Vergent Asset Management LLP
+44 (0)203 535 814
info@vergent-am.com
www.vergent-am.com
Southwest House,
11a Regent Street St James's
London UK SW1Y 4LR

Pillar 3 Disclosures

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Introduction

The European Capital Requirements Directive ('the CRD') established a revised regulatory capital framework governing the amount and nature of capital, which credit institutions and investment companies must maintain.

The Financial Conduct Authority ('FCA') in the UK has implemented this and the framework consists of three 'Pillars':

• Pillar 1 comprises the base capital resources, credit risk, market risk and operational risk requirements;

• Pillar 2 requires the Company to assess its capital adequacy taking in to account all risks to which the Company is exposed and is subject to annual review by the FCA; and,

• Pillar 3 rules for the disclosure of specified information about the underlying risk and capital requirements of the Company.

These disclosures are made in respect of Vergent Asset Management LLP ("Vergent") in compliance with the rules and guidance set out in the FCA handbook and Vergent's disclosure policy.

The Firm

Vergent is a limited liability partnership incorporate in England and Wales, registered number OC418829 and is authorized and regulated by the FCA, reference 791909. The company provides discretionary investment management services primarily to institutional clients through commingled funds established, operated and managed by the firm

Risk Management

Credit Risk: The potential risk that arises from clients or counterparties failing to meet their obligations as they fall due. Vergent's credit risk is limited to that arising in respect of unpaid investment management fees, fund investments, cash deposits and prepaid expenses. Investment management fees and advisory fees, are calculated on a monthly basis and paid on a quarterly basis.

Market Risk: The risk that the value of, or income arising from, assets and liabilities varies as a result of changes in interest rates, exchange rates or other market prices. Vergent has no trading book and does not invest in commodities. Market risk under Pillar 1 is therefore limited to foreign exchange fluctuations where Vergent's assets and liabilities are denominated in currencies other than GBP. Therefore, foreign exchange risk is limited in nature and Vergent regularly assesses its foreign exchange needs and exposures and does not actively seek foreign exchange exposures.

Liquidity Risk. The risk that a firm may have insufficient liquid resources to cover cash flow shortfalls or fluctuations in funding and be unable to meet its obligations as they fall due. Vergent does not have a funding risk as the firm has no borrowing and is not dependent on external financing. Vergent has limited market liquidity risk in the event corporate banks that the firm works with were to suffer from severe financial distress.

Operational Risk. The risk of loss, or breach of contractual requirements, resulting from inadequate or failed internal processes, people or systems; human error; or, external events. This includes the risk of loss or breach arising from the inadequate supervision of third party service providers. In order to mitigate that risk, Vergent has an 'Enterprise Risk Management Framework' (ERM) along with an underlying risk and controls matrix to identify, quantify, manage and review the key risks. This defines risk and risk management; describes the roles and responsibilities for the identification and management of risk; sets the processes and controls; formalizes the role of the committee and reporting to it and describes the relevant risk categories.

The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The effectiveness of the system of controls and other risk mitigation arrangements are reviewed annually. Where the governing body identifies material risks they consider the financial impact of these risks as part of the firm's business planning and capital management and conclude whether the amount of regulatory capital continues to be adequate. The effectiveness of the system of controls and other risk mitigation arrangements are reviewed annually

Vergent is governed by its Management Committee (“committee”), who determine its business strategy and risk appetite. The committee is also responsible for establishing and maintaining Vergent’s governance arrangements including designing and implementing a risk management framework that recognizes the risks that the business faces. The Committee meets formally once every quarter. Management accounts demonstrate continued adequacy of the Firm’s regulatory capital and the accounts are reviewed on a regular basis. The committee members, together with the compliance team, are responsible for overseeing that the business has effective procedures and processes in place, to mitigate regulatory, reputational and operational risk.

Capital Resources & Regulatory Capital

Vergent is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Company is categorised as a Collective Portfolio Management Investment Firm (CPMI) conducting designated investment business limited to BIPRU activities, which are subject to the CRD and it does not hold client money or client assets.

Its capital as of 31, December 2021 is:

Tier 1 capital and total capital resources £1,069,000.

As a CPMI firm, its capital requirements are the greater of:

- Its base capital requirement of €125,000; or
- Funds under management requirement or
- Its fixed overhead requirement, plus a PII capital requirement.

Vergent’s Capital Requirement as of 31 December 2021 was £295,000 and therefore the Company has excess capital of £774,000. Vergent’s Pillar 1 capital requirement has been determined by reference to the Company’s Fixed Overheads Requirement (“FOR”) calculated in accordance with the FCA’s General Prudential Sourcebook (“GENPRU”) at GENPRU 2.1.53 and its funds under management and PII capital requirements in accordance with IPRU-INV 11.3. The Company’s requirement, is based on the FOR plus the PII capital requirement since this exceeds its funds under management requirement.

Remuneration Code Provisions

Applicability of the Remuneration Code

Under the Remuneration Code, Vergent must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote effective risk management. The policies, procedures and practices must not encourage risk-taking inconsistent with the risk profiles of its investment guidelines and the structure of its collective investment schemes and, where possible, avoid conflicts of interest. Vergent may apply regulations in a proportionate manner based on the nature, size and complexity of its business. Vergent must assess its own characteristics and develop and implement policies and practices that appropriately align it with the risks faced by its business. In designing its approach towards remuneration and alignment, Vergent has taken into account its structure and the nature, size and complexity of its business.

Identification of Remuneration Code Staff

The structure of remuneration for employees comprises a combination of fixed and variable pay, made up of salary and an annual discretionary cash bonus. The Board considers that a balanced mix of fixed and variable remuneration supports the business strategy of Vergent and its business activities whilst complying with the AIFMD Remuneration Code.
Key members of the management team are Partners or Principals in the LLP. The individual managing partners receive an annual draw in addition to quarterly distribution in their capacity as partners of the LLP. Principals receive a profit share based on points awarded under the principal scheme. The main focus of reward is through equity participation which encourages prudent risk management practices to ensure the long term success of the business. It is key to our philosophy that key members of the management team, as Partners or Principals, share in the profits of the business as a whole avoiding any specific market or product related performance

bonuses, thus avoiding any conflicts of interest or excessive risk taking. It is through this philosophy that we seek to align and retain high calibre individuals. The Management committee of the Partnership reviews annually the capital allocation of the partners and the points system of profit allocation for Principals, and determines whether there should be any increase or decrease for each individual based on their performance and contribution to the firm.

General Remuneration Policy and Practices

- The Management committee is responsible for setting the remuneration policy for Vergent;
- Salaries for all staff are determined and reviewed annually by the management committee;
- In addition to a fixed salary, all (non-Partner) employees are eligible for an annual cash bonus. Bonuses are typically discretionary and non-contractual;
- Individual discretionary bonus allocations for all staff are approved by the Management Committee.
- The allocation of equity is subject to annual review for all partners to ensure key Partners contribution is aligned with long-term success of the partnership.
- The points system of profit allocation for principals is reviewed annually.

We may omit required disclosures if we believe that the information is immaterial and that such omission would not be likely 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 proprietary or confidential. In our view, proprietary information is that which, if shared, would undermine our competitive position. Confidential information comprise information that is binding us to confidentiality with our customers, suppliers and counterparties.