St John’s Asset Management Limited
Pillar 3 Disclosure

Introduction

St John’s Asset Management trading as AFH Private Wealth (“AFHPW”) is authorised and regulated by the Financial Conduct Authority (“FCA”). This disclosure is provided in accordance with the Pillar 3 disclosure rules set out by the FCA in section 11 of its Prudential sourcebook for Banks, Building Societies and Investment Firms and the Firm’s activities give it a categorisation of a Limited Licence and a BIPRU €50k base capital firm. The disclosures contained in this notice relate to the business of “AFHPW” whose principal activities are wealth management and the provision of discretionary services to clients. The Capital Requirements Directive (“Directive”) sets out the regulatory capital adequacy standards and the associated supervisory framework across the European Union. The Directive is implemented in the UK by the FCA in BIPRU and the General Prudential Source book (“GENPRU”).

AFH Private Wealth is required to update its Pillar 3 disclosure on an annual basis and this notice is designed to meet the Firm’s Pillar 3 obligations.

The information contained in this notice has not been audited by the Firm’s external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm. This disclosure is based upon our position as at 31st December 2021.

Capital Requirement

The FCA framework comprises of three pillars:

Pillar 1: sets out the minimum capital requirements we are required to hold.

Pillar 2: requires firms to assess whether it needs to hold additional capital over and above that needed to satisfy Pillar 1, in order to protect against specific risks which the Firm is, or may be, exposed to. To do this the Firm must undertake an Internal Capital Adequacy Assessment (“ICAAP”).

Pillar 3: requires public disclosure of the Firm’s risks, the mitigating risk management process per applicable category and its capital position.

The Pillar 1 and Pillar 2 assessments are both documented within our annual ICAAP report.

Pillar 1 requirement

The Firm’s capital resources requirement is:

The higher of

1). The Firm’s base capital requirement of €50k (GENPRU 2.1.48)

2). The sum of the Firm’s market and credit risk requirements, (GENPRU 2.1.45) *or*

3). The Firm’s fixed overhead requirement (FOR) represented as one quarter of the Firm’s relevant fixed expenditure (GENPRU 2.1.53)

The Firm’s Pillar 2 capital is calculated to represent any additional capital required to be maintained against any risk not adequately covered under the requirement in Pillar 2 as part of its ICAAP. The ICAAP involves an assessment of the Firm’s current risk exposure and the processes in place to mitigate those risks as well as the impact those risks have on the Firm’s internal capital.

As at 31st October 2021, the Firm's Pillar 1 capital requirement is £118,737. This has been determined by the Firm's Fixed Overhead Requirement (FOR) as this amount exceeds the total of any credit and market risk capital requirement it faces and also exceeds its base capital requirement of €50k.

The FOR is based on the Firm's expenses after deducting variable costs, which includes expenditures such as facilities expenses, marketing expenses, taxes, and other miscellaneous expenses required during the course of business. The Firm monitors its expenditures on a periodic basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made. This is monitored by the Group Financial Controller.

Satisfaction of Capital Requirements

At 31st October 2021, the Firm had a regulatory capital surplus under Pillar 1 of £3072,782, taking into account the Firm's ICAAP assessment under Pillar 2 and the results of stress testing and scenario analysis, no additional capital is required. The capital resources detailed above are considered adequate to satisfy the Firm's requirements under the FCA's General Prudential Sourcebook.

Risk Management Objectives and Policies (BIPRU 11.5.1)

Given the nature of its business, AFHPW may be exposed to credit, market, and operational risk. Our approach is to have in place processes and controls that are commensurate with the scale of the business operation. The Firm's Pillar 2 operational assessment looks at a range of potential risks and the likelihood of occurrence and appraises the controls in place to mitigate any exposure. Our operational risk exposure is typical for a business of its size and nature and it has established controls in place to mitigate the risk exposure accordingly. These risks are overseen by the Senior Management Functions.

Market Risk

The Firm is not exposed to market risk from foreign currency balances or other areas falling within the definition of BIPRU 7. Whilst the Firm is indirectly subject to market risk in relation to income that is dependent upon the value of client funds under management this is mitigated by the asset allocation strategy adopted, which ensures that clients have highly diversified portfolios, with limited exposure to any one asset class.

Credit Risk

The Firm acts on an agency basis on behalf of its clients and does not take principal positions or trade on a proprietary basis. It does not have exposure to credit or counterparty risks which necessitate additional capital resource and we do not hold client money or assets.

Liquidity Risk

This is the risk that the Firm may not be able to meet its payment obligations as they fall due. The Firm is required to maintain liquidity resources which are adequate to meet its liabilities and this is monitored by the Group Financial Controller on an ongoing basis.

Operational risk

This is defined as the risk to reputation and of financial loss resulting from inadequate or failed internal processes and systems, from the actions of people or from external events.

The Firm operates robust risk management controls which are regularly reviewed and updated. The Group Head of Risk reports to the executive team on a regular ongoing basis on all regulatory matters. Senior management bear responsibility for internal controls and the management of business risk in their accountability to the executive team. Operational risk is assessed in our ICAAP report.

Remuneration Policy

In accordance with SYSC 19C.2.1 the Firm *must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.* The aim of the BIPRU Remuneration Code is to ensure that firms have risk-focused remuneration policies, which are consistent with and promote effective risk management and do not expose the Firm to excessive risk, (SYSC 19C.1.6).

'Remuneration' as referred to in the Code, is defined very broadly and includes all forms of payment or benefits paid by the Firm in exchange for professional services rendered by the relevant identified staff. The Firm seeks to ensure that its remuneration policies and practices for both fixed and variable remuneration comply with the remuneration principles and, therefore:

- are consistent with and promote sound and effective risk-management
- do not encourage risk taking which is inconsistent with the risk profile and constitution of the Firm
- include measures to avoid conflicts of interest; and
- are in line with the Firm's business strategies, objectives, values and long-term interests.

Application of the Remuneration Policy

This policy applies to all staff, although the Remuneration Code principles are directed at certain Remuneration Code Staff, rather than all employees. Remuneration Code Staff are identified as:

1. Senior Management
2. Material Risk Takers
3. Staff engaged in control functions
4. Any employee, who has received total remuneration that puts them in the same remuneration bracket as senior management and material risk takers, or whose professional activities have a material impact on a Firm's risk profile

Remuneration Code Staff

The Firm has identified its Material Risk Takers (MRTs). These are employees considered to have a material impact on the risk profile of the Business. The MRTs are identified and reviewed on an annual basis by Group risk in line with criteria set out in applicable regulation.

The Firm ensures that employees understand the significance of their status as Code Staff.

Proportionality

Enshrined in the remuneration provisions is the principle of proportionality. The FCA have applied proportionality in the first instance by categorising firms into 3 levels. The Firm falls within the FCA's level 3. Level 3 firms may, where appropriate, dis-apply the provisions imposed under regulations in respect of remuneration structures. These are the rules relating to bonus caps, payment of remuneration in retained shares or other instruments, deferral, ratio of variable remuneration to fixed remuneration, and post-award performance adjustment. The executive team consider which of these it is appropriate for the Firm to disapply, taking into account the overall purpose of the Code and the proportionality guidance.

Quantitative Remuneration Information

Remuneration Code Staff are reported through our other Group Firm, AFH Independent Financial Services Limited and their respective Pillar 3 disclosure.

Effective Risk Management

The Firm is required to ensure that remuneration practices are consistent with and promote sound and effective risk management. Remuneration structures should be fair to all concerned, most importantly to the client and should not incentivise questionable practice by an individual.

Governance

A meeting was held in October 2021 with delegates from the executive team to approve the remuneration policies and remuneration of other senior executives. They together with the executive team monitor performance and approve the payment of all performance-related bonuses.

The base salaries of the executive team are set at levels considered to be appropriate. Any increases are awarded having regard to performance and salary levels in comparable organisations. This must be weighed against the need to ensure high quality executives, capable of achieving the Group's objectives are retained. The team do not participate in any discussions in which they have an interest.

AFH have concluded that, on the basis of its size, the nature, scale and complexity of the Firm's activities, it does not need to appoint a remuneration committee for St Johns Asset Management Limited. Governance of the Remuneration Policy sits with the executive team of the Firm which includes:

- Determining the framework and policy for remuneration and ensuring it does not encourage undue risk taking
- Agreeing any major changes in remuneration structures
- Reviewing the terms and conditions of any new incentive schemes and in particular, considering the appropriate targets for any performance-related remuneration schemes
- Considering and recommending the remuneration policy for the senior employees, taking into account the appropriate mix of salary and discretionary bonus
- In determining remuneration arrangements, the Board will give due regard to best practice and any relevant legal or regulatory requirements including the BIPRU Remuneration Code

The executive team is responsible for approving, maintaining, and overseeing this policy and for approving any exemptions or changes. The Remuneration Policy will be reviewed by the governance committee at least annually and will be amended, as and when required. In addition, Group Risk will review the Firm's compliance with this Remuneration Policy on an ongoing basis. Any issues identified as a result of this review will be escalated and addressed as appropriate.

Stewardship Code

Under COBS Rule 2.2.3R firms are required to disclose whether they conform to the requirements of the UK Financial Reporting Council Stewardship Code. The Code is voluntary and directed at asset owners, asset managers and the service providers that support them. Whilst AFHPW support the principles of the Code the significant majority of our clients are classified as retail customers and on the basis of the wide range of investment products and timeframes adopted by the Firm, we do not feel it is appropriate to conform to Code at the present time.

Updated: February 2022