



SHENKMAN CAPITAL MANAGEMENT LTD

PILLAR 3 DISCLOSURE

STEWARDSHIP DISCLOSURE

SHAREHOLDER RIGHTS DIRECTIVE STATEMENT

REMUNERATION CODE DISCLOSURE

30 JUNE 2020



SHENKMAN CAPITAL MANAGEMENT LTD

PILLAR 3 DISCLOSURE: 30 JUNE 2020

1. Introduction

Shenkman Capital Management Ltd (the 'Firm' or 'Shenkman') is authorised and regulated by the Financial Conduct Authority ('FCA'). Shenkman's Pillar 3 Disclosure is made in accordance with the Capital Requirements Directive (the 'Directive') implemented by the FCA through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The Directive established a revised regulatory capital framework governing the amount and nature of capital credit institutions and investment firms must maintain.

The Directive consists of three 'Pillars':

- **Pillar 1** sets the minimum amount of regulatory capital a firm must hold to meet its credit, market and operational risk.
- **Pillar 2** requires firms to assess whether additional capital should be held to cover those risks not considered under Pillar 1.
- **Pillar 3** seeks to improve market discipline by requiring firms to disclose certain information on risk and capital management.

2. Scope of Application

This document is designed to meet Shenkman's Pillar 3 obligations and has been reviewed by Shenkman's Board of Directors. Shenkman makes its Pillar 3 disclosure on an annual basis via www.shenkmancapital.com. The disclosure will be published as soon as practical following Shenkman's financial year end.

Shenkman is permitted to omit required disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm. In addition, Shenkman may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In our view, proprietary or confidential information is that which, if it were shared, would undermine our competitive position. In addition, information is considered to be confidential where there are obligations binding us to confidentiality with our team members, clients, vendors and counterparties.

3. Firm Overview

Shenkman is wholly owned by Shenkman Capital Management, Inc. (the 'Parent Company'), a global investment advisory firm registered with the U.S. Securities and Exchange Commission. Shenkman provides investment advisory, trading, marketing and support services to its Parent Company.

Shenkman is limited to providing services to professional clients and eligible counterparties and is not authorised to hold client money or to take proprietary trading positions. Shenkman is a BiPRU Firm and is not part of a consolidation group for prudential purposes.

4. Risk Management

Shenkman is governed by its Board of Directors which is responsible for the direction and strategy of the Firm, the management of risk and oversight of all business activities.

The Firm has established a Management Committee that meets on a periodic basis to receive management information and review performance against key business goals and governance objectives. Current projections for profitability, cash flow, business planning, risk and regulatory capital management are regularly reviewed by the Parent Company's Finance Department and in conjunction with the Firm's Compliance Officer where required.

Shenkman seeks to manage risk through a framework of policies and procedures having regard to relevant laws, standards, principles and rules. These policies and procedures are periodically assessed and updated as required. Senior Managers are responsible for managing the risks encountered in their respective business area. The Compliance Officer, together with the Parent Company's Legal and Compliance Department, is responsible for monitoring, on an ongoing basis, the arrangements implemented to manage identified risks.

Operational, market, credit and liquidity risk have been identified as the main areas of risk to which Shenkman is exposed. On an annual basis a formal review of the risks, controls and other mitigation arrangements is completed as part of the Internal Capital Adequacy Assessment ('ICAAP'). Consideration is given to the financial impact of material risks as part of the business planning and capital management process to ascertain whether the amount of regulatory capital held continues to be adequate or whether further capital to mitigate the identified risk is required.

5. Capital Requirements and Adequacy

Shenkman is a Limited Company and its capital arrangements are established in its Articles of Association. The Firm's capital resources and capital requirement as at 30 June 2020 (rounded to the nearest thousand) are set out below:

Capital Resources	
Tier 1 Capital	\$5,372,000
Tier 2 and 3 Capital	\$0
Deductions from Capital	\$0
Total Capital Resources	\$5,372,000
Capital Resources Requirement	
Pillar 1 Requirement (Higher of a, b and c)	\$806,000
(a) Base Capital Requirement	€50,000
(b) Fixed Overhead Requirement	\$784,000
(c) Credit Risk and Market Risk Requirement	\$806,000
Pillar 2 Requirement	\$1,072,000
Total Capital Requirement (Higher of Pillar 1 and Pillar 2)	\$1,072,000
Total Surplus Capital	\$4,300,000

Shenkman takes a prudent approach to the management of its capital base and seeks to ensure that it has sufficient resources to meet its obligations at all times. Shenkman has concluded, as part of its ICAAP, that it has adequate surplus capital to support current and future operations in light of the key risks identified.

Shenkman's market and credit risk relates primarily to bank balances and fee receivables from its Parent Company, both of which are in US dollars. Shenkman follows the standardised approach to market risk and the simplified standard approach to credit risk. Shenkman is not required to calculate an operational risk capital charge though it has considered operational risk as part of the ICAAP. Further disclosures relating to Shenkman's key risks have been omitted on the grounds of materiality.

Shenkman's Pillar 1 Requirement has been determined by reference to the total of the credit risk and market risk capital requirement, since this exceeds its fixed overhead requirement ('FOR') and its base capital requirement. Whilst the Pillar 1 calculations are based on audited expenditure, Shenkman monitors its overheads and market and credit risk on a monthly basis to take into account any material fluctuations. By doing this Shenkman seeks to ensure that the capital requirement remains appropriate for the size and nature of the business and, where required, intra-year adjustments are made.

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Shenkman Capital Management Ltd (the 'Firm' or 'Shenkman') is authorised and regulated by the Financial Conduct Authority ('FCA'). Under FCA Rules, a firm that manages investments for professional clients is required to make a public disclosure on the nature of its commitment to the voluntary Stewardship Code (the 'Code'), as published by the Financial Reporting Council ('FRC'), referred to hereafter as the 'Disclosure Requirement'.

Effective from 1 January 2020, the Code has been substantially updated to apply to a broader range of asset classes beyond listed equities, to also include fixed income bonds, real estate and infrastructure. It also requires signatories to take account of material environmental, social and governance ('ESG') factors when fulfilling their stewardship responsibilities. Stewardship is defined in the Code as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The Code sets out twelve principles to be applied by asset managers on an 'apply and explain' basis covering matters such as purpose and governance, investment approach, engagement and exercising rights and responsibilities. To become a signatory to the Code, asset managers must submit a Stewardship Report to the FRC explaining how they have applied the Code's principles in the previous twelve months. The FRC will assess the report and if it meets the reporting expectations, the firm will be listed as a signatory to the Code.

Shenkman is not subject to the Disclosure Requirement as it is not currently providing portfolio management services on a discretionary basis. However, it is important to note that the Firm is supportive of the Code's objective with several of its principles being closely aligned with the Shenkman Group's approach to responsible investing and its ESG principles.

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Shenkman Capital Management Ltd (the 'Firm' or 'Shenkman') is authorised and regulated by the Financial Conduct Authority ('FCA'). Under FCA Rules, derived from the EU Shareholder Rights Directive ('SRD'), asset managers are required to adopt, on a 'comply or explain' basis, an engagement policy describing how an asset manager integrates in its investment strategy shareholder engagement relating to shares traded on a regulated market ('investee companies').

Shenkman is not an asset manager for the purposes of the SRD as it is not currently providing portfolio management services on a discretionary basis. Further, Shenkman does not currently execute orders in the shares of investee companies. For these reasons, Shenkman has determined that it is not appropriate to adopt an engagement policy for the purposes of the SRD.

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Shenkman has adopted a Remuneration Policy in accordance with SYSC 19C BIPRU Remuneration Code (the 'Code'), SYSC 19F Remuneration and Performance Management and the General Guidance on Proportionality (the 'Guidance'). The Remuneration Policy seeks to ensure that Shenkman's compensation arrangements:

- are consistent with and promote sound and effective risk management;
- do not encourage excessive risk taking;
- include measures to avoid conflicts of interest; and
- are in line with the Firm's business strategy, objectives, values and long-term interests.

2. Proportionality

Shenkman has not established a Remuneration Committee as, on the grounds of proportionality, it does not consider it is suitably significant in terms of its size and internal organisation. Furthermore, the current nature, scope and complexity of Shenkman's activities are not deemed to warrant this.

In accordance with the Guidance and the Code's proportionality rule, Shenkman considers it appropriate, on a firm wide basis, to disapply the following requirements relating to remuneration structures:

- retained shares or other instruments;
- deferral;
- performance adjustment; and
- the ratios between fixed and variable components of total remuneration.

Consideration has also been given to the FCA's stated position that it will normally be appropriate for a BIPRU firm to disapply these provisions. There is nothing when considering Shenkman's size, internal organisation and nature, scope and complexity of its activities that is deemed to override this presumption.

3. Link between Pay and Performance

Shenkman seeks to ensure that its Remuneration Policy is in line with its business strategy, objectives, values and long-term interests, incorporating measures to mitigate conflicts of interest. The remuneration structure is devised to reward team members for the manner in which they perform their roles as opposed to being tied in a linear fashion to, for example, the underlying performance of any portfolios or assets raised.

To attract and retain talented individuals Shenkman offers a highly competitive total compensation package. All team members receive a base salary, complete benefits package and are eligible to receive a discretionary bonus.

With the exception of the executive incentive scheme, which provides certain senior team members with the opportunity to purchase equity in the Parent Company, and exceptional payments permitted under the guaranteed remuneration provisions, all compensation is encompassed in base salaries and the discretionary bonus scheme.

4. Decision Making Process

Each Department Head will recommend a suitable discretionary bonus sum based on predicated factors such as individual performance, firm performance and meeting corporate objectives. Apart from the Firm's Credit Analysts, where a portion of their bonus is dependent on the quality of their investment recommendations, there is no formal methodology for determining the level of bonus awarded to team members. Any discretionary element of remuneration will also take into account a team member's commitment to Shenkman's compliance culture and adherence to compliance policies and procedures.

Mr. Mark Shenkman (President, Founder and Co-CIO of the Parent Company and Director and Senior Manager of Shenkman) and Mr. Justin Slatky (Executive Vice President, Co-CIO and Senior Portfolio Manager of the Parent Company and Director and Senior Manager of Shenkman) has ultimate approval of the discretionary bonuses paid to team members, with oversight from the Parent Company's Board of Directors, thereby providing appropriate independent challenge to the initial assessment made by Department Heads.

5. Remuneration of Code Staff

Shenkman considers that there is only one business area within the Firm. Further information on the remuneration paid to employees and directors is set out in Shenkman's Annual Report and Financial Statements which is publicly available from Companies House.

Shenkman has defined its Code Staff as including its directors and senior managers. For the financial year ending 30 June 2020 the aggregate remuneration awarded to Shenkman's Code Staff was \$1,772,500. This includes team members who have been Code Staff at Shenkman for any part of the year.
