Pillar 3 Disclosure and Remuneration Code Disclosure

Odyssean Capital LLP ("the Firm")

I. Introduction

The Capital Requirements Directive ("CRD") of the European Union, which was implemented in the UK by the FCA and PRA, sets out the regulatory capital framework across Europe governing the amount and nature of capital which credit institutions and investment firms must maintain.

The CRD framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital requirement.
- Pillar 2 requires firms to assess firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital. This is implemented through the Internal Capital Adequacy Assessment Process ("ICAAP").
- Pillar 3 requires firms to publish information regarding the Firm's risk management process and capital resources.

This document is designed to meet the Firm's Pillar 3 disclosure obligations. These disclosures have been reviewed and approved by the Management Committee. They are not subject to audit.

The Firm is authorised and regulated in the United Kingdom by the Financial Conduct Authority ("FCA") as a full scope UK Alternative Investment Fund Manager ("AIFM") and is a classified as a Collective Portfolio Management Investment ("CPMI") firm.

II. Risk Management Framework

The Management Committee of the Firm is ultimately responsible for the risk management framework. They determine the Firm's business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces. The Management Committee also determines how those risks may be mitigated and assess on an on-going basis the controls and procedures required to manage those risks.

The Management Committee considers the following as key risks to the business:

<u>Business risk</u> - This risk represents a reduction in the Firm's revenues which my hinder its ability to finance its operations and meet its expenses. This risk is assessed as part of the ICAAP.

<u>Operational risk</u> (including pandemic risk) - This is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal and reputational risks. The Firm has identified several key operational risks including dealing errors, breaches of investment strategy/restrictions, failure of a third-party service provider and key man risk. Operational risks are assessed as part of the ICAAP.

Market risk - This risk is the exposure to market or foreign exchange fluctuations. The Firm does not currently have any foreign currency exposure.

Credit/counterparty risk - The Firm is primarily exposed to the risk of non-payment of management fees and counterparty exposure relating to the Firm's bank balances and any other debtors. Management fees are paid quarterly. This is monitored by the Finance Officer.

Liquidity risk - The Firm is required to maintain sufficient liquid funds to meet its obligations as they fall due, or as needed in the event of an orderly wind down and, as an AIFM, to hold liquid assets in excess of capital required. This risk is assessed as part of the ICAAP and monitored by the Finance Officer.

III. Capital Adequacy

As a CPMI firm, the Firm is subject to both the regulatory capital regimes of the Alternative Investment Fund Managers Directive ("AIFMD"), in respect of its AIFs, contained in IPRU-INV 11 and relevant provisions applicable to investment firms contained in the Capital Requirements Regulation ("CRR") and contained in the Prudential Sourcebook for Investment Firms ("IFPRU").

As a CPMI firm, the Firm must maintain own funds which equal or exceed the higher of: (i) the funds under management requirement ("FUMR") for its AIFMD business (i.e. €125,000 plus 0.02% of the amount by which the funds under management exceed €250m) (subject to €10m); and (ii) the own funds based on Fixed Overhead Requirement ("FOR") plus the PII capital requirement.

The Firm must also hold liquid assets which equal or exceed the higher of: (i) the FUMR less €125,000 and (ii) the FOR plus the PII capital requirement.

Under IPRU, the Firm is required to maintain at all times capital resources equal to or in excess of its base capital requirement of €125,000 and to calculate its Pillar 1 capital requirement as the higher of the sum of credit and market risk capital requirements and its FOR as set out in article 95 (2) of the CRR.

The Firm is relatively small with a simple operational infrastructure and has no trading book exposures. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, which presently there are no exposures to, and credit risk from management and performance fees receivable from the funds under its management and cash in the bank. The Firm applies a standardised approach to credit risk, applying 8% to the Firm risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not paid, and bank balances.

As at 31 March 2021 the Firm's regulatory capital position was:

Capital Items	£'000
Own Funds: LLP capital and retained earnings	533
CPMI Own Funds Requirement (higher of FUMR and FOR plus PII capital requirement)	184
IFPRU Capital Requirement	175
Surplus of Own Funds	**349**

Liquid Assets Test	
Liquid Assets Requirement	184
Liquid Assets Held	607
Surplus of Liquid Assets	**423**

Conclusion

Having considered all the risks relevant to the Firm, the Management Committee believes that the Firm has adequate capital resources. Having performed the ICAAP it is the Firm's opinion that no additional capital is required in excess of its Pillar 1 capital requirement.

IV. REMUNERATION CODE DISCLOSURE FOR THE YEAR ENDED 31 MARCH 2021

Given the Firm's size and relatively low complexity there is no separate remuneration committee within the Firm. Decisions regarding remuneration are undertaken by the Firm's Management Committee.

Remuneration policy

The remuneration policy is designed to attract, motivate and retain the best people to ensure good performance for the Firm's clients.

The Firm's overall policy is that the remuneration of senior managers and other staff whose actions have a material impact on the firm's risk profile ("Code Staff") must comply with the FCA's Remuneration Code, with an appropriate balance being struck between financial performance and risk management. In particular:

- A significant portion of the remuneration of Code Staff is variable based primarily on the Firm's financial and service performance (on behalf of its clients). In addition, the Firm considers each individual's overall performance, using applicable criteria to motivate and reward success. However, the proportion of variable pay is limited, to ensure that it is feasible for no bonus to be paid in years where business performance does not merit this;
- Annual reviews of Code Staff are carried out to assess their performance in meeting individual and strategic objectives. These reviews are reflected in compensation adjustments which take effect from 1 April each year as well as in awards of variable pay; and
- No member of Code Staff is involved in deciding his or her own remuneration.

The policy in relation to the various elements of the remuneration structure is set out below:

(a) Basic salary

Basic pay for all employees is market related thus ensuring a competitive salary that fairly reflects the market rate, skill, experience and expertise for the role. Individual development and progression are reflected through the annual salary and personal review processes.

(b) Variable pay

Variable pay is comprised of year-end bonuses and/or a share of performance fees. Year-end bonuses are awarded based on overall job-related performance against objectives, the overall profits of the Firm, which are linked closely to the performance of its clients' portfolios as well as non-financial objectives such as compliance with the Firm's policies and procedures.

Aggregate quantitative remuneration data

The Firm considers that it has a single business area (investment management services).

The total aggregate remuneration attributable to Code Staff for the year ended 31 March 2021 was £2,246k. Their total fixed pay was £487k. Their total variable pay not subject to deferral was £1,759k.