

PRUSIK INVESTMENT MANAGEMENT LLP

FSA No: 431813

Prusik Investment Management LLP (the “firm”) is authorised and regulated by the Financial Conduct Authority. Under the rules of the FCA, the firm is classified as a BIPRU Firm. This means that the base capital requirement is the equivalent of €50,000. The overall capital requirement for the firm is therefore the higher of the equivalent of €50,000, the sum of the market risk and credit risk exposures that the firm is exposed to (£343,000), and an expenditure requirement which is one quarter of the relevant expenditure for the previous financial year. The highest of these elements is the one quarter of the relevant expenditure for the previous financial year which the firm calculated to be £659,000.

At the date of the 2021 ICAAP the firm has total regulatory capital amounting to £1,451,000 with a surplus of own funds of £656,000. All of the firm’s capital is Tier 1 capital.

The firm is authorised by the FCA to provide investment management, investment advisory and associated services. It does not risk its own capital in the financial markets and is not allowed to by the FCA.

Market Risk

Market risk is the risk that the value of, or income arising from, the firm’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. The firm employs a number of risk management controls and checks in its portfolio management system which is continually monitored by the COO together with the fund managers.

The firm does not take proprietary trading risk. The only market risk that the firm faces is currency risk in that currently its main income is denominated in US dollars and its expenses are incurred in both dollars and sterling. The firm also maintains some balances in sterling. For capital adequacy purposes, in accordance with the rules of the FCA, the firm monitors its current exposure due to amounts held and receivable in currencies other than sterling. The directors also consider the future exposures as part of their overall risk monitoring.

Credit Risk

Credit Risk refers to the potential risk that customers fail to meet their obligations as they fall due.

The firm earns its income from investment management fees from the funds which it manages. The three Irish-domiciled funds are connected to the firm and as such the firm, through its Partners in their roles of fund managers, is aware at all times of the ability of any of the funds to pay its fees when due. The firm is exposed to credit risk for fees earned but not received. Generally, fees are received promptly, and the total credit exposure is small.

The firm also has credit exposure to its bankers. The partners consider the credit risk arising due to its relationships with its bankers to be acceptable.

Liquidity risk

The firm's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in fees received/receivable. The firm maintains what it considers to be sufficient cash balances at its bankers to cover liquidity risk.

Operational Risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other factors. This risk is managed by the firm's COO who has responsibility for putting in place appropriate controls for the business. In addition, the firm's Compliance Officer carries out on-going regular reviews of processes and controls. The firm makes use of outside consultants where necessary to monitor the effectiveness of the controls.

Business Risk

Business risk is the risk that the firm may not be able to carry out its business plan and could therefore suffer losses if its income falls. This is a risk that all businesses face. The partners hold weekly meetings, or more regularly if required, when the firm's strategy and business progression are discussed. They also continuously monitor income and expenditure levels and adjust their plans accordingly.

Concentration Risk

Concentration risk is the risk that the firm is overly dependent upon any one customer or any one group of connected customers either in terms of income dependency or in terms of credit risk.

Whilst the majority of the income of the firm is paid contractually by related parties, these parties are sufficiently capitalized and able to meet their obligations.

Pension Obligation Risk

The firm has no defined benefit schemes and thus has no pension obligation risk.

Residual Risk

Residual risk is any risk not covered by the specific risk categories outlined above.

The partners do not consider that there are any residual risks that require the firm to maintain any additional capital.

Remuneration Disclosures

The FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU), and specifically BIPRU 11, includes a requirement for disclosure of the Firm's approach to linking remuneration to risk.

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

The Decision-Making Process

On grounds of proportionality, Prusik's Governing Body also serves as the remuneration committee.

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 Firm's overall performance.

Incentive Compensation

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

Code Staff

Due to the small size and the lack of complexity of Prusik's business, both principals of the Firm together with three other individuals are regarded as Code Staff.

Quantitative Remuneration Data

We are required under BIPRU 11.5.18R(6) and 11.5.18R(7) to disclose aggregate quantitative information on remuneration broken down by business area and by senior management and members of staff whose actions have a material impact on the risk profile of the Firm, respectively. The firm has only one business area, that of fund management, for which the aggregate quantitative remuneration paid by Prusik Investment Management LLP for the year ended 31 March 2021 was £4,873,740.