business lines. In particular, this risk relates to the ability of IAM to market/distribute products (e.g., funds) and services and/or deliver services to EEA-domiciled clients/investors.
- **Operational Risk** – Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, or people and systems or from external events. In line with most asset management firms which do not conduct any proprietary trading, IAM is primarily exposed to operational risk. The IAM operating model requires it to take a degree of operational risk across all business areas. Risks include those arising from the processing of transactions by outsourced administrators on its behalf and the fiduciary duties arising from the management of the funds and portfolio management services in line with their published mandates. Identified operating risks are monitored by senior management on a regular basis and remedial action taken if required.
- **Coronavirus Risk** – IAM could see clients redeeming due to the Coronavirus affecting markets and investors cash requirements. This risk is being closely monitored and costs reduced and kept under control to minimise the risk to IAM. The directors have already implemented a cost cutting strategy along the same lines as we have forecast in the attached scenarios.

Capital resources and requirements

As a CPMI firm, IAM's total capital resources requirement is calculated as the higher of

- €125,000 + 0.02% of AIF AUM above €250 million (but subject to a cap of €10 millions); or
- the sum of the credit risk capital requirement and the market risk capital requirement; or
- The fixed overhead requirement ("FOR") (i.e., 25% of the Firm's annual fixed overheads, as adjusted).

Plus, (whichever is applicable):

- The professional negligence capital requirement; or
- The PII capital requirement.

IAM conducts an Individual Capital Adequacy Assessment Process ("ICAAP"), at least annually, in order to calculate the expected amount of capital that the Firm should hold in line with its risk profile and strategy. The Firm's capital resources comprise of share capital and audited reserves, without deduction. All such capital resources qualify as Tier 1 Capital, as defined in the BIPRU section of the FCA's Handbook.

As at 31st December 2020, IAM's regulatory capital position was as follows:

Description	Amount Held (£,000)
Tier 1 Capital	5,486
Tier 2 Capital	0
Deductions from Tier 1 and/or Tier 2 Capital	0
Total Capital Resources	5,486
Total Capital Resources Requirement	1,583
Surplus/Deficit	3,903

As per the above, the total capital resources held by the Firm were in excess of IAM's total capital resources requirement as at 31st December 2020.

IAM closely monitors its capital resources on a regular basis. This is regularly monitored by the Firm and reported to IAM's Directors on a periodic basis.

Remuneration

As a Full-Scope UK AIFM that is authorised and regulated by the FCA, IAM is subject to the AIFM Remuneration Code (SYSC 19B of the FCA Handbook). The AIFM Remuneration Code applies to the Firm in respect of the fixed and variable remuneration that IAM pays to its Directors and employees. Enshrined in the UK's remuneration provisions is the principle of proportionality. Due to the size, nature, scale and complexity of IAM's business, the Firm is not deemed to be a 'significant AIFM' and, as such, IAM can apply the principle of proportionality to certain requirements of the AIFM Remuneration Code. IAM's approach to remuneration is designed to comply with the AIFM Remuneration Code and the Firm's remuneration arrangements:

- are consistent with and promotes sound and effective risk management;
- do not encourage excessive risk taking;
- include measures to avoid conflicts of interest; and
- are in line with the Firm's business strategy, objectives, values and long-term interests.

IAM must disclose certain information on at least an annual basis regarding the Firm's approach to remuneration. The below remuneration disclosures take account of the size, internal organisation and the nature, scope and complexity of IAM's activities.

The Firm's makes the following remuneration disclosures:

- IAM approach to remuneration is set by the Firm's Directors and is in line with the AIFM Remuneration Code (as set out in SYSC 19B of the FCA Handbook). The Firm's approach to remuneration, which is documented in IAM's Remuneration Policy, is summarised as follows:
 - Due to the size, nature and complexity of the firm, IAM not required to appoint an independent remuneration committee. Notwithstanding, in the interests of best practice, such a committee has been in place since 2008;
 - Remuneration consists of both fixed remuneration (i.e., salaries) and variable remuneration (i.e., bonuses). Variable remuneration is discretionary and is performance based.
 - IAM's ability to pay variable remuneration is based on the overall performance of the Firm during each performance period.
 - The Firm's Remuneration Policy will be reviewed periodically (typically, annual) or more frequently in the event of material changes.
- IAM's Directors and employees are rewarded based on their contribution to the overall strategy of the business in the relevant business area to which they are associated. To this end, an individual's performance is measured against a prescribed set of objectives established at the beginning of each performance period.
- The Firm only has one "business area", namely its investment management business. The total "remuneration" (as defined in the FCA Rules) awarded to the Firm's Code Staff during the tax year 2020 to 2021 was £2.71 million. During the same period a total of £2.52 million was paid in fixed remuneration and £1.26 million in variable remuneration (total remuneration £3.78 million) to a total of 21 staff.
- Additional quantitative remuneration disclosures are, to the extent required, included in the AIF Annual Report(s) of any UK AIF and/or non-UK AIF marketed in the UK (in accordance with FUND 3.3.5(5) and FUND 3.3.5(6) of the FCA Handbook).