Pillar 3 Disclosure Statement

Capital Requirements Directive

Introduction

Price Value Partners, Ltd. (PVP) is authorised and regulated by the Financial Conduct Authority (FCA). All employees are bound by rules of the FCA and all prevailing legislation.

The Capital Requirements Directive (CRD) introduced a new capital adequacy framework for banks and investment firms across Europe. The CRD is made up of three components called Pillar1, Pillar 2 and Pillar 3 which jointly form the prudential framework.

Pillar 1 is the minimum capital requirement set out by the CRD and instructed in the national discretions. The minimum capital requirement has three main components;

a) Market Risk (Market Risk Capital Requirement)
b) Operational Risk (Operational Risk Requirement)
c) Credit Risk (Credit Risk Capital Requirement)

Pillar 2 is the capital adequacy assessment made by each individual firm. The adequacy of the firm's minimum capital is no longer dictated by the regulatory minimum requirement and the firm must assess whether the capital it holds is adequate. This is achieved by the firm through the Internal Capital Adequacy Assessment Process (or ICAAP) which quantifies the risks of certain events on the firm's profitability, and its ability to continue to operate. The additional provisions as a result of this assessment, if any, form part of the monthly Capital Adequacy Returns to the Regulator.

Pillar 3 sets out disclosure requirements regarding capital and risk management. The disclosure requirements aim to compliment the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) and aim to encourage market discipline by allowing market participants to assess key pieces of information on risk exposures and the risk assessment process of the firm.

The Capital Requirements Directive (CRD) provides that the firm may omit one or more of the required disclosures if it believes that the information is immaterial. PVP defines material risk as any risk large enough to threaten the success of the enterprise in a material way. The CRD also permits the firm to omit one or more of the required disclosures where it believes that the information is regarded as proprietary or confidential. Proprietary and confidential information includes non-public information that is confidential and/or proprietary belonging to the Company and/or parties with whom the Company does business or if the disclosure of such information may undermine our competitive advantage. This document relates to Pillar 3 disclosures only.

Frequency of Disclosure

These disclosures are based on the financial statement prepared to 30th June 2016. The next report is to be issued in conjunction with the 30th June 2017 financial statements.

Location and Verification

This disclosure is published on the company website, www.pricevaluepartners.com/disclosures

Scope of application

It is not considered appropriate to make disclosure of certain quantitative data which is regarded as proprietary and confidential.

Risk Management

The Board has overall responsibility for the firms system of internal controls, the objectives of which are the safeguarding of the firm's assets and clients' assets, the maintenance of proper accounting records and the availability of reliable financial information for use within the business and for publication.

The risk management framework is part of the well-defined governance framework which meets best practice in a manner appropriate to the firms scale and scope of operations. The framework demonstrates control of the business, whilst facilitating transparency for all stakeholders and supporting the business to move rapidly in a changing market.

PVP has a dedicated Compliance & Risk Control Function, which has direct access to the Board of Directors.

PVP's risk management policies and main risk mitigations and controls have been documented in the firms ICAAP and in the Compliance Procedures Manual. Compliance with these policies set out in the Manual is monitored by the Compliance Officer. The firms systems of internal control include appropriate levels of authorisation and segregation of duties.

For the purposes of Pillar 3 disclosures, the material areas of risk identified are;

- Market risk, and
- Operational risk – which includes fraud, compliance and legal risk.
- Credit Risk

Risk Management by Category of Risk

Market Risk

Market risk is the current or prospective risk to earnings and capital arising from adverse movements in proprietary investments and assets under management. PVP has potential exposure to market risk from several sources. PVP is not involved as a market-maker.

PVP faces exposures in the following areas;

- Positions on the principal trading accounts, including trading positions in collective investment schemes.
- Client facilitation
- General market collapse.

A provision for Market risk is made in our Capital Adequacy using the 'Basic Method' of calculations. The provision is not disclosed in this document.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes IT, legal and compliance risk. PVP meets the requirements to use the Basic Indicator Approach in its calculation of operational risk. The capital requirement for operational risk under this approach is 15% of the average over three years of the sum of gross turnover, adjusted for items set out in Table 1, annex X, Part 1 of the 2006/48 Directive. The provision is not disclosed in this document.

The Firm has many controls in place to mitigate Operational risks. The Compliance function has procedures and controls in place to ensure compliance with applicable laws and regulations. This is in addition to procedures and controls that are in place in each business area and insurance cover. The Compliance function is continually reviewing all perceived Operational risks to the business.

Credit Risk

Credit risk is defined as the current or prospective risk to earnings and capital arising from counterparty's failure to meet the terms of any contract or its failure to perform as agreed. PVP may incur credit risk as a result of trading activities as it is potentially exposed to the failure of a counterparty or client from the time of a transaction to the final settlement of the deal. In relation to the Firm's investment management business, the firm does not consider that there is a risk of client default that would be material in the context of the overall business. Moreover credit exposures to clients are monitored by the Compliance & Risk Control Function and there are effective processes in place to recover any monies due to the firm.

Institutional trades are conducted on the basis of "delivery versus payment" (DVP) which minimises the risk of exposure to more substantial trading positions. This does not however eliminate risk entirely in the combination of circumstances in which the counterparty fails and the value of stock awaiting settlement against payments has changed adversely. So this risk becomes essentially market risk if the counterparty defaults.

Capital Resources

Capital management is a critical area for PVP and the capital held is sufficient to meet the foreseeable needs in the next financial year. As a company authorised and regulated by the FCA, PVP is required under the relevant regulations to maintain sufficient capital. PVP has in excess of 2.5 times the regulatory capital required under the Pillar 1 calculation. The firm's conclusion is that the capital currently held is adequate for the current operation.