1.0 Pillar 3 Disclosure

Disclaimer

This publication has been prepared solely for the purpose of explaining the basis on which Netwealth Investments Limited ("Netwealth") has prepared and disclosed certain capital requirements and information about the management of risks relating to those requirements, and for no other purpose. It therefore does not constitute any form of financial statement on Netwealth nor does it constitute any contemporary or forward looking record or opinion on any of Netwealth’s activities.

Unless stated otherwise, quantitative disclosures are based on data at 31 March 2018.

This publication has not been audited.

Although Pillar 3 disclosures are intended to provide transparent capital disclosures on a common basis, the information contained in this document may not be directly comparable with other investment firms.

Scope

The Capital Requirements Directive ("CRD") uses the concept of three ‘Pillars’. Pillar 1 sets out the minimum capital requirements that regulated entities are required to meet for credit, market and operational risk. Under Pillar 2, regulated entities have to assess whether additional capital is required to capture risks not covered in Pillar 1. Pillar 3 is a set of disclosure requirements which enable market participants to assess information on an entity’s risk and management objectives and policies. The Financial Conduct Authority...
 (“FCA”) has introduced Pillar 3 by creating Chapter 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”).

In line with the BIPRU 11 requirement the Company will publish its Pillar 3 disclosures at least annually. The Directors will consider the need to publish some or all of the disclosures more frequently than annually should circumstances change or its processes and procedures be subject to material change. The Directors believe the website is the most appropriate medium for communicating Pillar 3 disclosures (www.netwealth.com)

Company Profile
The Company was incorporated on 17 March 2015 and was authorised by the FCA on 19 April 2016. It was previously known as Love Wealth Limited and changed its name to Netwealth Investments Limited on 10 November 2015. The Company is authorised and regulated by the Financial Conduct Authority (FCA) and has been categorised as a limited license firm for capital adequacy purposes.

The Company is a sole entity and not part of any group.

Risk Management Framework
The Company is governed by its Board of Directors who determines its business strategy and risk appetite. The Board is responsible for establishing and maintaining the Company’s governance arrangements including the design and implementation of a risk management framework that recognises the risks that the business faces. However, it is the business areas themselves that determine what this means and how to manage the risks within their area.

Risk Management Systems and Techniques
The Risk and Compliance Committee has responsibility to the Board to monitor the risk profile of the business and make recommendations to the Board of Directors concerning the risk profile of the business. This Committee meets on a quarterly basis and provides assurance to the Board and senior management that an effective risk management framework is in place.

The Controls Committee has responsibility for monitoring the internal processes and controls together with the service performance of the outsourced service providers. This committee meets on a monthly basis.

Key Risks Identified
The Company has been structured to present a very limited risk profile. Importantly, even though it is authorised to deal with Retail Clients as well as Professional Clients and Eligible Counterparties, as a discretionary investment manager, the company does not hold client money or assets nor has any propriety trading book exposure. There are a number of risks that management and the Board must consider and manage:

- Achieving the Company’s business plan objectives in the start-up phase and beyond.
- Maintain high quality customer service and experience. The Company’s reputation and client’s confidence can only be maintained through exceptional customer service from the Investment Advisers and Customer Service staff.
- Internal financial controls and compliance processes.

Apart from the major risks that have been considered above, the Company is exposed to the following:
• **Credit risk** - The Company does not hold client funds, nor does it extend credit to its clients. The Company holds its working capital accounts at a reputable credit institution, and the credit risk on these exposures is considered as very low. The Company follows the simplified standard approach to credit risk.

• **Market risk** - The Company does not take proprietary positions. The Company also does not have any significant foreign exchange exposures. Market risk is therefore considered minimal and a standardised approach to market risk is followed.

• **Operational risk** - The Company has an overall risk assessment framework in place. Operational risks have been defined and mitigated with systems and controls and the residual risks are perceived as low.

**Capital Resources and Capital Adequacy**

The Company’s total capital resources as at 31 March 2018 were comprised as follows:

<table>
<thead>
<tr>
<th>Netwealth Investments Limited (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Share Capital and Share Premium Account</td>
</tr>
<tr>
<td>Other Capital</td>
</tr>
<tr>
<td>Audited Reserves</td>
</tr>
<tr>
<td>Total Tier 1 Capital:</td>
</tr>
<tr>
<td>Capital Resources Requirement</td>
</tr>
<tr>
<td>Surplus</td>
</tr>
</tbody>
</table>

Other Capital represents amounts received from investors under an Advance Subscription Agreement during the financial year ended 31 March 2018 which will be converted into shares during 2018. Under the terms of the agreement 227,367 shares will be issued to the investors at the earliest of (a) the first anniversary of the date of the signing of the Advance Subscription Agreement, (b) a Change of Control or (c) an Insolvency Event. Pending such issue of shares, the funds advanced are at the disposal of the Company, the investors have no entitlement to interest and there are no circumstances in which the investor would be entitled to repayment.

The capital resources requirement is determined as the higher of the fixed overheads requirement, the sum of the operational, credit and market risk requirements costs or the wind-down cost. The higher amount is the fixed overheads requirement and has been calculated as £0.92m.

The approach to assessing the adequacy of the internal capital is set out in the Company’s Internal Capital Adequacy Assessment Process.

The Company believes that the Pillar 1 requirements adequately cover Market and Credit Risk which are minimal and the majority of the Operational Risks. The Company is also satisfied through its risk management framework and stress tests that the Firm has sufficient capital resources to withstand all of
the stipulated stresses as well as an orderly wind down should there be a curtailment of business for whatever reason.

2.0 Remuneration
The Company is required to comply with the FCA Remuneration Code although as a BIPRU Limited License Firm it falls into the FCA’s third (and lowest) proportionality tier. In line with the proportionality guidance the Board of the Company has not established a Remuneration Committee. The remuneration policy is approved by the Board of Directors. The Board is therefore responsible for establishing, implementing and maintaining remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management. In addition, the independent director would approve the establishment of any pension, bonus, profit sharing or other incentive scheme or plan for Board members as well as employees of the Company.

The Board has not taken advice from an external consultant.

Currently the Executive Directors and Senior Management receive base salaries at a level which reflects the current position of the business and they are incentivised through their equity holdings in the business.

An employee share option scheme is in operation for selected employees and directors. The option scheme is designed to reward these employees and directors on the long-term performance of the Company.

The Company has identified 7 Code Staff as at 31 March 2018. These are assessed as Board Directors and the Senior Management team. Code Staff are forecasted to receive aggregate remuneration of £0.73m for the financial year ending 31 March 2019. The Company only has one business area.

3.0 MIFID II Disclosures

3.1 Year ended 31 December 2017
Click [here to access]

3.2 Year ended 31 December 2018
Click [here to access]