

Pillar 3 Disclosures & Remuneration Policy

Pillar 3 Disclosures

1 Introduction

Thistledown Investment Management Ltd (“Thistledown”) is authorised and regulated in the UK by the Financial Conduct Authority (“FCA”) and is subject to the FCA’s Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), specifically BIPRU 11.3.3 R. This follows the introduction of the Capital Requirements Directive (“CRD”), which came into force on 1st January 2007. The CRD rules were designed to generally increase investor protection throughout the market and these rules require the Company to assess the adequacy of its capital resources given its risks.

The CRD requirements have three pillars:

- Pillar 1 establishes the minimum capital requirements given the credit, market and operational risks;
- Pillar 2 deals with the Internal Capital Adequacy Assessment Process (“ICAAP”) which is a document produced by the LLP that assesses the risks faced by the LLP, the controls on those risks and the capital required to sustain such risks; and
- Pillar 3 requires the Company to publish its objectives and policies in relation to risk management, and information on its risk exposures and capital resources.

The Company’s Pillar 3 disclosures provide transparency about its capital requirements, risk exposures and risk assessment processes and are made for the benefit of the Company’s clients. The FSA generally requests that firms address specific risks pertinent to its business (i.e.: market, credit, liquidity, operational, business, concentration and any residual risks¹), and these items are addressed below.

2 Location

The Pillar 3 disclosures will be published on the Company’s website.

3 Materiality

Information is generally viewed as material if its omission or misstatement could change or influence the assessment or decision of someone relying on that information for the

purpose of making economic decisions. If a certain disclosure is omitted from this statement, we viewed the disclosure to be immaterial or inapplicable to us.

4 Confidentiality

Information is generally viewed as proprietary if sharing that information with the public would undermine a competitive position. Proprietary information may include information on products or systems that, if shared with competitors, would render the Company's investments therein less valuable. Further, the Company must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Company to confidentiality. In the event that any such information is omitted, the Company shall disclose such and explain the grounds why it has not been disclosed.

5 Background of the Company

Thistledown is a limited liability company established on the 28th August 2009 in England and Wales, incorporation number 07003415. The FSA authorised the Firm as an investment manager on the 1st February 2010. The Firm currently offers two services:

1. VT Thistledown Income Fund is a global income fund operating as an authorised unit trust. It targets a 4% yield with a maximum of 40 holdings. Annual management fees are 1% of portfolio value.
2. Discretionary Portfolio Service – a bespoke portfolio management service for high net worth clients. There are often significant holdings in smaller companies and no yield criteria. Fees are assessed based on performance with a minimal base fee of 0.1% of portfolio value.

6 Risk Management Objectives and Policies

The Company's general risk management objective is to develop systems and controls that mitigate risk to a level that does not require the allocation of Pillar 2 capital.

The Company's 2017 year-end Internal Capital Adequacy Assessment Process ("ICAAP") did not identify any internal or external risks that resulted in the Company having to increase its capital levels. Accordingly, the Company's business and operational risks are limited in scope and the Company believes that it has a minimal risk profile.

7 Governance and Risk Framework

The Company oversees and manages its risks through a combination of a Compliance Manual, routine monitoring of policies and procedures, a Business Continuity Plan, an annual independent audit and reporting process, and the use of an independent UK compliance consultant. The Company's policies, procedures and financial controls are regularly reviewed and revised as needed.

8 Capital

The capital of the Company is in the form of share capital and retained earnings.

9 Pillar 3 Disclosures

9.1 Market Risk

Market risk is the risk that the value of, or income arising from, the Thistledown's assets and liabilities varies as a result of changes in the market price of financial assets, changes in exchange rates or changes in interest rates. Thistledown, as a firm, is not permitted to and does not invest its own money in the financial markets. Currently Thistledown does not have any market risk.

9.2 Credit Risk

Credit risk refers to the potential risk that customers fail to meet their obligations as they fall due. Thistledown is exposed to the credit risk of its bankers and receivable from its Funds and clients. Thistledown considers this risks on a continuous basis but does not believe that it is significant.

9.3 Liquidity Risk

Thistledown's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in fees received/receivable. The Company maintains sufficient cash balances with its banking partners to cover liquidity risk. Furthermore, the Company continuously monitors income and expenditure levels and adjusts plans accordingly.

9.4 Operational Risk

The Company has simple systems and data processing requirements and the Company does not require its systems to be available 'real time'. The risk of any systems failures is therefore not high-risk and the Company believes that it has minimal operational risk.

9.5 Other risks

Other risks the Company considered included:

- Business Risk: failure of business plan, resulting in losses or reduced income
- Pension obligation risk - n/a as the firm does not have a defined benefit pension scheme
- Concentration Risk: whether overly dependent on any customer or group in terms of income or credit risk
- Residual Risk: any other material risk specific to the company

The Company does not consider these risks, or any other material risks mentioned above, would require the Company to increase its capital levels.

10 Capital Resources

Thistledown is designated as a BIPRU Limited Licence Firm (base capital requirement is €50,000) and is subject to an expenditure requirement.

Overall Capital Summary as at 31 January 2019	£'000
Share Capital including premium	121
Reserves	33
Total Tier 1 Capital	154
Pillar 1 Capital requirement	44
Additional requirement under Pillar 2	Nil
Total Capital requirement	44
Capital surplus	110
Capital adequacy percentage	350%

Remuneration Disclosures

Under the Remuneration Code (the “Remuneration Code”), the Company, as is standard for an investment management firm, is classified as a Proportionality Level three firm. Proportionality Level three firms are permitted to disapply many of the technical requirements of the Remuneration Code and proportionately apply the Remuneration Code’s rules and principles in establishing the Company’s policy.

The Company feels that its Remuneration Policy appropriately addresses potential conflicts of interest and that the Company’s authorised persons are not rewarded for taking inappropriate levels of risk. Under the Remuneration Code, the Company is classified as a Tier Four firm, which allows the Company to disapply many of the technical requirements of the Code and proportionately apply the Code’s rules and principles in establishing the Company’s policy.

1 The Decision Making Process

On grounds of proportionality Thistledown’s Governing Body also serve as the remuneration committee.

2 The link between pay and performance

Overall remuneration may include an annual incentive compensation reflecting individual performance and responsibility, both short-term and long-term, as well as the Company’s overall performance.

3 Incentive Compensation

The award of incentive compensation is a qualitative decision where employee and supervisory input are significant components and is currently not used.

3.1 Code Staff: Investment Team Members

Due to the size and complexity of Thistledown’s business the principals of the Firm are the investment team and the only Code Staff.

3.2 Quantitative Remuneration Data

We are required to disclose the following quantitative data:

- BIPRU 11.5.18R(6) (aggregate quantitative information on remuneration, broken down by business area)

- BIPRU 11.5.18R(7) (aggregate quantitative information, broken down by senior management and members of staff whose actions have material impact on the risk of the firm).

There is currently no remuneration paid to Code Staff.
