PILLAR 3 DISCLOSURE

1 INTRODUCTION:

PortfolioMetrix Asset Management Limited (‘**PortfolioMetrix**’ or ‘**we**’) is authorised and regulated by the Financial Conduct Authority (‘**FCA**’) under FCA No 564162 and this document sets out how we comply with our obligations to identify, manage and mitigate against risks.

2 OVERVIEW:

The Capital Requirements Directive IV (‘**the Directive’**) of the European Union established a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the FCA in its regulations through the General Prudential Sourcebook (‘**GENPRU**’) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (‘**BIPRU**’).

The framework under the Directive consists of three ‘Pillars’:

- Pillar 1 sets out the minimum capital resource requirements that are required to meet a firm’s credit, market and operational risks;
- Pillar 2 requires a firm to assess whether its Pillar 1 capital is adequate to meet its risks and, where such risks are not covered by Pillar 1, to maintain as necessary additional capital; and
- Pillar 3 requires a firm to disclose specified information regarding their underlying risk assessment and management processes and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet the Pillar 3 obligations of PortfolioMetrix.

We are permitted to omit required disclosures if we believe that the information is immaterial such that an omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In the view of the directors, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

Other than noted below, we have made no omissions on the grounds that it is immaterial, proprietary or confidential.

3 LOCATION OF DISCLOSURES:

All disclosures will be issued on an annual basis and following review and approval by the board. This document and all future Pillar 3 disclosure documents will be published and is available on our website [www.portfolimetrix.com].

4 SCOPE AND APPLICATION OF THE REQUIREMENTS:

PortfolioMetrix is authorised and regulated by the FCA and is as a result subject to minimum regulatory capital requirements. We are categorised as a limited licence firm by the FCA for capital purposes. We are a wealth management firm and as a result have no trading book exposures.

We are not a member of an EEA sub-group and are therefore not required to prepare consolidated reporting for prudential purposes.

5 RISK MANAGEMENT:

We are governed by our board of directors ("**Principals**") who are responsible for and determine the business strategy and risk appetite. The Principals are also responsible for establishing and maintaining our governance arrangements along with designing and implementing a risk management framework that identifies, evaluates, manages and reports on significant risks that the business faces. This ensures that we have a clear understanding of both existing and emerging risks that we face and are therefore able to assess the adequacy of our risk management in the context of our risk appetite.

The Principals also determine how the risk the business faces may be mitigated and assess on an on-going basis the arrangements to manage those risks. The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital and management, and business planning and risk management. The Principals manage the business risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Principals have identified the following material areas of risk to which PortfolioMetrix is exposed, being investment risk, reputational risk, liquidity risk and operational risk. Annually the Principals formally review the business' risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Principals identify material risks they consider the financial impact of these risks as part of PortfolioMetrix's business planning and capital management and conclude whether the amount of regulatory capital is adequate.

The Principals are ultimately responsible for ensuring that PortfolioMetrix has sufficient capital and liquidity resources to meet not only its regulatory requirements but also to support its risk management assessment and business strategy.

The Principals have in addition assessed the number of directorships currently held and are satisfied that the arrangements are adequate and that the management body is able to commit sufficient time and resources to perform their function and obligations. The Principals monitor the adequacy and number of directorships on an ongoing basis.

6 CAPITAL ADEQUACY:

PortfolioMetrix's overall approach to assessing the adequacy of its internal capital is documented in its Internal Capital Adequacy Assessment Process ('**ICAAP'**). The ICAAP process allows for the assessment of all material risks faced by PortfolioMetrix and the controls and processes in place to identify, manage and mitigate these risks. The risks the Principals have identified as being material to the business are stress-tested against various scenarios to determine the level of capital that needs to be held.

The ICAAP process is carried out by the Principals and is formally reviewed each year. The capital adequacy of the business is in accordance with our compliance requirements.

As PortfolioMetrix maintains an uncomplicated company structure and does not hold client money or assets, the Principals have categorised the company as simple and the ICAAP has been prepared in relation to the complexity of this category.

In light of the findings of the ICAAP, the Principals have assessed that the business requires and must maintain a minimum capital resources requirement (CRR) of 13 weeks fixed operating costs, which amounts to £97,987 for 2019. This is against qualifying reserves of £312,306 resulting in the following key metrics:

- Regulatory Capital Buffer: £214,319
- Regulatory Capital Multiple: 3.2x

7 REGULATORY CAPITAL:

PortfolioMetrix is a limited liability company and its capital arrangements are established in its articles.

Capital Item	
Tier 1 capital less innovative tier 1 capital	€359,152
Total tier 2, innovative tier 1 and tier 3 capital	€0
Deductions from tier 1 and tier 2 capital	- €0
Total capital resources, net of deductions	€359,152

GBP/EUR = 1.15

PortfolioMetrix is small with a simple operational infrastructure. Its risk is limited to credit risk from platforms which facilitate the payment of fees. PortfolioMetrix follows the standardised approach to market risk and the simplified standard approach to credit risk. We are subject to the Fixed Overhead Requirement and are not required to calculate an operational risk capital charge though we consider this as part of our process to identify the level of risk-based capital required.

As discussed above, we are a limited licence firm and as such our capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its fixed overhead requirement.

We have identified a relatively low credit risk exposure which has been quantified to a total of £24,781 at the end of 2018. We have not identified any minimum capital requirements for market risk as we believe that it is immaterial. The combination of these risks do not exceed the fixed overhead requirement, and it is our experience that the Fixed Overhead Requirement establishes its capital requirements. Market and credit risks are considered not to be material.

Therefore for 2019, the Firm's Regulatory Requirement is made up of ¼ of the annual fixed operating costs estimated to be €112,685 against current capital of €359,152 exceeding the Firm's Regulatory Requirement by €246,467.

8 REMUNERATION POLICY

Our remuneration policy considers in full the requirements of and our obligations to the FCA's revised Remuneration Code and the Capital Requirements Directive (Directives 2006/48/EC and 2006/49/EC) as amended by CRD III. Our policy accordingly complies with the Remuneration Code as regards our size, nature and complexity of our business.

The policy is aligned with our business strategy and values. The application of proportionality is reviewed annually by the Principals of PortfolioMetrix to determine its scope and continued application.