OLIM Limited

Pillar 3 disclosures as at 31 July 2017

Introduction and background

OLIM Limited (the "Firm") is an investment management firm authorised and regulated by the UK Financial Conduct Authority (the "FCA"). It is required by Chapter 11 of BIPRU (the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms) to publish, at least annually, certain disclosures about its capital, risk exposures and risk management processes and remuneration arrangements. This requirement derives from the European Union's Capital Requirements Directive ("CRD"). Although the most recent iteration of the CRD is CRD IV, because of the nature of its regulated activities, the Firm remains subject to the FCA rules implementing the previous iteration of the CRD (CRD III).

About the firm

The Firm's only business activity is to provide portfolio management services to a range of funds, individuals and charities. The Firm is categorised by the FCA as a "BIPRU firm". It is not a member of a UK Consolidation Group and so is not required to prepare consolidated reporting for prudential purposes. It has no trading book exposures.

About the disclosures

The Firm makes the Pillar 3 disclosures on an annual basis and are published on the Firm's website. Although the Firm's accounting reference date is 31 March, these disclosures are made as at 31 July 2017, based on externally verified interim results. The Firm keeps under review on an ongoing basis whether it must make any or all of the disclosures on a more frequent basis.

Where a disclosure is required under BIPRU 11.5 but the Firm has no information to disclose under that disclosure requirement, no disclosure has been made.

The information contained in these disclosures has not been audited by the Firm's external auditors and does not constitute any form of financial statement.

Risk management and principal risk areas

Approach to risk management

The Firm's risk management processes and associated governance structure are designed to ensure that there is an effective framework in place to identify, manage and monitor risks.

Governance structure

The Firm's Board of Directors is responsible for risk management. The Board meets regularly and is composed of Patrick Reeve (Chairman), Angela Lascelles (CEO and Investment Manager), Andrew Impey (Investment Manager), Simon Jaffé (Investment Manager), Robert Whitby-Smith (Director) and Vikash Hansrani (Finance Director).

The Board is responsible for determining the Firm's risk appetite, for reviewing and approving its approach to risk management and the associated policies and procedures and for managing risk issues. It takes a conservative approach to risk management and considers all significant risks during strategic planning. A risk matrix identifies the key risks for the Firm, the likely impact and how the risks are measured and mitigated. The Board reviews the matrix annually.

Principal risk areas

Within the Internal Capital Adequacy Assessment Process (“ICAAP”) framework, the Firm's principal risk areas have been identified as credit, liquidity, operational, concentration and business risk. Those risk areas are summarised below.

Credit risk: The Firm’s main exposures to credit risk are: (1) the risk that management fees cannot be collected; and (2) the exposure to banks where cash held is deposited. Historically management fees have been settled promptly – they are paid from the funds and clients in accordance with the relevant management agreements. The Firm’s cash is deposited at banks with high credit ratings. Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place.

Liquidity risk: As OLIM’s income is predominantly management fee income, potential sources of liquidity strain relate to circumstances leading to the loss of that fee income. The potential reasons for and mitigating actions for the loss of fee income are discussed in the other principal risks. The Firm’s key process for liquidity risk management is the continuous management of their profitability and balance sheet, which provides a high level of confidence in their financial security. The Firm’s liquidity appetite is reviewed and liquidity levels are stress tested annually in accordance with the Firm’s liquidity risk management policy, to ensure that the Firm maintains adequate liquidity.

Operational risk: Operational risks relevant to the Firm include failure to adhere to regulatory requirements, errors or delays in operational or accounting processes, failure of systems and services or their security, fraud or other financial crime, breaches of investment mandates, and the failure of a counterparty. The Firm’s operational risks, together with details of key mitigating actions, are set out in detail in the Firm’s risk matrix. A key mitigation is its business continuity and disaster recovery plan which prescribes actions in the event there is a major disruption to the business arising from external incidents. The Firm places strong reliance on the operational procedures and controls that it has in place to mitigate operational risk and seeks to ensure that all staff are aware of their responsibilities in this respect.

Concentration risk: Although the Firm has some larger mandates, it has a wide range of clients with no single client accounting for more than 27% of funds under management. The fund portfolio management agreements are subject notice periods, which allows the Firm to take mitigating action in the event of the loss of a larger client.

Business risk: Business risks include a prolonged equity market downturn causing the Firm to lose fee income (based on the value of portfolios), material disadvantageous changes in regulation, damage to the Firm’s reputation and poor investment performance.

The Firm does not have any market risk exposure. The Firm has no trading book, equity derivatives, options, commodity positions, foreign currency exposures or positions in collective investment undertakings. The Firm has no interest rate exposures. Interest earned on cash balances is an additional, though not a significant source of income for the Firm. The Firm has assessed the risks relevant to its business in its ICAAP and implemented appropriate actions to manage them, including through its documented risk management policies and procedures.

ICAAP

The Firm's ICAAP determines the Firm's Pillar 2 requirement. The Firm has assessed its Pillar 2 capital requirement as being in line with its Pillar 1 capital requirement. The ICAAP is presented to the Board on an annual basis. An additional review of the ICAAP would be undertaken and presented to the Board, in the event of a material change to the Firm's business model or risk exposures.

Capital resources and capital requirement

Capital resources

The Firm maintains sufficient capital to meet its regulatory capital requirements and takes a prudent approach to the management of its capital base. The main features of the Firm's capital resources as at 31 July 2017 are set out below.

	£
Share capital	7,500
Externally verified reserves at 31 July 2017	1,124,023
Less: Dividend proposed Sept 2017	(656,000)
Less: Tangible fixed assets at 31 July 2017	(20,344)
Less: Prepayments over 3 months	(7,036)
	448,143

Capital requirement

As a BIPRU firm, the Firm is required to calculate its variable regulatory capital requirement as the higher of: (1) the sum of its market risk requirement and its credit risk requirement; and (2) its fixed overhead requirement ("FOR").

The Firm has calculated its FOR in accordance with the applicable rules and guidance. The FOR amounts to £321,445 based on the audited accounts for the period ended 31 March 2017. The credit risk and market risk capital requirements of the Firm amount to less than FOR. Therefore, the overall Pillar 1 capital requirement of the Firm is the FOR of £321,445.

Remuneration

This section sets out the Firm's remuneration disclosures for the financial year ended 31 March 2017. The Firm’s year end was changed from 31 July to 31 March for the last financial year so the most recently completed financial year was an eight month period.

Remuneration Policy and "proportionality"

The Firm has adopted a Remuneration Policy which complies with the requirements of Chapter 19C (BIPRU Remuneration Code) of SYSC (the FCA's Senior Management Arrangements, Systems and Controls Sourcebook) and takes into account the related FCA guidance on "proportionality".

The Firm is required to comply with the FCA's remuneration requirements in a way which is appropriate to its size, internal organisation and the nature, scope and complexity of its activities. The Firm falls within proportionality level three under the FCA's BIPRU Remuneration Code regime.

Decision-making process

The Chairman and CEO set and oversee the Firm's remuneration. This includes regularly reviewing the terms of the policy and updating it when required, in conjunction with the Head of Compliance.

Staff and Code Staff

The Firm has 7 individuals who have been assessed as "Code Staff". The Firm’s remuneration policy is applied to the remuneration of three of these individuals, as their professional activities have a material impact on the risk profile of the Firm. These three investment managers (who are all directors and one of whom is a partner of Albion Capital Group LLP (“Albion”)).

Four individuals (namely, the Chairman, the Head of Compliance, the Finance Director and one further director) ("Albion Staff") are partners or staff of Albion, the indirect parent of the Firm ("Albion"), which is an authorised alternative investments fund manager. The professional activities of the Albion Staff are considered to have material impact on the risk profile of the Albion group, rather than the Firm, and their remuneration is subject to the remuneration policy of Albion. The remuneration of the Albion Staff is paid by Albion and is not directly linked to the performance of the Firm. Albion receives a fee, as agreed between the Firm and Albion, for the staff resources provided to OLIM.

Link between pay and performance

The Firm does not link an individual's rewards to the success of individual funds or client portfolios but rather to the Firm's success as a whole. The Firm's activities are mainly devoted to investing in UK equities. No individual is responsible for any single fund or portfolio, rather each investment manager covers stocks within specific market sectors.

As pay is not linked to the performance of any single fund or portfolio but rather to the overall performance of the Firm, the focus is on consistent investment performance over the long term in order to ensure sustainability of revenue.

Two investment managers, both Code Staff, are entitled to a share of the profits generated by the Firm. The profit share received by these Code Staff is intended to be commensurate to their experience and their contribution to the Firm's activities, competitive by industry standards and retentive and the amount is not guaranteed. No profit share is paid out of individual Funds other than a set percentage of any performance fee payable to the Firm by one of its Funds. One investment manager, also Code Staff, is a partner of Albion, and receives partners' drawings and a discretionary bonus from Albion. Any bonus paid will take into account the performance of OLIM, as well as Albion, and the equivalent share of any performance fee payable by one of the OLIM Funds.

Sufficient profits are retained in the Firm each year to ensure that it remains adequately resourced.

Aggregate quantitative information

The Firm has only one business area, which is investment management business. For the period to 31 March 2017, the Firm had 3 Code Staff subject to its remuneration policy and paid £374,000 fixed remuneration and £357,000 in variable remuneration to such Code Staff.