iSAM

iSAM Funds (UK) Limited
MIFIDPRU 8 Disclosure

For the period ending 30 June 2024

Last updated March 2025

1. Overview

Introduction and Scope

iSAM Funds (UK) Limited ('iSAM' or the 'Firm') is a £75k MIFIDPRU Investment Firm (non-SNI) that is authorized and regulated by the Financial Conduct Authority (#779166) as a Full-Scope UK AIFM (effective 31 August 2017), with MiFID 'top-up' permissions; hence, it is a Collective Portfolio Management Investment (CPMI) Firm. iSAM is registered with the Commodity Futures Trading Commission ('CFTC') as a Commodity Trading Advisor and member of NFA (#0495350). As of December 2021, iSAM is also registered with the U.S. Securities and Exchange Commission ('SEC') as an Investment Advisor (#307680). iSAM Securities (UK) Limited (FRN: 629586) is a connected undertaking and iSAM Funds (UK) Limited is the Deemed Parent Undertaking.

Basis of Disclosure

This disclosure has been prepared on a solo basis in accordance with MIFIDPRU 8 and will be made at least annually. The Accounting Reference Date for financial position information is 30 June 2024. The information contained in this document 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 judgment on the Firm.

Materiality

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, the Firm shall disclose such and explain the grounds why it has not been disclosed.

2. Risk Management Framework & Governance

The iSAM Funds (UK) Board (the 'Board') is the Governing Body of the Firm and oversees the running of its business and investment operations. The Board meets on a quarterly basis. The Firm's Directors consist of the two Managing Directors, the Head of Finance, and the General Counsel and Head of Compliance.

The Board is responsible for the Firm's risk management framework and is accountable for the oversight of the risk management process.

In pursuing its strategy, iSAM has to accept, tolerate, or be exposed to a certain level of risk. It is also necessary, however, for the Firm to ensure that the amount of risk taken is within acceptable boundaries and that these are commensurate with its financial strength and consistent with its strategy. The Board approves the Firm's risk appetite, which sets out how much and the types of risk that are appropriate for the Firm to take in pursuing its strategy and objectives.

In addition, the Board ensures that the Firm has implemented an effective, ongoing process to identify, monitor, measure and manage the Firm's risks. The Board implements and maintains a robust governance structure and apportionment of responsibilities and control environment so that risks are actively managed to a level that is consistent with the Firm's risk appetite. The Board is responsible for ensuring that the Firm has adequate capital and liquidity.

The Board is assisted in its consideration and management of risk by a number of committees. The key committees for this purpose are the iSAM Compliance and Risk Committee, the iSAM Vector Investment Management Committee, the iSAM Vector Trading and Execution Committee, the iSAM Helix Investment Management Committee and the iSAM Helix Trading and Execution Committee.

Senior management is accountable to the Board for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm. The Board places strong emphasis on the embedding of a culture of strong governance and risk management and expects senior management and all employees to uphold this culture and bring genuine accountability and challenge through all aspects of the Firm's business.

The Risk Management and Compliance functions act as the second line of defence, providing independent monitoring of the Firm's risks and independent challenge to the first-line business managers, who are the primary owners of the risks faced by the Firm. Ownership of each risk is assigned in the Firm's risk register. The Head of Risk Management reports directly to the Firm's Managing Directors; the Chief Compliance Officer reports into the General Counsel and Head of Compliance who in turn reports directly to the Firm's Managing Directors.

Other Directorships

Directors holding directorships outside of the Group, according to MIFIDPRU 8.3.1:

Director	Role	Number of Other Non-Executive Directorships
A Lowe	Managing Director	-
R Sher	Managing Director	-

Board and Senior Management Diversity Policy

This policy sets out the approach to diversity by the Board of Directors and Senior Management team of the Firm. It should be read in conjunction with the wider Equal Opportunities Policy of the Firm, which applies to all employees. For the purposes of this policy, diversity includes, but is not limited to age, gender, race, religion, geography and sexual orientation (the "protected characteristics").

The Firm is dedicated to ensuring that the members of its Board and Senior Management team are a group of individuals who have a diverse mix of expertise, experience, skills and backgrounds. The skills and backgrounds collectively represented on the Board and in the Senior Management team should reflect the diverse nature of the business environment in which the Firm operates.

When considering individuals for Board nomination or candidates for a Senior Management role, the Firm will decide based on the individual's merit and ability without reference to any of the protected characteristics. Job and/or Board specifications shall be limited to those requirements that are necessary for the effective performance of the role. Interviews will be conducted on an objective basis. Shortlisting of candidates will be done by more than one person wherever possible.

If necessary, any disciplinary procedures and penalties will be applied without discrimination, whether they result in disciplinary warnings, dismissal or other disciplinary action. Also, if necessary, any redundancy criteria and procedures will be fair and objective and are not directly or indirectly discriminatory.

The Firm takes a progressive approach to promoting diversity across the Firm and actively considers diversity when attracting and securing talented candidates. The Board also requires Senior Management to attempt to find a balance of diversity, including gender diversity, both at junior and senior levels within their teams.

The Firm will continue to review the effectiveness of this policy to ensure it is achieving its objectives. This Policy shall be reviewed at least annually taking into account any new changes to legislation, or more frequently if there are any significant changes in the business, market or regulatory environment.

3. Material Risks of Harm

The most significant risks faced by the Firm are identified in the annual ICARA process and through a Risk and Control Self-Assessment ('RCSA') process. The RCSA is carried out at least annually with significant input from the first line business. The risks are documented in a Risk Register, which is maintained by the Risk function. Any assessment of potential risks of harm should consider not only the firm, but customers and the broader financial markets.

The most significant risks are summarised below.

Strategic/Business Risk

Strategic/Business Risk is the risk of loss to the Firm arising from changes in its business, including the risk that the Firm may not be able to execute its business plan and its desired strategy.

The Firm's business is primarily based on a single underlying investment strategy, i.e. systematic medium-term trend following, in effect a medium-term 'time series momentum' factor. There is a risk that patterns of market price movements (specifically lack of trends and rangebound markets) could result in large losses over a lengthy period for the Funds and managed accounts, triggering heavy redemptions. There could also be a systemic loss of faith in the broader sector, regardless of performance relative to peers. The impact would be reduced AUM and revenues through fee income, reducing the ability of the Group to meet the Firm's costs. While large and lengthy drawdowns and significant redemptions in the past have had an adverse but manageable effect, there is no certainty that this would result in the same outcome in the future.

Operational Risk

Operational Risk is the risk that the Firm could sustain losses through inadequate or failed internal processes, people, systems and external events. This includes the risk of losses resulting from a cyber-attack that breached the Firm's defences against such attacks. It also includes the risk of losses from legal claims or from breaches of regulations. The Firm mitigates operational risks through design and implementation of strong processes and effective internal controls. Operational Risk is inherent in the business and these internal control systems are designed to manage risks to the level of the Board's risk appetite rather than eliminate the possibility of all losses due to Operational Risk.

Reputational Risk

Reputational Risk is the risk of loss resulting from damage to the Firm's reputation that could lead to negative publicity, costly litigation, a decline in the investor base or the exit of key staff members and therefore directly or indirectly to a loss of revenue.

The Firm's reputation with investors (as a trusted manager of their money) and with employees as a trusted employer is a key asset of the Firm. Serious damage to the Firm's reputation would have a material adverse impact on its business. Reputational Risk is, however, a second order risk which would most likely occur as a consequence of the crystallisation of another principal risk, e.g. a significant Operational Risk event.

Group Risk

Group Risk is the risk that the financial position of the Firm may be adversely affected by its relationships (financial or non-financial) with other entities in the Group or by risks which may affect the financial position of the whole Group (e.g. reputational contagion).

The Firm is part of a wider Group and some of the risks highlighted above arise or may arise through its relationships with other companies in the Group. For example, damage to the Firm's reputation could result from the contagion effects of an event which initially occurred at another subsidiary of the Group.

Regulatory Risk

Regulatory Risk is defined here as the risk that a change in laws and regulations will negatively impact the Firm in terms of restriction of business activities. Risks around failures to adhere to regulations are covered under Operational Risk

The Firm operates in an ever-changing regulatory environment and obtains legal advice on the activities it carries out in order to ensure appropriate regulatory licenses are obtained in relevant jurisdictions. However, it is possible that changes take place which materially affect the ability to execute the current business model due to changes in regulation, leading to a reduction in revenue.

Other Risks

The Firm is also exposed to Market, Credit and Liquidity risk, although these are less significant risks for the Firm.

Market Risk *is the risk of loss from fluctuations in values of, or income from, assets or in interest or exchange rates.* The Firm does not maintain a trading book and Market Risk arises only on its non-sterling assets and liabilities and is relatively immaterial.

Credit Risk *is the risk of loss from the failure of a counterparty to perform its contractual obligations.* It is also negligible given the nature of the Firm's credit exposures (mainly cash at bank and short-term intercompany debtors).

Liquidity Risk *is the risk that the firm, although solvent, either does not have sufficient available resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.* This risk is considered very low.

4. Own Funds

Tables 1 to 3 have been prepared using the MIFIDPRU 8 Annex 1R templates, based on the financial position as of 30 June 2024.

Table 1: Composition of Regulatory Own Funds		Amount (GBP '000)	AFS Ref *
1	OWN FUNDS	32,046	
2	TIER 1 CAPITAL	32,046	
3	COMMON EQUITY TIER 1 CAPITAL	32,046	
4	Fully paid up capital instruments	1	15
5	Share premium		
6	Retained earnings	31,165	
7	Accumulated other comprehensive income		
8	Other reserves	880	
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		

** Source based on reference numbers/letters of the balance sheet in the audited financial statements*

Table 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements		Balance sheet as in published / audited financial statements As at 30 June 2024 (£'000)	Cross-reference to Table 1
1	Fixed Investment Assets	4,525	
2	Tangible Assets	723	
3	Debtors	7,707	
4	Current Investment Assets	3,350	
5	Deferred Tax	2,661	
6	Cash and Cash Equivalents	32,036	
	Total Assets	51,002	
1	Deferred Tax	-	
2	Amounts Falling Due Within One Year	13,807	
3	Amounts Falling Due After More Than One Year	5,149	
	Total Liabilities	18,956	
1	Called Up Share Capital	1	4
2	Capital Contribution Reserve	880	8
3	Profit and Loss Account	31,165	6
	Total Shareholders' Equity	32,046	

Table 3: Main Features of Own Instruments	
Ordinary A Shares	▪ Private placement of 1,000 issued shares of £1 each. ▪ Allotted, called-up and fully paid. ▪ Full notional amount (£1k) classified as CET1 capital. ▪ Shares are perpetual in nature.

5. Own Funds Requirements

The Firm operates an Internal Capital Adequacy and Risk Assessment Process ('ICARA') that provides a current and forward-looking assessment of the Firm's potential material harms, adequacy of own funds and liquid assets ('financial resources') in both its ongoing operations and in the event of a wind-down of its business.

The FCA has updated the prudential regime for investment firms. The Investment Firms Prudential Regime ('IFPR') came into effect on 1 January 2022 and introduces the Overall Financial Adequacy Rule ('OFAR') which includes an own funds threshold requirement ('OFTR') and a liquid assets threshold requirement ('LATR'). MIFIDPRU 8 does not require the public disclosure of these threshold requirement values.

The first step to calculate OFTR is to determine the Firm's Own Funds Requirement ('OFR') – refer to MIFIDPRU 4.3. This in effect acts as a floor for the OFTR. It is calculated as the maximum of:

- Permanent minimum capital requirement ('PMR') – this is determined by the Firm's regulatory status (£75k MIFIDPRU Investment Firm); and
- Fixed Overheads Requirement ('FOR') – this is in effect 3 months (one quarter) fixed running costs from the preceding financial year, based on audited financial statements; and
- K-factor requirements ('KFR') – this requirement results from an assessment of k-factors specified by the FCA which are considered relevant to the Firm's business model and strategy.

k-AUM Requirement k-CMH Requirement k-ASA Requirement	265 - -	*Sum of k-AUM, k-CMH, k-ASA* 265
k-COH Requirement k-DTF Requirement	135 -	*Sum of k-COH, k-DTF* 135
k-NPR Requirement k-CMG Requirement k-TCD Requirement k-CON Requirement	- - - -	*Sum of k-NPR, k-CMG, k-TCD, k-CON* Nil
k-Factor Requirement (KFR) (£'000)		400

Permanent Minimum Capital Requirement (PMR)	75
Fixed Overhead Requirement (FOR)	4,492
k-Factor Requirement (KFR)	400
Own Funds Requirement (OFR) (£'000) Higher of PMR, FOR, KFR	4,492

6. Remuneration

The Firm's Board is responsible for the design and implementation of the Firm's remuneration policy. The Firm's Material Risk Taskers ('MRTs') comprise the senior management and certain other individuals whose actions have a material impact on the risk profile of the Firm.

Remuneration is made up of fixed pay (i.e., salary and benefits) and variable pay (i.e., bonus). Variable remuneration is designed to reflect each individual's performance with respect to their objectives and the performance of the Firm as a whole, over a 12-month period. A proportion of the variable pay for MRTs is deferred and amounts are payable over pre-defined periods contingent on the Firm's performance and the employee remaining with the Firm for the period.

MRT Remuneration

Number of MRTs[1]	16
Fixed Remuneration	£3,604,357
Variable Remuneration Awarded	£2,854,323
Total Remuneration	£6,458,680

[1] Not all of the MRT are being paid by the company, some are being paid or partly paid by its affiliate iSAM Securities (UK) Limited