PATAC LIMITED

Pillar 3 Disclosures

FRN: 613546

1 June 2019

I. Background

PATAC Limited (the "Company") is authorised and regulated in the UK by the Financial Conduct Authority (the "FCA") and is classified as a Collective Portfolio Management Investment Firm ("CPMI") and a BIPRU firm.

The Pillar 3 disclosure requirement stems from the UK's implementation of the Capital Requirements Directive ("CRD") which represents the European Union's application of the Basel Capital Accord. The CRD introduced consistent capital adequacy standards and an associated supervisory framework in the EU. The CRD is implemented in the UK by the FCA and consists of three 'pillars':

- **Pillar 1** - This specifies the minimum capital requirements which the Company is required to hold to cover business (credit, market and operational) risks;
- **Pillar 2** - This sets out the supervisory review process to be used to assess whether additional capital should be held against risks not covered by Pillar 1.
- **Pillar 3** - This specifies the disclosure requirements which the Company is required to make and is designed to promote market discipline by providing market participants with key information on a company's risk exposures and risk management processes.

The Company is a Full Scope UK Alternative Investment Fund Manager ("AIFM") pursuant to the Alternative Investment Fund Managers Directive ("AIFMD") and the FCA's adopting legislation. The Company also undertakes additional activities which result in the Company being a BIPRU firm. The Company is also required to meet AIFMD capital requirements and disclosure obligations.

The disclosures below are the required Pillar 3 disclosures for the Company. The disclosures do not apply to the Funds managed by the Company, which are exposed to different risks.

This disclosure is prepared on the basis that the Company is a BIPRU firm subject to the FCA regulations for the disclosures required under Pillar 3 contained in the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"). Further information on BIPRU can be found on the FCA website (www.fca.gov.uk). These rules allow each firm to exclude disclosures where the information is regarded as immaterial, proprietary or confidential. Disclosures have been made in this document in compliance with BIPRU 11 unless that disclosure has been regarded by the Company as being immaterial, proprietary or confidential. Additional information is available from Hannah Williamson, the Company's compliance officer.

The Company is a subsidiary of Personal Assets Trust plc. For the purposes of the CRD the Company is not consolidated with its parent. There are no current or foreseen practical or legal impediments to the prompt transfer of capital resources or repayments of liabilities between the parent undertaking and the Company.

II. Risk management objectives and policies

The Company maintains a clear delineation between portfolio management and risk management teams which are functionally and hierarchically separated. The members of the risk function consider the Company's risk appetite to ensure that the Company's risk management framework is appropriately designed and implemented. The Company's risk function meet on a regular basis to discuss and identify any potential risks that the Company faces and will report periodically to the full Board.

The risk management procedures for the Company reflect the business and regulatory requirement to manage a number of different categories of risk. These risks include operational, business, market, credit, insurance and liquidity risk. In respect of this disclosure the first four of these risks are most relevant and further information on these is below.

Operational Risk

Operational risk is overseen by the risk function. The Company maintains a detailed risk map that identifies the key risks faced by the Company and the mitigating factors and controls that address these risks. Each risk is assigned a level of impact and probability of either high, medium or low. The Company aims to ensure that there are sufficient mitigating factors and controls to ensure that the net probability of each risk is low. The risks map is reviewed and approved by the Company's risk committee regularly.

Business Risk

The Company has identified the key business risks as principally taking the form of a loss of clients or the loss of key staff which may reduce the fee income earned and hinder its ability to meet its expenses. To mitigate business risks, the Company periodically models various different economic scenarios to assess the potential impact that these would have on the Company's financial position. The exposure to these business risks is to some extent mitigated by having (i) different income streams (ii) appropriate staff retention policies and (iii) a relatively broad client base.

Market Risk

Market risk is limited and not material although as an asset management business, the portfolios managed are subject to market risk. The Company's fees are linked to assets under management and so revenues are affected by rises and falls in markets. However, there is a minimum fee structure to mitigate the risk of the Company being unable to meet its liabilities as they fall due. There is a focus on cost control and operational expenses are kept low.

Credit Risk

The Company's exposure to credit risk is principally the risk that investment management fees cannot be collected and the exposure to banks where collected fees are deposited.

III. Capital resources

The Company is not required to calculate an operational risk charge for its Pillar 1 requirement under applicable exemptions. As a Collective Portfolio Management Investment Firm, the Company's minimum capital requirement under Pillar 1 and BIPRU is therefore the greatest of:

- the base capital requirement of €50,000;

- the sum of its market and credit risk requirements; and

- its fixed overhead requirement.

In practice, the fixed overhead requirement is the greatest and therefore establishes the Company's minimum capital requirement under Pillar 1. However, the Company is also required to meet AIFMD capital requirements and disclosure obligations as applicable to an AIFM under IPRU (INV). As the AIFMD capital requirements are greater than the BIPRU requirements, these are the capital requirements which the Company must adhere to.

The basic requirement is that as an AIFM the Company must have an initial capital of at least the higher of (i) €125,000 plus 0.02 per cent of the portfolio of relevant AIFs under management over €250m (subject to a cap of €10 million) and (ii) one quarter of the company's relevant fixed expenditure. AIFMs must further either have professional indemnity insurance or have additional own funds appropriate to cover risks arising from professional negligence.

The Company has assessed its capital requirement as being £597,000. As at 30 April 2019 the Company has capital as follows

Capital item	**£**
Tier 1 capital less innovative tier 1 capital	£783,000
Total of tier 2, innovative tier 1 and tier 3 capital	-
Deductions from tier 1 and tier 2 capital	-
Total capital resources, net of deductions	**£783,000**

The Company assesses the adequacy of its capital through its Internal Capital Adequacy Assessment Process. As part of this process, the Company assesses all known risks, including operational and business risks, and performs stress and scenario tests to determine whether the level of capital that the Company holds is adequate to support its current and future activities. Following this analysis, it is the Company's opinion that no additional capital is currently required.

The Company does not hold any equities, does not have a trading book and does not undertake any form of securitisation.

The Company's capital resources requirement consists of its funds under management plus professional negligence requirement and not the total of the credit risk and market risk requirements. Therefore disclosures relating to credit and market risk are considered to be immaterial.

IV. Remuneration Policy

The following remuneration policy is prepared in accordance with the Alternative Investment Fund Managers' Directive ("AIFMD"), the European Commission Delegated Regulation supplementing the AIFMD ("Delegated Regulation"), the "Guidelines on sound remuneration policies under the AIFMD" issued by the European Securities and Markets Authority and the Financial Conduct Authority ("FCA") Handbook SYSC 19B: The AIFM Remuneration Code, and FUND 3.3(5). The current policy applies from 1 May 2015 being the start of the first financial year following the Company's authorisation as an Alternative Investment Fund Manager ("AIFM").

The Company has chosen to disapply the 'pay-out process rules' on the basis of its small size, relatively straightforward internal organisation and the nature/complexity of the activities undertaken.

The Remuneration Committee of the parent company, Personal Assets Trust plc, is responsible, in conjunction with the Company's Board, for reviewing the remuneration package of all executive Directors and members of staff each year. Given the size and nature of the Company, it does not have a separate remuneration committee. It is intended that the remuneration package is sufficient to attract and retain employees of appropriate calibre to provide the Company's clients (including the parent company) with a high quality of service.

The remuneration model for all staff includes a basic salary and a defined contribution pension scheme. The Company makes contributions to the pension scheme up to 13 1/3 per cent of salary.

There are no variable elements of remuneration dependent upon the performance of the Company or the Company's clients (including the clients for whom it acts as AIFM), however discretionary cash bonuses may be paid. These bonuses may be paid to reward exceptional individual performance or successful professional examination progress. In accordance with SYSC 19B these cash bonuses will not be more than 1/3 of total remuneration.

The Company believes that this remuneration approach is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the AIFs it manages.

The Company will work to ensure that any variable remuneration is not paid through vehicles or methods that facilitate the avoidance of any applicable requirements of the AIFM Remuneration Code.

AIFM Remuneration Code Staff

The Board consider that all senior staff (of which there are currently six) are AIFM Remuneration Code Staff being staff whose professional activities have a material impact on the risk profiles of the AIFM or of the AIFs the AIFM manages. This includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

All Remuneration Code Staff have been informed of their status as such and have been briefed on the implications of the requirements of the AIFM Remuneration Code.

Quantitative Remuneration Disclosures

The appropriate disclosures required in accordance with FUND 3.3.5, Article 22(2) (e) and 22(2) (f) of the AIFMD and Article 107 of the Delegated Regulations, are available on request from: The Compliance Officer, PATAC Limited, 21 Walker Street, Edinburgh, EH3 7HX.

Review

This policy (including the general principles of the policy) will be reviewed at least annually by the Company.