Quartet
Investment Managers

Investment Firms Prudential Regime (IFPR)

Annual Disclosure

Year Ending 31 May 2024

Introduction

The Investment Firms Prudential Regime (IFPR) came into effect on 1 January 2022 for UK firms authorised under the Markets in Financial Instruments Directive (MiFID). IFPR was implemented by the FCA as prudential regulation within the MIFIDPRU section of the FCA Handbook.

This document sets out the annual public disclosures for Quartet Capital Partners LLP (QCP) as required under MIFIDPRU 8 for the year ending 31/05/2024, which represents QCP's most recent financial accounting period.

QCP is a privately owned limited liability partnership, incorporated in the United Kingdom, authorised and regulated by the Financial Conduct Authority ("FCA") under firm reference number 502242. QCP provides discretionary investment services to retail customers.

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive ("MIFID"), QCP is subject to the prudential requirements of the Investment Firms Prudential Regime ("IFPR") contained in the MIFIDPRU Prudential sourcebook for MIFID Investment Firms of the FCA Handbook. QCP is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 of the IFPR. These requirements are supplemented by the guidance set out in MIFIDPRU 8 published by the FCA. Under the IFPR's firm categorisation, QCP is categorised as a small, non-interconnected ("SNI") MIFIDPRU investment firm.

The disclosure for QCP is prepared annually on a solo entity (i.e. individual) basis. We believe the information provided is proportionate to QCP's size and organisation, and to the nature, scope and complexity of QCP's activities. The annual audited accounts of QCP set out further information which complements the information in this disclosure. The audited accounts are freely available from UK Companies House.

This disclosure has been ratified and approved for disclosure by the Partners of QCP.

Governance

All required Senior Management Functions ('SMFs') have been allocated to individuals within the firm and all the individuals have been approved by the FCA to hold these functions. Their suitability, experience, knowledge and skills are assessed at least annually where they are reconsidered as fit, proper and competent to fulfil their roles. The wider Senior Management Team is responsible for culture, philosophy, strategy and policy setting, risk strategy, conflicts of interest management and for all corporate management.

Due to the simple nature of QCP's business, this governance framework is considered sufficient. The Senior Management Team holds formal monthly meetings which have a standardised agenda and in addition, the Partners meet as and when needed to make any decisions required for the running of QCP.

Senior Management meetings have a standardised agenda covering:

- Business Risks
- Compliance
- Finance
- Personnel and Infrastructure
- AOB

The only other formalised committee is the Investment Committee, which comprises the CEO and the Investment Directors. This committee meets monthly, or more often as needed. The committee provides an escalation point for investment research and investment management issues. It sets the direction on product governance obligations, investment research and investment management issues and provides oversight to relevant processes, risks and internal controls.

There is no separate Risk Committee, as this is not considered necessary within the Firm, however, the Compliance Officer and the Operations Manager are members of the Senior Management team and are segregated from the Investment team.

The Firm has in place a Management Responsibilities Map that identifies those individuals responsible for each key area. This evidences segregation of duties and is reviewed and ratified by the Partners.

Own Funds

Table 1 below shows a break-down of QCP's regulatory Own Funds and confirms there are no regulatory deductions. Our Own Funds is made up entirely of members' capital contributions and audited reserves.

Table 1: Composition of regulatory own funds

	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**424**	**Page 8**
2	**TIER 1 CAPITAL**	**424**	**Page 8**
3	**COMMON EQUITY TIER 1 CAPITAL**	**424**	**Page 8**
4	Fully paid-up capital instruments	620	Page 8
5	Share premium		
6	Retained earnings		
7	Accumulated other comprehensive income		
8	Other reserves	-196	Page 8
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments		

20	**ADDITIONAL TIER 1 CAPITAL**		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	**TIER 2 CAPITAL**		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

Table 2. Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	c
		Balance sheet as in published/audited financial statements	**Cross-reference to table 1**
		As at period end	

Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements

1	Cash	334	Page 8
2	Debtors	279	Page 8
3	Fixed Assets	6	Page 8
4			
	Total Assets	**619**	**Page 8**

Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements

1	Creditors (due within 1 year)	162	Page 8
2			
3			

4			
	Total Liabilities	**162**	**Page 8**

Shareholders' Equity

1	Members' Capital	620	Page 8
2	Audited Reserves	-421	Page 8
3	Retained Profit	258	Page 8
4			
	Total Shareholders' Equity	**457**	**Page 8**

OWN FUNDS REQUIREMENT

QCP's Own Funds Requirements are determined as the highest of the following requirements under MIFIDPRU 4.3.2 R:

1. Permanent Minimum Capital Requirement (PMR) – £75,000 (MIFIDPRU 4.4.4R); or

2. Fixed Overheads Requirement (FOR) – £285,870 one quarter of the Company's annual fixed overheads (MIFIDPRU 4.5.1.R), unless there is a material change expected to projected expenses during the year (MIFIDPRU 4.5.7R).

QCP's Own Funds Requirements are therefore determined by the FOR, i.e. £285,870, which is the highest of these two.

The Company utilises a number of approaches to ensure that it remains compliant with the overall financial adequacy rule under MIFIDPRU7.4.7R, both in terms of own funds and liquidity resources.

Foremost is the annual assessment of own funds and liquidity adequacy conducted during the Internal Capital Adequacy and Risk Assessment ("ICARA") process, which considers the Company's resource requirements under 'business as usual' and a variety of severe yet plausible stress tests.

Included within the ICARA is also an assessment of the capital required to effect an orderly wind down of the business. This figure is compared to the Firm's Own Funds requirement as detailed above. As at the time of writing QCP's OFR is greater than its wind-down capital requirement.

The wind-down plan ensures there is a process of ceasing operation while ensuring minimal impact to clients.

Remuneration Policies & Practices

1. Qualitative Disclosures

1.1 Our approach to remuneration for all staff and the objectives of our financial incentives in respect of staff remuneration.

All of our remuneration packages and incentive schemes are designed to ensure that our clients are treated fairly and their interests are not impaired, for example, by our remuneration policies creating a conflict of interest that encourages staff to act against the interests of any of our clients.

1.2 Our decision-making procedures and governance surrounding the development of the firm's remuneration policies and practices. Our senior management team:

- Has approved our remuneration policy and will be required to approve all future changes
- Is responsible for the day-to-day implementation of our remuneration policy
- Is responsible for the monitoring of compliance risks related to our remuneration policy

The remuneration policy is in line with the business strategy, objectives, values and long-term interests of the firm and its investors: in particular reflecting the firm's business objective to provide investors with absolute returns within a reasonable risk profile that protects their assets from significant falls in the market. Partners invest their own funds in the same strategy as that offered to clients, thereby aligning their interests with those of the customers of the firm.

1.3 The key characteristics of our remuneration policies and practices including the different components of our remuneration, together with the categorisation of those remuneration components as fixed or variable. Any remuneration package or incentive scheme we have in place, or may introduce in the future, will not:

- Remunerate or assess performance of our staff in any way that conflicts with our duty to act in the best interest of our clients;
- Include any arrangement by way of remuneration, sales targets or otherwise, that could provide an incentive to our staff to recommend a particular product to a retail client where a different product could be offered that would better suit their needs;
- Create a conflict of interest that would encourages individuals to act against the interests of any of our clients;
- Be solely or predominately based on quantitative commercial criteria; AND
- Will ensure the fair treatment of our clients and the quality of service provided;
- Will take appropriate qualitative criteria into account;
- Maintain a balance between fixed and variable remuneration so the structure does not favour our firm or staff over those of our clients.

Fixed based remuneration, i.e. salary, is agreed at the point of hiring the individual and is in line with prevailing market conditions for the specific person. Salaries are reviewed at least annually; however, salary is taken into account when allocating any variable component of remuneration to ensure that the total compensation of each individual is within the limits expressed in this policy. In deciding each individual's total compensation due regard is taken of an appropriate balance between fixed and variable remuneration.

The firm awards discretionary bonuses only after its client funds have been audited and the increase in value has been determined.

Partners share in the profits of the firm according to the Partnership agreement. Partners are only paid after the firm has satisfied its capital resource requirements and following an assessment of its capital position. This includes a consideration of direct and indirect risks to the firm and stress and scenario testing.

It is the firm's policy to promote sound and effective risk management and to discourage risk-taking that exceeds the level of risk tolerated by the firm; and in order to ensure that this principle is met the firm maintains:

- Comprehensive risk management processes to measure, monitor, report and manage risk, including stress testing of the portfolio and liquidity risk management;
- Sound operational and regulatory systems and controls; and
- A strong culture of compliance, sponsored by the board with specific practices to address conflicts of interest.
- The firm will not pay remuneration through any vehicles or methods that will facilitate the avoidance of this remuneration code or policy.

2. Quantitative Disclosures

As a SNI MIFIDPRU investment firm, we are required to disclose the total remuneration of all our staff split between fixed and variable remuneration. For our year ending 31/05/2024, our total remuneration is split as follows:

Type of Remuneration	Amount £000s
Fixed Remuneration	£539
Variable Remuneration	£60
Total Remuneration	£599