



# THE OAK INVESTMENT PARTNERSHIP

## Capital Adequacy Pillar 3 Disclosures

*November 2020*

### Introduction

The Oak Investment Partnership Limited (Oak) is required to make a Pillar 3 disclosure by rules set out in the FCA's BIPRU sourcebook. It is intended to encourage good risk management practice within financial services firms and to promote market discipline by making information about companies publicly available.

Oak is the parent holding company of three wholly owned operating subsidiaries, all of which are regulated by the FCA. This Pillar 3 disclosure document covers the three operating subsidiaries and is published on the websites of each ([www.wiseinvestment.co.uk](http://www.wiseinvestment.co.uk)); ([www.wise-funds.co.uk](http://www.wise-funds.co.uk)); and ([www.evenlodeinvestment.com](http://www.evenlodeinvestment.com)). Details of the three operating companies are as follows:

### Wise Investments Limited (Wise Investments)

Wise Investments provides financial advice and investment management solutions to private clients. Wise Investments does not deal on its own account, rather it acts as an agent in the management of assets to predetermined mandates. This includes managing the investment portfolios of private individuals and a range of managed portfolios (which are held by a third party custodian). Wise Investment is subject to operational and reputational risks.

### Wise Funds Limited (Wise Funds)

Wise Funds act as the Investment Manager for sub-funds of a UCITS OEIC – The TB Wise Investment Funds. A multi-asset strategy is followed. Wise Funds does not deal on its own account, rather it acts as an Investment Manager to authorised/regulated funds which are operated by a third party. Wise Funds is subject to operational and reputational risks.

### Evenlode Investment Limited (Evenlode)

Evenlode acts as the Investment Manager for sub-funds of a UCITS OEIC (the TB Evenlode Investment Funds ICVC) and a sub-fund of a UCITS ICAV (the Evenlode ICAV). A long only equity strategy is followed. Evenlode does not deal on its own account, rather it acts as an Investment Manager to an authorised/regulated funds which are operated by a third party. Evenlode is subject to operational and reputational risks.



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# THE OAK INVESTMENT PARTNERSHIP

Figures are based on the financial year ended 31 December 2019 and the ICAAP (Internal Capital Adequacy Assessment Process) document approved in October 2020.

## Risk management objectives and policies

Risk management is focused on reducing operational risk and maintaining sufficient capital to allow an adequate buffer against those risks as identified in 'Pillar 2' of the company's Internal Capital Adequacy Assessment Procedure (ICAAP).

Risk management is the responsibility of the board of directors and is led by the group's compliance officer. Oak's risk committee reports to the board of directors.

Operational risks include the detrimental effects of:

- Trade reporting, theft, fraud and litigation;
- Fire, adverse weather and acts of God;
- IT systems failure;
- Departure of key staff
- Third party administration risk
- Reputational damage from mis-managing investment mandates;
- Market risk associated with managed investment portfolios (as the firm is remunerated on a percentage-of-assets basis);
- Client concentration risk
- Regulatory/compliance failings.

These risks are reduced by operating relevant policies and procedures. These are designed to be both preventative and to provide oversight information to the board/managers to act on accordingly.

Oak employs independent compliance consultants who regularly review the firm's activities. It also actively engages with the compliance departments of third-party partners in order to maintain best practice.



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BIPRU 3 – For the Pillar 1 Regulatory Capital Calculation of Credit Risk, under the risk capital component the firm has adopted the Standardised approach (BIPRU 3.4) and the Simplified method of calculating risk weights (BIPRU 3.5)

## Credit Risk Calculation

### Credit Risk Capital Requirement

	Rule	Capital Component
Credit risk capital component	BIPRU 3.2	£529,427
Counterparty risk component	BIPRU 13 & 14	£0
		<hr/>
		£529,427

	Rule	Exposure	Risk Weight	Risk weighted exposure amount
National Government Bodies	BIPRU 3.4.2	£0	0%	£0
Retail Exposures	BIPRU 3.2.10	£0	75%	£0
Banks etc. short-term Exposure to Corporates/Debtors	BIPRU 3.4.39	£11,201,714	20%	£2,240,343
	BIPRU 3.4.52	£3,374,534	100%	£3,374,534
Past due item	BIPRU 3.4.96	£0	100%	£0
Fixed assets	BIPRU 3.4.127	£1,002,966	100%	£1,002,966
		<hr/>		<hr/>
		£15,579,214		£6,617,843
		<hr/>		<hr/>
Credit Risk Capital Component	8% of risk weighted exposure			<hr/>
				£529,427
				<hr/>



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## Approach to assessing the adequacy of capital resources

The firm's 'Pillar 2' assessment of required capital is set out in its ICAAP. An estimate is made of the amount of capital that should be held against each of the operational risks (including market risk via the group's client base). As the Oak group does not engage in dealing or lending from its own book there is no need to assess market or counterparty/credit risk.

The process involves a degree of judgment. The total capital assessed as being required is compared to the 'Pillar 1' approach to calculating minimum capital requirements (see below), with the larger of the two figures being used as to determine whether current capital resources are adequate.

## Approach used for assessment of the operational risk capital requirement

As a BIPRU firm, the basic indicator approach is used, with the Fixed Overhead Requirement determining the level of capital required.

## Current capital resources

At 31<sup>st</sup> December 2019 Oak had Tier 1 capital resources of £8,046,896 It had no Tier 2 or Tier 3 capital.

The minimum capital required was assessed as being £2,402,770 Oak therefore has capital of £5,644,126 in excess of the minimum, or a ratio of 334.90%. This is deemed sufficient to support current and future activities.

## Remuneration policy

Oak is also required to disclose the key policies used in determining remuneration for staff whose professional activities have a material impact on the firm's risk profile, along with key quantitative information. These staff members are defined by the firm as authorised individuals who are in significant management, control or risk functions. Remuneration policy is the responsibility of the board of directors. Oak also has a separate remuneration committee. Base pay is set by reference to level of seniority and/or revenues earned by the individual, with additional remuneration should the individual's pre-defined targets be exceeded. All eligible staff are also entitled to distribution of company-wide profits under the firm's employee ownership scheme. In 2019 total remuneration for the Oak group 'significant influence function' staff members was £8,002,536.



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