

Marsham Investment Management

Disclosure under Pillar 3 of Capital Requirements Directive

Date: 31 December 2021

Marsham Investment Management (“MarshamIM” or “the Firm”) is authorised and regulated by the Financial Conduct Authority (FCA). The Firm’s regulated activities mean that we must comply with the FCA’s Prudential sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”) and is categorised as a BIPRU €50,000 Limited Licence Firm for regulatory purposes. From 01 January 2022, the FCA will implement the Investment Firm Prudential Regime (IFPR) and Marsham will become a small and non-interconnect investment firm (SNI) MIFIDPRU Firm at that time.

This disclosure has been prepared by the firm in accordance with BIPRU 11 and summarises the material disclosures the firm is required to make under Pillar 3 of the Capital Requirements Directive

Risk Management

The day-to-day management of the risks of the firm is carried out by two partners of the firm: Maria Lozovik and Evgeny Lozovik who are responsible for the oversight of the firm’s compliance and financial arrangements.

The firm is supported in its compliance and accounting arrangements by two independent providers. The firm produces quarterly management accounts from which it can monitor and project its capital resources. It has a compliance manual, a compliance monitoring programme and an Internal Capital Adequacy Assessment Process (ICAAP) that ensures it can manage the risks that it faces.

The Firm provides investment advisory, non-regulated multi-family office services and sub delegated fund management services.

Since authorisation in 2016, the Firm has also added ‘portfolio management’ services and have established Marsham Funds ICAV - an Irish umbrella fund, designated for professional investors only.

The Funds offered are:

- Marsham USD Fixed Income Fund
- Marsham EUR Fixed Income Fund
- Marsham GBP Total Return Fund (starting soon)
- Singularity Supertrends Fund (starting soon)

Investment advisory services focus on the following primary areas:

- Existing portfolios - Review composition and provide recommendations on each position
- Overall asset diversification - Review of global assets of the Client and providing recommendations on asset allocation based on their objectives
- Investment portfolios - Constructing new investment portfolios across various asset classes in line with Client’s objectives
- Monitoring and reporting - Monitor Client’s portfolios on a daily basis to ensure they remain consistent with the agreed strategy and provide regular reporting on portfolio performance
- Management of fund strategies

Given the nature and activities of the firm; its risk appetite is low. MarshamIM does not deal in a principal capacity and therefore does not have a trading book.

The key risks that it faces are as follows:

Market risk

The main market risk of the firm is foreign exchange risk because some of its management fees being calculated in US dollars or Euros whilst the firm's operating and reporting currency is sterling. This risk is monitored by the partners and is either converted at the time that the fees are calculated or hedged against the operating currency of the firm. As at 31.12.2022, the firm did not incur significant market risk.

Credit risk

The main credit risk of the firm is a defaulting debtor. As noted above, the firm does not extend credit to its clients. Management fees are payable within 30 days of their calculation as are consultancy fees. Such exposures are settled within 30 days of their occurrence and are risk-weighted at 8% of their face value for the calculation of credit risk under Pillar 1 Credit Risk assessment.

The key credit exposures that the firm has are cash balances maintained with its UK clearer and management fees receivable from its clients. Cash balances are held in overnight deposit accounts and readily available. Under Pillar 1, cash balances are risk weighted at 8% of its risk weighted exposure amount (i.e. 8% of 20% of the balance). The partners believe that the Pillar 1 risk weight is adequate and that a Pillar 2 adjustment is not required. As at 31.12.2022, the firm did not incur significant credit risk.

Interest rate risk

The firm is not exposed to interest rate risk as it does not rely on borrowings to meet operating expenditure and does not make loans to clients.

Liquidity risk

The liquidity risk that the firm faces is the inability to settle its liabilities as they fall due. Part of the risk management structure noted above always monitors the liquidity position of the firm. Bank reconciliations and cash flows are prepared on a regular basis to ensure that all liabilities are understood and able to be settled as they fall due. Cash resources of the firm are maintained in accounts with instant access as noted above. As at 31.12.2022, the firm did not incur significant liquidity risk.

Operational risk

As a BIPRU €50,000 Limited Licence firm, the firm is not subject to operational risk under Pillar 1. However, the firm is aware of the reputational damage that could result from a failure in operating procedures. The firm's key policy and procedures are documented in the compliance manual and monitored via the compliance monitoring programme.

Changes to procedures are communicated to partners and staff as they occur and if significant all individuals will provide a written confirmation of their understanding and acknowledgement of the changes. Partners and staff remain aware of the policies and procedures and periodically confirm their compliance via a biannual compliance declaration.

Remuneration risk

Given the nature and small size of the business, remuneration for all employees is set by the members of the Partnership. The Partnership formally reviews the performance of all employees and based thereon determines each employee's overall level of remuneration and the split of that between base salary, bonus etc.

MarshamIM has defined "Code Staff" to be the current two members of the Partnership, one of whom acts as Compliance Officer and MLRO. The aggregate level of remuneration earned by the Partners is disclosed in our audited financial statements.

The firm can disapply certain principles contained within the FCA's Remuneration Code because of the rules in relation to proportionality. Where the firm has elected to disapply these principles, this has been noted below in the relevant section of the firm's remuneration policy.

Capital Resources

As the firm is a BIPRU €50,000 Limited Licence Firm it has calculated its capital resources in accordance with GENPRU 2.2. The firm's capital resources are detailed in the below.

	£000
Tier 1 capital resources	523
Tier 2 capital resources	0
Tier 3	0
Deductions form total capital e.g. illiquid assets	(0)

Total capital resources as at 31st December 2021	523

Capital Resource Requirements

The Firm's Pillar 1 requirement is calculated as the higher of:

1. The Base Capital Requirement (€50k)
2. The sum of:
 - The Credit Risk Capital Requirement; and
 - The Market Risk Capital Requirement.
3. The Fixed Overheads Requirement (3 months expenditure of the firm)

In the opinion of the partners, the higher of these three is likely to be the Fixed Overhead Requirement.

Summary: Pillar 1 and Pillar 2

As at 31 December 2021, the Firm has a surplus of capital resources over its Pillar 1 and Pillar 2 capital resources requirements.

The Firm has undertaken an Internal Capital Adequacy Assessment Process (ICAAP) to determine whether it needs any further regulatory capital due to the risks it faces as set out above.

As a result of this the Firm has concluded that it needs no additional level of capital resources to meet its requirements under Pillar 2