THOME ASSET MANAGEMENT & ASSET CONTROLLING

Pillar 3 Disclosure

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BACKGROUND – REGULATORY REQUIREMENTS

The Capital Requirements Directive ("CRD") of the European Union created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. The rules are set out in the CRD under three pillars:

Pillar 1 sets out the minimum capital resource requirement firms are required to maintain to meet credit, market and operational risks.

Pillar 2 requires firms to assess firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital.

Pillar 3 requires firms to disclose information regarding their risk assessment process and capital resources with the aim to encourage market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

The rules in the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 disclosure obligations.

GENERAL

Frequency of disclosure

Disclosures will be issued on an annual basis.

Verification

These disclosures have been prepared in order to comply with regulatory requirements and provide information on risk management policies and certain capital requirements. They do not constitute financial statements and are based on unaudited financial positions and should not be relied upon in making judgements about TAMAC ("the Firm").

Location

This report will be available through the Firm's website.

Scope and application of the requirements

TAMAC is a trading name of Thome Asset Management & Asset Controlling which is authorised and regulated by the Financial Conduct Authority ("FCA") to conduct investment business, with permission to hold and control client money. The Firm is categorised as a Limited Licence firm by the FCA for capital purposes.

RISK APPETITE AND MANAGEMENT

The Firm is exposed to a variety of risks, as analysed and quantified below. However, the partners have adopted a conservative approach to risk, resulting in a low risk profile for the Firm, for the following reasons:

- Business model is straightforward agency investment management
- Corporate governance structure ensures involvement of Senior Management in all key decisions
- Low staff turnover and continuous staff training
- Limited exposure to market and credit risk
- Comprehensive professional indemnity insurance arrangements

Risk management is a fundamental part of the day to day management of the Firm, both within operational procedures to ensure that the risks associated with the provision of investment management services are mitigated by appropriate controls and processes and also within our fundamental approach to investment selection and daily management of client investment portfolios.

The partners meet quarterly, or as and when necessary, and have primary responsibility for governance and oversight of the Firm. The Compliance Officer provides independent oversight over the Firm's risk management process and controls. The Firm's Risk Management policy and procedures are set out in the Liquidity Risk Management Framework dealing with internal and external risks arising from Market, Credit, Operational, Liquidity and other relevant risk categories. The Risk Management Policy is reviewed and updated annually.

Key metrics of operational, market, credit and regulatory risks are reviewed quarterly by the partners.

CAPITAL ADEQUACY AND ICAAP

The Firm's overall approach to assessing the adequacy of our internal capital is documented in the Internal Capital Adequacy Assessment Process ("ICAAP").

The ICAAP process includes an assessment of all material risks faced by the Firm and the controls in place to identify, manage and mitigate those risks. The risks identified are stress-tested against various scenarios to determine the level of capital that needs to be held.

Where risks can be mitigated by capital the Firm has adopted a "Pillar 1 plus" approach whereby the Pillar 1 capital calculations are assessed. Where the partners consider that the Pillar 1 calculations do not adequately reflect the risk, additional capital is added on in Pillar 2.

The ICAAP is formally reviewed by the partners once a year. Risks and the required capital are, however, reviewed more frequently, in particular when possible changes in the business strategy or business environment so require.

CAPITAL RESOURCES

The capital requirements of the Firm are monitored on an ongoing basis to ensure that at any time there is sufficient capital in place. As of 30 April 2019 the Firm's capital resources for regulatory purposes were as follows:

	Pillar 1	**ICAAP**
	Minimum Capital	Firm's Pillar 2 capital
Credit risk	34,800	34,800
Market risk	65,269	65,269
Operational risk	n/a	80,051
Fixed Overhead Requirement	142,665	
Pillar 1 total	**142,665**	
Base Capital Resource Requirement	107,932	
Pillar 2 Business/reputational risk		45,000
Pillar 2 total		**225,120**
Additional capital to cover stress testing		-
ICAAP capital		**225,120**
Current total capital	3,343,498	3,343,498
Surplus	3,200,833	3,118,378

As of 30th April 2019 the Firm held approximately 15 times the capital required by its ICAAP. The Base Capital Resource Requirement for a BIPRU Limited Licence Firm is the GBP equivalent of EUR 125,000 (GBP 107,932 as of 30 April 2019)

All regulatory capital held by TAMAC is classed as tier one capital according to the FCA's capital definitions.

MATERIAL RISKS

The Firm is exposed to the following material risks:

Credit Risk

Credit risk is the risk that unexpected losses may arise as a result of the Firm's counterparties or clients failing to meet their obligations.

Credit risk is limited. The only material credit exposures are amounts receivable from clients and bank deposits. The Firm conducts due diligence on all institution where funds are deposited and regularly monitors their creditworthiness.

Capital is set aside to mitigate against the risk in accordance with the Pillar 1 Counterparty Credit Risk Requirement.

Liquidity Risk

Liquidity risk is the risk that the Firm will not be able to meet its financial obligations as they fall due.

The Firm is a partnership and does not rely on debt financing. Working capital ratios are considered adequate and the Firm is satisfied that there is no specific risk arising from liquidity.

Concentration Risk

Concentration risk is the risk arising from a lack of diversification in the business.

The Firm deals with a range of market counterparties, and revenue is generated from a diversified client base. Concentration risk within individual client portfolios is managed by the Investment Manager and monitored by the Investment Committee.

The Firm is not overly exposed to specific counterparties.

Business Risk

The key business risk is a reduction in funds under management/advice, following a market downturn or loss of clients, resulting in lower management fees. Management carry out stress-testing in order to assess the impact on profit and loss from various scenarios where funds under management fall.

Market Risk

The Firm is exposed to a small amount of foreign exchange risk through its foreign currency trade receivables and payables and deposits held in foreign currency. Management regularly monitors foreign exchange exposure and carry out stress-testing in order to assess the impact on profit and loss from various scenarios where exchange rates change. Capital is set aside to mitigate this risk in accordance with the calculations for Pillar 1 Market Risk Requirements.

Operational Risk

Operational risk is the risk of loss to the Firm resulting from failed or inappropriate internal procedures, people and systems, or from external events.

The partners consider the Firm's arrangements for monitoring, recording and mitigating operational risk to be appropriate for the size, nature and complexity of the business. The partners regularly review management information and there are clear lines of escalation within the Firm.

The Firm employs experienced staff in the management of operational risk, benefits from low staff turnover and has robust documented operational procedures.

The Firm has few outsourcing relationships and these are closely monitored with regards to performance and adherence to contractual obligations.

Business continuity risk is the risk of interruption to the business due to the unavailability of systems or office space. The Firm has a comprehensive business continuity strategy which is tested on an annual basis.

The Firm also mitigates its operational risk by means of a comprehensive Professional Indemnity and Business insurance policy. As a limited licence firm the Firm does not include Operational Risk in its Pillar 1 Capital calculation. The partners have decided to set aside capital to mitigate operational risk in its Pillar 2 Capital calculation and considers this capital, in conjunction with the insurance cover in place, adequate to address operational risk.

Regulatory Risk

Regulatory changes and compliance with the Firm's ongoing regulatory compliance obligations is an area of continued focus for the partners. The partners are satisfied that the Firm's risk management and internal control framework is sufficiently robust to mitigate against the risk of non-compliance.

Additional Capital To Cover Stress Tests

The Firm is regularly running stress tests to ensure that capital requirements can still be fulfilled in adverse circumstances. These stress tests cover among other things loss of clients, economic downturn and changes in exchange rates. Even in adverse scenarios, the Firm's capital buffer remains adequate to cover Pillar 2 Capital Requirements.

The partners recognise that not all of the risks to which the Firm is exposed can be mitigated by the addition of capital, hence those other risks, such as reputation and legal risks, are managed by internal policies and procedures and monitored by the partners on an ongoing basis.

Additional risks identified within the overall Pillar 2 rule have been assessed and evaluated by the partners, and are not considered to be material to the Firm.

REMUNERATION

The Firm has been subject to the Remuneration Code (the “Code”) since 1 January 2011. The Code governs the remuneration policies of regulated firms and aims to ensure that firms establish, implement and maintain remuneration policies, procedures and practices that promote effective risk management.

The Firm provides discretionary, advisory and execution only services on an agency basis and does not trade on its own account. It is conservative in its approach to risk taking and has a comprehensive framework of systems and controls in place.

The remuneration policies of the Firm are managed and reviewed by the partners and meet the requirements of the Code as applicable to a Tier 3 firm and are considered to be appropriate given the nature and scope of the business.

In addition to fixed remuneration, the Firm operates a non-contractual (and therefore unguaranteed) bonus scheme, determined according to net profits. The amount awarded is entirely at the discretion of the partners and can be 0. It is based on the quality of work, the commitment shown and the perceived contribution to the success of the company. This includes adherence to investment processes and risk management and regulatory procedures. Overall remuneration in terms of salaries and bonus levels are reviewed annually by the partners. Investment Managers are eligible to receive a revenue share in new investment management business. Client onboarding requires Partner approval and close monitoring of suitability of client portfolios by the partners ensures that this incentive does not lead to unsuitable outcomes.