ascencia
Investment Management

Internal Capital Adequacy Assessment(ICAAP)

31/12/2021

Dynamic Investment Solutions.
Defined By Life

Contents

1. Executive summary

This document is an overview of our firm's ICAAP methodology and results.

1.1 Background of the firm

Ascencia Investment Management Limited (our 'Firm') is a €50k BIPRU Limited Licence Investment Firm.

Ascencia Investment Management Limited is part of the Frenkel Topping Group plc which is overseen by the Group's Board of Directors.

Our Firm has adequate capital for its size and the complexity of its business based on current total called up share capital & reserves of £3,506,000 compared to a Minimum Capital Requirement of £374,032 being the higher of Pillar 1, Pillar 2 or the Wind Down Requirement.

Our Firm is a solo regulated entity. Our Firm is covered by the Internal Capital Adequacy Assessment Process ("ICAAP").

This ICAAP covers the period 1st Jan 2021 to 31st Dec 2021 and the data upon which it is based is drawn from our Firm's Audited Accounts from the Financial Year and from the budgets prepared for our Firm's current Financial Year.

1.2. Confirmation of capital adequacy

The ICAAP analysis' findings are that the Firm:

- holds more capital than its Capital Resources Requirement ("CRR") Pillar 1 calculation;
- has a Risk Management Framework; and
- has adequate resources over the next three years taking into account the potential impact of a severe economic downturn.

Our Firm has adopted the following approach to its Pillar 1 capital calculation:

- **Credit Risk - the "Standardised Approach" (BIPRU 3.4), "Simplified Method" (BIPRU 3.5)**
- **Fixed Overhead Requirement ('FOR') (GENPRU 2.1.53)**

Pillar 1 also known as the Capital Resources Requirement (CRR) is the higher of Base Capital Requirement and the Variable Capital Requirement ('VCR') (the VCR is the higher of the sum total of Credit Risk Capital Component and the FOR.

Our Firm has adopted the "Structured" approach to the calculation of its Pillar 2 Minimum Capital Requirement as outlined in the Committee of European Banking Supervisors Paper, 27 March 2006 which takes the higher of Pillar 1 and Pillar 2 as the ICAAP capital requirement. It has assessed Business Risks by modelling the effect on its capital planning forecasts and assessed Operational Risk by considering if Pillar 2 capital is required taking into account the adequacy of its mitigation.

1.3. Confirmation of adequate liquidity

The firm's liquidity will be adequate for its size and for the complexity of its business.

The senior management team estimates the firm's capital adequacy requirement, based on three months contracted fixed costs, to be £128,750.

Under normal trading conditions and based on cautious estimates of turnover and costs, the senior management team estimates that the firm will have capital significantly in excess of its capital adequacy requirement.

The firm will maintain an 'early warning system' such that any reduction of the firm's liquidity to less than six months' fixed costs as defined by the senior management team in relation to the firm's capital adequacy requirements is noted by the senior management team, so as to present the senior management team with ample opportunity to ensure that the firm's liquidity always remains within the bounds of prudence and of the regulatory requirements within which the firm operates.

The firm will produce a monthly cash sheet as a further aid in monitoring liquidity.

Were the firm to undertake any acquisitions of intermediary firm books of business, the senior management team would strengthen the capital base of the firm if necessary, as appropriate to the circumstances of the time.

1.4. Material risks

Our Firm assigns responsibility for the monitoring and identification of Risks selecting those aspects which are relevant, proportionate and risk based given the activities and size of our Firm. All members of staff and those services provided to our Firm are responsible for identifying and keeping under review risks that our Firm is and/or may become subject to.

Our Firm has considered a range of risks in assessing its capital adequacy position. These fall under the broad headings of:

- Operational Risk
- Personnel Risk
- Investment Management Risk
- PI Risk
- Financial Risk

The Investment Committee confirms their belief that the capital adequacy position of our Firm to be sufficient to support these risks, and the Investment Committee consider all of these risks to be within our Firm's risk appetite.

Our Firm has, at this stage, identified no Material Risks given our Firm's business model. Risks will be kept under constant review and, in the event, our Firm's business model changes, the basis of establishing the existence of Material Risks will be undertaken again along with a review of the whole ICAAP. The ICAAP is considered as a key business planning tool of our Firm.

1.5. Pillar 1 and Pillar 2 requirements

Pillar 1 vs Pillar 2 table has been completed on the basis of our Firm's expected position at the **end of its year of trading**.

The Fixed Overhead Requirement has been calculated as the combination of:

- Three months staff costs
- Three general administration
- Three months depreciation

This equates to £128,750

Exposure to credit risk is limited to cash at bank. Credit risk in cash balances is minimised by the use of a major UK clearing bank. The credit risk of £16,592 has been calculated as 8% of the risk weighted exposure of holding £1,037,000 on deposit with, and loans to, credit institutions i.e using 8% of the 20% risk weighting permitted for that particular exposure class.

We recognise the potential risk of IFA firms defaulting on paying relevant fees for our services. We feel this risk is minimal both in terms of likelihood of occurrence and of it involving sufficient numbers of IFAs at the same time to cause significant problems. We feel this particular risk is sufficiently managed through our relationships with IFAs and appropriate credit control arrangements.

The market risk element is not applicable to our Firm.

Summary of Pillar 1 versus Pillar 2 capital

	Pillar 1	ICAAP
	Minimum Capital	Firm's Pillar 2 Capital
Base capital resource requirement	€50,000 as at date of review equivalent to £45,190	€50,000 as at date of review equivalent to £45,190
Credit Risk	£16,592	£16,592
Market Risk	n/a	n/a
Operational Risk	0	0
Fixed Overhead Requirement (FOR)	£128,750	£128,750
Pillar 1 Total		£190,532
Wind Down Requirement Risk Identified		£183,500
Pillar 2 Total		£AS ABOVE
Adjustment (Diversification if claimed, etc)		0
Additional Capital to Cover Stress Testing		0
ICAAP Capital		£374,032
Current Total Capital	£3,506,000	£3,506,000
	£3,315,468	£3,131,968

1.6. A summary of the findings of the ICAAP analysis

The amount of capital the firm considers that it should hold compared to its capital requirement.

As the firm currently holds £3,506,000 of called up share capital & reserves, as well as £1,037,000 liquid resources, as a consequence of the ICAAP analysis, the Investment Committee does not believe that the firm should hold any more capital than that prescribed by the requirement for the firm to carry three months' fixed capital resources.

Risk Management Process

The Investment Committee believes our Firm's risk management process to be robust and strong enough to identify and mitigate to an acceptable degree the potential risks faced by our Firm.

1.7. Further commentary

None at present

1.8. Review, challenge and approval process

Our Firm's ICAAP documentation is reviewed by the Investment Committee on an annual basis as part of the normal Investment Committee meeting process, whenever there is a significant change of strategy by our Firm, or at the discretion of the Investment Committee.

Prior to the relevant Investment Committee meeting, the ICAAP proposal is presented to our Firm's Investment Committee, highlighting any changes in the circumstances of the firm or changes in our Firm's operating environment which may have a bearing on the ICAAP. The Investment Committee will consider and challenge any aspect of the ICAAP where they have questions.

Our Firm's external compliance consultants, threesixty services LLP, will also review and comment on our Firm's ICAAP process as part of periodic business risk assessment visits.

Following discussion, the ICAAP will be amended as required and approved by the Investment

Committee.

2. Background – ICAAP process

2.1. ICAAP review

The wider suitability of the ICAAP process is reviewed on an annual basis.

As part of the Investment Committee's agenda, consideration is given to the implications of our Firm's risk management framework, business development plan, capital requirements and liquidity position in determining the appropriateness of our Firm's ICAAP.

2.2. Risk management framework

Our Firm has a compliance monitoring programme which has been designed around risks considered to be relevant to our Firm. This will be updated annually through a process on a rolling year basis. The compliance monitoring programme also highlights the processes in place which are designed to mitigate identified risks.

The risks facing our Firm are identified and considered both from the perspective of the likelihood of their occurring and from the perspective of their potential impact on our Firm should they occur. This high level risk management plan is reviewed at least annually but more frequently if needed.

Our Firm has also considered risks relevant to the ICAAP process within a Risk Register which accompanies this ICAAP at Appendix 1. These will be revisited during any review of risks but as a minimum during the ICAAP review.

Our Firm's risk position is monitored at Board level annually and by compliance on an ongoing basis. Risk management and mitigation measures are also reviewed and where appropriate modified at least annually and according to need.

The implications of our Firm's risk management plan and the consequences of any review of the plan are fed into our Firm's ICAAP process.

2.3. Business planning

The Frenkel Topping Group has a business plan, which focuses on the delivery of quality services to our clients by means of advisory and discretionary services.

The implications of the Group's business plan and the consequences of any review are fed into our Firm's ICAAP process.

2.4. Capital management

Our Firm is deemed to be a BIPRU firm, and based on the requirement for three months Fixed Overheads; it is likely that our Firm's capital requirement will not be in excess of this. Our Firm's capital requirement has been based on the Investment Committee's estimate of the combined costs of three months' staff expenses, general administration and depreciation. These estimates are drawn from our Firm's accounts, and represent reasonable estimates of our Firm's likely costs in this area. On this basis, our Firm's capital adequacy requirement is £374,032.

2.5. Liquidity management

<u>Liquidity tolerance</u>

Our Firm has a liquidity tolerance of holding cash to the equivalent of three months' fixed costs, as measured under ICAAP, in immediate access bank facilities.

<u>Management of liquidity tolerance</u>

Our Firm produces a monthly profit and loss account, cash flow and balance sheet on its system.

3. Statement of risk appetite

Our Firm can be described as cautious / prudent both in terms of cash management and business outlook.

A formal ICAAP review will be completed on an annual basis.

4. Business strategy

Business Strategy

Our Firm will offer discretionary portfolio management services to IFA firm. The intention is to offer a number of propositions so that IFAs are able to choose which are most appropriate to their circumstances.

Discretionary Service

Our Firm intends to offer a cautious approach to investment management based on offering a range of model portfolios to clients which include ESG and Sharia Solutions.

Distribution

Our Firm intends to focus on building relationships with IFAs who value professional financial planning.

We are not planning on undertaking direct marketing as we anticipate being able to obtain referrals from a combination of professional connection referrals.

Staf f Resources

With these objectives in mind, our Firm is satisfied with the staff levels and qualifications of the present staff of Ascencia Investment Management Limited.

Other Resources

Our Firm has undertaken an appropriate budgeting process in regard to the other resources that may be required to establish and maintain its activities in a compliant and appropriately capitalised manner.

Economic Downturn

The Investment Committee does not believe it would be appropriate to make further provision for an economic downturn at this stage, as our Firm is well capitalised and has excellent reserves.

5. Material risks

Risk Management Process

Our Firm has a formal process for the consideration and identification of risk which is considered by our Firm's Compliance Officer.

Our Firm's risk management process consists of the following steps.

a) The Compliance Officer will review the risks faced by our Firm on an ongoing basis and will recommend any changes that should be made to our Firm's Compliance Monitoring Programme, Risk Register, systems and controls and other means of mitigating risk. These recommendations will be made to the Board, which will determine the acceptance or otherwise of these recommendations.

b) Annually, our Firm will formally review its Compliance Monitoring Programme and Risk Register. The Board will be invited to comment on the Programme and to suggest changes/developments based on the previous years' experience and expectations for the future.

c) Risk management and control is the responsibility of all staff, escalating through senior managers, Compliance and ultimately the Board. The Compliance Officer will be expected to ensure that specific actions which have been agreed to manage and mitigate risk are implemented, under supervision by the Board.

d) Wherever possible, risk management processes will be embedded into the day to day management of the firm.

Type of Risk	Points to be considered
Operational Risk	Any system and control weaknesses
Income Streams	Income is derived from percentage of AUM. Risk is of market decline and client withdrawal of funds.
Key Individuals	Simon Callow, Anthony Holt, Chris Caveney. Duties would be delegated until replacements are found.
Expenditure	Any expenditure in excess of £5,000 will require the sign off by a member of the board.
Interest Rate Risk	N/A – We do not hold cash
Business Risk	No changes to business model. In times of market instability there is a risk to AUM as funds will naturally decrease. Due to the nature of our client bank economic downturns will have no or very little impact.
Liquidity Risk	We have in place a series of measures to ensure that we always have to hand liquidity sufficient to cover three months' fixed expenditure in immediate access bank accounts.
Credit Risk	As we do not intend to trade on our Firm's own account, credit risk in this sense will not be a relevant risk to our Firm. In relation to credit risk within client portfolios, we expect the diversified nature of portfolios and the due diligence exercised in our investment process to be sufficient mitigation of this risk from our Firm's perspective.
Pension Risk	N/A –We do not use pension portfolios
PI Risk	We will ensure that comprehensive and complaint PII is maintained and covers all areas of business activity with no excluded areas. In negotiating terms we will aim to achieve the best terms taking into account levels of excess and costs. We will ensure we undertake appropriate due diligence on our PII providers.
Reputational Risk	We will not take on complex mandates. Rather, we will focus on a limited range of model portfolios managed on a clear and transparent basis using volatility as a benchmark in some portfolios.

6. Winding down costs

The firm's Fixed Overheads Requirement (three months expenditure) has been assessed as £128,750.

In addition, we have considered the costs, risks and processes involved in winding down, or transferring our firm's regulated activities in an orderly manner should the need arise.

Specifically, we have assessed the following:

1. The likely period we believe it would take to wind down our regulated activities
2. The likely costs incurred by our Firm during this period including any additional "closure" costs, for instance as a result of terminating contracts
3. Realistic cash and fund in-flows and out-flows over this period
4. Additional losses or liabilities that could crystallize during the wind down period

6.1. Likely period to wind down

Based on our assessment we conclude that it would take three months to wind down our firm's activities in an orderly fashion. This includes giving a full three months' notice to clients.

6.2. Likely costs involved

Were a decision to be taken to wind down our Firm down in an orderly manner, we believe that the costs we would face would principally be as follows:

- Cost Staff
- General Administration
- Depreciation
- Additional legal costs (Estimated)

Time to transfer to new investment manager/return funds to client estimated to be three months and therefore costs have been multiplied by three to give amount stated in table below

Area of Cost (Annual)	**Amount**
Cost of Staff	£290,000
General Admission	£136,000
Other	£248,000
Subtotal	£674,000
Estimated over 3 months	£168,500
Estimated legal costs	£15,000
Total	£183,500

6.3. Realistic cash and fund in-flows and out-flows over this period

Cash flows over this period would be reduced as monies were transferred away from our Firm. On this basis, the Investment Committee assumes that our Firm would receive only one third of the normal quarterly income that our Firm would expect in regard to this quarter due to the timing of investment monies flowing away from our Firm.

6.4. Additional losses or liabilities that could crystallize during the wind down period

The level of additional losses incurred in winding the company down will vary according to circumstances. The two principal factors to be taken into consideration are the actual costs of winding down and the impact on revenues and cash flows of winding our Firm down. Based on the assumptions above, we do not envisage any other additional costs that would be incurred.

7. Liquidity risk and analysis

7.1. Liquidity risk tolerance

Our Firm will have a liquidity tolerance of holding cash to the equivalent of three months' fixed costs, as measured under ICAAP, in immediate access bank facilities.

Management of liquidity tolerance

Our Firm will produce a regular profit and loss account, cash flow and balance sheet on its systems.

7.2 Management information systems and sign off by Investment Committee

Management accounts, including a monthly profit and loss account, cash flow and balance sheet are produced internally and incorporated in the firm's management information pack.

Liquidity sign off

The Board will sign off our Firm's management accounts.

7.3 Specific liquidity risks which need to be considered.

The FCA has asked firms to consider a number of specific liquidity issues. These are addressed below. These are also covered in the accompanying risk register in Appendix 1.

Liquidity Issue	Explanatio n	Firm's Response
Pricing liquidity risk	This requires you to quantify accurately the liquidity costs, benefits and risks in relation to all significant business activities, whether or not they are accounted for on-balance sheet, and under stressed conditions. You need to incorporate liquidity costs, benefits and risks in your; 1. Product pricing 2. Performance measurement and 3. Approval process for new products. Pricing liquidity risk will apply to you if you have a complex business model including different individual business lines and particularly if you are a product manufacturer. If so, you will need to assess the liquidity costs, benefits and risks of each of the individual business lines you run particularly in relation to the areas set out above. This is to ensure the liquidity of your firm as a whole is not compromised by an individual business line.	We have a simple business model with one main business activity – that of managing model portfolios. We do not manufacture products. Neither do we have remuneration structures which encourage excessive risk taking. We have considered pricing liquidity risk but have decided not to hold additional liquidity to meet this risk. We believe we are already holding sufficient liquidity relevant to our business model.
Management of collateral	Collateral is any form of security, guarantee or indemnity provided by way of security for the discharge of any liability. It is also an investment which belongs to a client and which is held or controlled by a firm under the terms of a deposit, pledge, charge or other security arrangement.	We do not use collateral. However, we have considered where all relevant assets are invested and how quickly they can be "mobilised into cash if required". Cash equating to a minimum of three months fixed costs will be maintained. Other than that we do feel this risk is not relevant to our Firm as we do not trade on our own account.

Management of liquidity across legal entities, business lines and currencies	This is relevant if you are a group or a firm with multiple different business lines or exposure to different currencies. You need to manage the liquidity position of individual business lines in addition to that of the firm as a whole. You also need to manage the liquidity risk arising from taking positions in foreign currencies.	We consider the structure of the business to be relatively simple. We do not have multiple business lines. We have a simple business model with one main business activity – that of managing model portfolios. We have considered the liquidity risk arising from multiple business lines but have decided not to hold additional liquidity to meet this risk. We believe we are already holding sufficient liquidity relevant to our business model. Our Firm's business will be conducted in £ Sterling, and there is hence no risk of mismanagement of liquidity between currencies.
Funding diversification and market access	This requirement relates to firms ensuring that they have sufficient liquidity and access to liquid funds if required. For more complex firms, these liquid assets may need to be "diversified" – i.e.: the firm does not have too much exposure to one entity.	The firm's general liquidity position, including access to liquid assets is documented in our Firm's notes to the financial statements.

8. Capital planning, stress and scenario tests

8.1. Capital Planning

At the core of its capital planning, our Firm maintains a five-year profit & loss forecast, based on a core case. This core case is based on the following principles:

- Our Firm has a commitment to managing its capital within the regulatory framework
- Our Firm wishes to ensure that it is adequately capitalised, or at all times has access to sufficient capital, such that it can either:
  - Withstand the impact of any reasonable stress tested scenario or
  - Withdraw from the market in a financially orderly manner
- Our Firm wishes to ensure that it is adequately capitalised, or at all times has access to sufficient capital, to take advantage of commercial opportunities that may present themselves.

Within this context, the key aspects of the Investment Committee's approach to capital management are:

- A conservative approach to forecasting likely future revenues
- A realistic approach to forecasting likely future costs
- A core assumption that markets remain at current levels
- Realistic assumptions in regard to stress testing

Based on the core assumptions, our Firm will meet its capital adequacy requirements at all times.

8.2 Stress testing

Stress Testing Methodology

Our Firm has undertaken stress testing on its core business model.

Our Firm's core 'worst case stress test' assumption is that a significant fall in markets would lead to a 20% fall in fee revenue. The rationale behind this assumption is that our Firm will follow a relatively cautious and conservative investment policy using well diversified portfolios consisting of collectives managed across a range of assets. It is therefore assumed, for example, that 50% of clients assets would be held in traditional risk assets, i.e. equities and related holdings, and those markets might fall 40% and remain depressed for a year. The other 50% is deemed, for the purposes of the stress testing scenario, to be held in lower risk collectives investing in assets such as cash, government securities and prime corporate bonds.

Our Firm is not concerned with regard to the effect of the stress test on trading volumes and revenue from fees, as these revenues will represent a 'straight through' pass on of costs from our Firm's third party back office supplier to clients.

9. Contingency Funding Plan (CFP)

The Board will be responsible for our Firm's CFP.

Should our Firm require the use of further capital or liquidity funding, the funding sources open to our Firm include:

- Bank borrowings on commercial terms
- Equity raising from third parties

The basis and terms of further financial resources will be a function of our Firm's position at the time of fund raising, the purpose of the fund raising and the general economic conditions prevailing.

The Investment Committee expects that in the absence of any decision to wind down our Firm, any foreseeable requirement for extra capital for the firm could be raised from people personally known to the Board.

Our Firm has no borrowings and has no plans to borrow funds from third parties, however for prudential reasons the Board will retain positive relationships with a number of lending banks.

10. Challenge and adoption of ICAAP

Our Firm's ICAAP documentation is reviewed by the Investment Committee on an annual basis as part of the normal Investment Committee team meeting process, whenever there is a significant change of strategy by our Firm, or at the Investment Committee's discretion.

Prior to the relevant meeting an ICAAP proposal is provided to our Firm's Investment Committee highlighting any changes in the circumstances of the firm and any changes in our Firm's operating environment which may have bearing on the ICAAP. The Investment Committee will consider and challenge any aspect of the ICAAP where they have questions before the final ICAAP is presented for approval.

<u>Challenge</u>

Under our Firm's approach to its ICAAP, the ICAAP is prepared by the Compliance Officer, and is then presented to the Investment Committee as a whole, for challenge.

Given the current size of our firm, the Investment Committee believes this represents a very comprehensive level of challenge to the ICAAP.

The ICAAP is presented and challenged on an annual basis.

<u>Sign of f Procedures</u>

If the ICAAP is approved by the Investment Committee, it is signed off at the Committee meeting. If the ICAAP is not approved at the Investment Committee meeting, the reasons why will be noted in the Investment Committee minutes and the ICAAP will be sent back to the Compliance Officer, for further development.

<u>External Review</u>

The ICAAP process is reviewed by threesixty services LLP, our Firm's external compliance consultants as part of periodic business risk assessment visits.

<u>Use of ICAAP in decision making process</u>

The ICAAP is used at board level both to inform and to help shape decisions regarding our Firm's capital and liquidity requirements, overall strategy and pace of development.

<u>Frequency of Review</u>

The ICAAP is reviewed by the Investment Committee on an annual basis, or whenever a change of strategy is considered which may have capital or liquidity implications, or at the Investment

Risk	Nature of Risk	Conse-quences	Proba-bility	Im-pact	Score	Risk Grade	Control / Mitigation
Operational Risk							
Client Bank	Risks associated with the client bank are: Overdependence on one/a small number of clients Loss of clients	Overdependence on one / a small number of clients may leave our Firm particularly vulnerable to the loss of that / those clients. Loss of clients would lead to loss of revenue.	1	1	1	Green	It is not expected that we will depend unduly on one or a very small number of clients. More generally, clients will be managed through a structured contact strategy and internally stipulated levels of service, to ensure that: all clients are enjoy the benefits of regular communication, that the services provided by the firm are suitable for the client, that the services provided are consistent with the client's expectations. Charges to clients will be fair and transparent. Our approach to TCF will be embedded in our approach to client management and the mitigation of risk of client departure.
Busines sSpread	The risk of over-reliance on one area of business.	Any decline of business in an area on which our Firm was over-dependent might leave our Firm vulnerable to a loss of income derived from that source.	1	1	1	Green	Our focus of providing advisory and discretionary services to clients means we offer a broader range of services than many similar sized competitors. Our business planning is such that we do not intend to be over reliant on one particular part of the business.
Changes tothe busi- ness model / industry operating environ-ment	The risk that our business model becomes obsolete due to industry change.	Regulatory change and market developments are the most likely cause of changes to our business	3	1	3	Green	We ensure that we keep abreast of regulatory changes / developments by working closely with our external compliance consultants – threesixty services LLP

The FCA has suggested that firms assess the risk of not being able to carry out business plans. We haveconsidered this risk in the context of five impediments to the execution of our business plan.							
Inability tocarry out business plan (1)	Lower than expected sales	This could lead to our Firm not meeting expected income levels	1	2	2	Green	We have two strong and experienced investment staff and one investment administrator
Inability tocarry out business plan (2)	Higher than expected expenditure	This may lead to the unnecessary depletion of our Firm's capital	1	2	2	Green	Any expenditure in excess of limits specified will require the sign-off of a member of the board. All management will be held accountable for their team budgets as part of the normal line of management reporting. Salaries and associated staff costs represent the largest cost to our Firm. There are no plans to modify our Firm's salary structure beyond the levels presented in our Firm's model, and there are no plans to recruit further personnel beyond those presented in our Firm's model.
Inability tocarry out business plan (3)	Staff loss -there are several key personnel whose long term absence could impact significantly on our Firm.	See below under 'Personnel Risks'					
Inability tocarry out business plan (4)	Poor Invest-ment Perfor-mance: Risk that fund managers fail to generate investment per-formance in line with reasonable expectations given market conditions and client risk/re-turn objectives.	See be-low under 'Investment Management Risk'					

Inability tocarry out business plan (5)	Adverse market movements	Due to market falls, the fees charged by our Firm also fall.	1	3	3	Green	We have undertaken modelling and stress testing which models the core expected future financial position of our Firm and the potential impact of an economic downturn on its financial position through the effect of falling markets.
Impact of competi-tors	Competitors might erode our market position.	This may lead to an erosion of our financial position and ability to service our clients.	1	1	1	Green	Having considered this risk, the Investment Committee is of the view that competitor activity is unlikely to be a relevant risk to our Firm. This view is based on us being able to offer a portfolio of funds designed to suit the needs of vulnerable clients – which is something that many of our competitors are not able to do.
Client service risk – in house	Clients may not receive the service they feel appropriate or are entitled to.	Damage to our Firm's reputation and possible loss of clients.	1	2	2	Green	A TCF based approach to managing client expectations is built into our sales process. Systems are in place to ensure the ongoing suitability of our Firm's services to clients through frequent dialogue with clients.
Client servic erisk – outsourced	Outsourcing partners looking after back and middle office functions may fail to perform their functions properly.	Consequen-tial damage to our Firm's reputation and to cli-ents' inter-ests.	1	2	2	Green	Regular comparisons of our third party custodian performance with the Service Level Agreement in place. Regular liaison meetings with representatives from our third party custodian.
Personnel risk							
Key individual s	Staff loss -there are several key personnel whose long term absence could impact significantly on the firm.	Specific individuals are discussed below				Green	

	Absence of key senior management	Duties would have to be taken up by other members of staff Departure may diminish our Firm's reputation	1	3	3	Green	Duties would be delegated until a replacement of appropriate stature and experience could be found.
	Absence of investment manager	Duties would have to be taken up by other appropriate members of staff. Departure may diminish our Firm's reputation.	1	3	3	Green	We have an experienced investment director, an experienced investment manager and an investment administrator in place to ensure the ongoing management of clients' funds whilst another investment manager is found.
Investment management risk							
Perfor-mance risk	Poor investment performance: Risk that fund managers fail to generate investment performance in line with reasonable expectations given market conditions and client risk/return objectives.	Our clients might be dissatisfied with portfolio performance leading to client loss and/or revenue loss. Our Firm's ability to attract future clients might be reduced.	1	3	3	Green	This risk will be mitigated in a number of ways: Careful initial selection and monitoring of investment managers Ensuring the time of investment managers is structured so as to allow them to focus primarily on investment thinking, and the management of clients' portfolios Providing a supportive environment for investment managers, particularly through short term periods of under-performance Ensuring that clients are kept properly informed of developments in their portfolios, including having where required a clear understanding of why investment decisions have been taken as they have.

Risk of legal liability for inappropriate performance arising from complexity of mandate	The risk that we fail in our mandate and are consequently sued.	Financial and reputational loss to our Firm.	0	0	0	Green	We will not take on complex mandates. Rather, we will focus on a limited range of model portfolios managed on a clear and transparent basis using volatility as a benchmark in some portfolios.
Dealing error risk	Risk associated with dealing errors	We might be liable to compensate clients, with consequent financial cost. Client service would suffer.	1	3	3	Green	Deals will be counterchecked before being submitted to the third party system and checked at the end of each day.
Concentration risk in client portfolios	Risk of too great an exposure to a specific product provider in the context of the management of clients' funds.	Over-concentration on one product provider might result in detriment to client portfolios.	1	1	1	Green	In regard to the management of client portfolios, we will observe prudential percentage based guidelines restricting any given portfolio to no more than a certain proportional exposure to an individual counterparty.
PI I risk							
Possible gaps in cover either through exclusions or excess levels	Risks associated with PI insurance include the risk of any gap in cover, whether the insurer is a good credit risk, their payment history and whether the insurer has sufficient liquidity to survive the period between submitting a claim and the claim being settled.	Additional levels of capital (as defined by the regulator) may be required for areas of excluded business or where excesses are high. Risks associated with the insurer and their ability / willingness to pay could impact further on our Firm's ability to meet claims.	1	3	3	Green	We will ensure that comprehensive and compliant PII is maintained and covers all areas of business activity with no relevant excluded areas. In negotiating terms we will aim to achieve the best terms taking into account levels of excess and costs. We have no high excess limits on any type of business under our PII policy. We will ensure we undertake appropriate due diligence on our PII providers.

Key individual s	Staff loss -there are several key personnel whose long term absence could impact significantly on the firm.	Specific individuals are discussed below				Green	
Key individual s	Staff loss -there are several key personnel whose long term absence could impact significantly on the firm.	Specific individuals are discussed below				Green	
Financial risk							
The FCA has suggested that firms assess the major risks to their income streams. We have consideredthis risk in the context of four impediments to our income streams below.							
Income streams (1)	Poor investment performance: Risk that fund managers fail to generate investment performance in line with reasonable expectations given market conditions and client risk/return objectives.	Our clients might be dissatisfied with portfo-lio perfor-mance lead-ing to client loss and/or revenue loss. Our Firm's ability to attract future clients might be reduced.	1	1	3	Green	This risk will be mitigated in a number of ways: Careful initial selection and monitoring of investment managers Ensuring the time of investment managers is structured so as to allow them to focus primarily on investment thinking, and the management of clients' portfolios Providing a supportive environment for investment managers, particularly through short term periods of under-performance Ensuring that clients are kept properly informed of developments in their portfolios', including having where required a clear understanding of why investment decisions have been taken as they have.

Income streams (2)	Poor client management	Damage to our Firm's reputation and possible loss of clients with resulting loss of income	1	2	2	Green	A TCF based approach to managing client expectations is built into our sales process.
Income streams (3)	Adverse market conditions	Due to market falls, the fees charged by our Firm also fall.	1	3	3	Green	We have undertaken modelling and stress testing which models the core expected future financial position of our Firm and the potential impact of an economic downturn on its financial position through the effect of falling markets
Control of expenditure	Poor control of expenditure	This may lead to the unnecessary depletion of our Firm's capital	1	2	2	Green	Any expenditure in excess of £5,000 will require the sign-off of a member of the board.
Economic downturn/ market risk	An economic downturn and associated falls in market levels	Reduced revenues consequent on adverse market movements	1	3	3	Green	We have undertaken modelling and stress testing which models the core expected future financial position of our Firm and the potential impact of an economic downturn on its financial position through the effect of falling markets. In addition we have also planned a number of remedial actions to reduce costs in the circumstances of a significant market fall.
Liquidity risk	The risk of our Firm running out of money through normal trading. The liquidity risks associated with trading as principal or on our Firm's own account.	Our Firm would be unable to trade	1	3	3	Green	We have in place a series of measures to ensure that we always have to hand liquidity sufficient to cover three months' fixed expenditure in immediate access bank accounts.
Pricing liquidity risk	The risk of extending credit to clients.	Clients might default	0	0	0	Green	This risk is not applicable as we will not extend credit to clients.

Credit risk	Institutions with whom our Firm deals default or are significantly degraded. Holdings in client portfolios default on debts.	In the first case, the risk would be to our Firm's balance sheet. In the second case, the risk would be to our Firm in loss of revenue, reputation and clients.	0/1	0/1	0/1	Green	As we do not intend to trade on our Firm's own account, credit risk in this sense will not be a relevant risk to our Firm. In relation to credit risk within client portfolios, we expect the diversified nature of portfolios and the due diligence exercised in our investment process to be sufficient mitigation of this risk from the firm's perspective.
Residual risk	Risk that notwithstanding our credit risk controls, these are not sufficient to protect our Firm from the effects of an institution with which we deals defaulting or being seriously degraded.	Consequent financial stress.	0	0	0	Green	As our Firm will not be trading on its own account, this is not a risk to which it is exposed.
Fraud and theft	The risk that our mandates become so complex that fraud and theft is facilitated.	Detriment to our Firm's or to clients' financial position.	0	0	0	Green	We will not hold client money, and consequently the risk of fraud and theft in relation to clients is minimal. We will handle only simple mandates and hence there is no risk that mandates will become so complex that fraud and theft is facilitated.
Concentra-tion risk	Risk that our Firm may be over-exposed to a given individual counterparty.	Detriment to our Firm's financial position.	0	0	0	Green	As we will not be trading on our firm's own account, this is not a risk to which we are exposed.
Securitisa-tion risk	Risk that we may be exposed to securitised debt via special purpose vehicles.	Detriment to our Firm's financial position.	0	0	0	Green	As we will not be trading on our firm's own account, this is not a risk to which we are exposed.

Manage-ment of liquidity across legal entities, business lines and currencies	Risk that liquidity is mismanaged within the group.	Detriment to our Firm's financial position.	1	1	1	Green	Our line of business is in the private client discretionary management market, and there is hence no risk of mismanagement of liquidity between business lines. The firm's business will be conducted overwhelmingly in £ Sterling, and there is hence no risk of mismanagement of liquidity between currencies.
Manage-ment of collateral	That collateral used in trading on the part of our Firm is mismanaged.	Our Firm is unable to meet its ob-ligations.	0	0	0	Green	As we will not be trading on our firm's own account, this is not a risk to which we are exposed.
Funding di-versification and market access	Our Firm does not have access to liquid funds	Our Firm is unable to trade	1	3	3	Green	Our general liquidity position, including access to liquid assets is documented in our Contingency Funding Plan