Oldfield Partners

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Capital Requirements Directive – Pillar 3 Disclosures

1. Background

The European Union's Capital Requirements Directive ('the Directive') came into effect on 1 January 2007 and introduced a set of revised regulatory capital adequacy standards and associated supervisory framework across the EU based on the Basel II capital accord. The Financial Conduct Authority ('FCA') implemented this Directive in the United Kingdom.

The new regulatory capital framework consists of three 'pillars':

- Pillar 1 specifies the minimum capital resources the firm is required to hold. For Oldfield Partners this is its fixed overheads requirement.
- Pillar 2 sets out the review process to be used by the firm and the FSA to determine whether additional capital should be held against any risks not adequately covered by Pillar 1.
- Pillar 3 requires the firm to make public certain details of the risks to its business, its capital resources and risk management processes.

Scope of disclosure

The disclosures in this document are made in respect of Oldfield Partners LLP, which provides investment management services to a range of offshore funds and segregated accounts and is authorised and regulated by the Financial Conduct Authority.

2. Risk management objectives and policies

The firm's approach to risk management policy is in accordance with FCA requirements that regulated firms must manage a range of different risks facing the firm including credit, market, business, operational, insurance, liquidity and group risk so as to minimise the risk to the firm's clients.

Operational Risk

Senior management reviews all areas of the business on a regular basis to ensure operational risks have been identified, recorded in the firm's register of risks and effective controls put in place to mitigate the risks identified so the net probability of each risk is low. The firm's risk management framework is supported by a wide range of management information systems that monitor performance against key performance indicators ("KPI") and the firm articulates its risk appetite through this framework of KPIs which are coded to indicate the degrees of deviation from the targeted range. The firm takes all sources of risk extremely seriously and has embedded within its business processes, at all levels, robust and effective risk management processes that are subject to regular appraisal. These appraisals are supported and enhanced by compliance through its independent and risk orientated monitoring procedures combined with regular reporting to senior management.

Business Risk

The firm's main business risk relates to a possible fall in assets under management as a result of turbulence in markets and a consequent diminution in investment management fees. This exposure is mitigated, to a certain extent, by having a range of funds with substantially differing geographical and sector profiles together with varying volatility and return characteristics.

Insurance, liquidity and group risk

Oldfield Partners has no insurance risk and very little liquidity risk. The risks associated with the firm's involvement with other entities with which it is associated are closely monitored. None of these three risks are considered material for the purposes of this disclosure.

Credit risk

In the case of segregated accounts, provision for the non-payment of fees is governed by the firm's agreements with these clients, the terms of which are subject to confidentiality clauses. The risk of the non-payment of investment management fees arising from the firm's management of a range of offshore funds is mitigated by the funds' appointment of an independent administrator. In the case of bank deposits, money is only deposited with highly rated approved counterparties.

Market Risk

The firm's market risk is limited to exposure to foreign exchange fluctuations as a result of certain assets and liabilities being denominated in currencies other than Sterling.

3. Capital resources

Pillar 1

The firm's capital resources comprise its Tier 1 and Tier 2 capital. No deductions are required from Tier 1 or Tier 2 capital and the firm has no innovative Tier 1 instruments. There are limits on upper and lower Tier 2 capital and capital in excess of these limits has been carried over to Tier 3 capital.

In accordance with the FCA's prudential rules the firm's variable capital requirement, its Pillar 1, has been determined as its fixed overhead requirement as this is in excess of the sum of its credit risk and market risk capital requirements.

Pillar 2

The firm's overall approach to assessing the adequacy of its internal capital is set out in its Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP involves consideration of a range of risks faced by the firm and determines the level of capital needed to cover these risks. The level of capital required by the firm to cover identified risks is a function of their impact and probability. Impact is assessed by modelling the changes in the firm's income and expenditure caused by various potential risks and probability is assessed subjectively by senior management. The ICAAP incorporates stress testing over a three year time frame where the firm's income and expenses are adversely affected by a range of factors. After considering the ICAAP the firm has determined that no additional capital is required in excess of its Pillar 1 capital requirement.

As at 31 March 2017 Oldfield Partners' regulatory capital position was:

Capital Item	£'000
Tier 1 Capital: Members' Capital and Audited Reserves	1,313
Total Capital Resources Requirement	987
Total Capital Resources Requirement – AIFMD*	413

* From July 2014, the firm became regulated as an Alternative Investment Fund Manager ("AIFM") pursuant to the Alternative Investment Fund Managers Directive ("AIFMD") and the FCA's adopting legislation. The Firm is also required to meet AIFMD capital requirements as applicable to an AIFM.

Credit and Market risks

Disclosures in relation to these risks have not been considered material as the firm's capital resource requirement is its fixed overhead requirement which is substantially in excess of the aggregate of these two requirements.

REMUNERATION

Oldfield Partners LLP is subject to BIPRU Remuneration Code (the "BIPRU Code"), which applies to its MIFID business. From 22 July 2014 the Firm also became subject to the AIFM Remuneration Code (the "AIFM Code") which applies to its AIFMD business. This disclosure is made in accordance with the BIPRU Code.

Oldfield Partners LLP is required to publish information relating to its remuneration policy for the year ended 31 March 2017. Oldfield Partners LLP limits its disclosures to those required of a "Tier 3" firm as defined by the BIPRU Code (SYSC 19A).

Remuneration Policy

Oldfield Partners LLP operates as a single business unit and therefore remuneration will reflect at least in part the overall profitability or otherwise of the firm. Partners receive their remuneration in the form of non-guaranteed profit share. Part of this is discretionary, dependent on the availability of profit, and determined by the remuneration committee. Employees are paid a fixed salary and a discretionary bonus, the level of which is also determined by the remuneration committee. The discretionary element of profit share for partners and bonuses for employees is limited by available profits.

Oldfield Partners LLP's remuneration committee has been in existence since the formation of the firm in 2005. It consists of the Chief Executive and the non-executive directors of Oldfield & Co. (London) Ltd. The remuneration committee is chaired by Richard Oldfield, except when matters in relation to him are being discussed, in which case it is chaired by another director. The remuneration committee meets at least twice a year.

Pay and performance

All partners and employees are part of an annual appraisal process which includes the setting of objectives each year and subsequent assessment against those objectives. In addition to the results of the annual appraisal process, the profitability of the area of business in which the partner or employee is involved may be taken into account by the remuneration committee, along with other relevant factors, primarily the overall profitability of Oldfield Partners LLP during the year in question.

Code Staff

The remuneration committee carries out an annual assessment of those partners and employees who control the firm and / or could affect its risk profile. For the year ended 31st March 2017 the remuneration committee identified four employees and all twelve individual partners of Oldfield Partners LLP as Code Staff.

Aggregate remuneration

The aggregate remuneration of the partners of Oldfield Partners LLP for the year ended 31st March 2017 is fully disclosed in the financial statements of Oldfield Partners LLP and Oldfield & Co. (London) Limited, which are publicly available at Companies House. The aggregate gross remuneration of the four Code staff employees for that year amounted to £873,070. Remuneration for partners and employees is paid wholly in cash.