



INDEPENDENT  
**FRANCHISE PARTNERS™**

## **MIFIDPRU 8 Public Disclosures**

**April 2024**

## Introduction

The Financial Conduct Authority (“FCA”) sets out the detailed prudential requirements that apply to Independent Franchise Partners, LLP (“The Firm” or “Franchise Partners”) in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook (“MIFIDPRU”). The public disclosure rules and guidance with which Franchise Partners must comply, further to those prudential requirements, are set out in Chapter 8 of MIFIDPRU (“MIFIDPRU 8”).

The Firm is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm (“Non-SNI MIFIDPRU Investment Firm”). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

These disclosures provide an insight into the Firm’s culture, as well as data on the Firm’s own funds and own funds requirements. This allows potential investors to assess the Firm’s financial strength.

This document has been prepared in accordance with the requirements of MIFPRU 8. Unless otherwise stated, all figures are as at the 31 March 2024 financial period-end.

## Business Strategy

Franchise Partners commenced operations in June 2009 and is authorised and regulated by the FCA, reference number 498991. The Firm is also registered with the Securities and Exchange Commission (SEC) in the US to act as an investment adviser under Section 203(c)(2)(A) of the Investment Adviser Act of 1940 (firm no. 150108, SEC File No. 801-70126). Registration with the SEC does not imply that Independent Franchise Partners, LLP possesses a certain level of skill or training.

The Firm has a focused business model, acting as the investment manager for a number of institutional managed accounts, two Irish UCITS funds, two US Delaware LP funds and a US 1940 Act Mutual Fund. The Firm offers the Franchise investment approach solely to institutional investors through a dedicated, independent, investment management partnership. The Firm only offers long-only equity strategies, currently through Global Franchise, Global Franchise II and US Franchise offerings. It has no plans to invest in other types of securities or offer strategies built on a different investment approach.

Assets under management were US\$16.5 billion at 31 March 2024.

The Firm primarily seeks to grow its revenues by growing the underlying asset base on which it charges a management fee. This is achieved by the prudent growth of client assets and by seeking additional asset inflows from prospective clients.

The Firm seeks to earn attractive long-term returns while minimising business risk and valuation risk. Costs are controlled carefully to ensure long-term profitability and the Firm aims to continuously improve its control environment.

Given the Firm's business model, controls, and controls assessment, the Firm has concluded that its overall potential for harm is low.

## **Risk Management Objectives and Policies**

### **Risk Management Structure**

Due to the Firm's nature, size and low level of complexity, Franchise Partners does not have an independent risk management function. Furthermore, the Firm is not required by MIFIDPRU to establish a risk committee.

The Firm has established a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The Firm's Members are responsible for Risk Management. The Chief Operating Officer ("COO", also a Member of the Firm) oversees and monitors the Firm's procedures to manage these risks.

The Members meet regularly to discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management.

Annually, the Members formally review risks, controls, and other risk mitigation arrangements and assess their effectiveness; the conclusions of this review inform the Firm's overall risk appetite.

Appropriate action is taken where risks are identified that fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's mitigating controls.

The Members' appetite for risk is low. They are committed to:

- ensuring all business activities are conducted with a clear understanding of risks;
- maintaining a robust risk management framework;
- ensuring transparent disclosure;
- treating customers fairly; and
- meeting the expectations of major stakeholders, including clients, employees, and regulators.

### **Concentration Risk**

The Members believe the potential for harm associated with the Firm's business strategy, based on concentration risk, is low.

The Firm does not hold any client money and benefits from a diverse client base, meaning that it does not have an excessive dependence on one client or a small group of clients for the business to be viable.

The Firm holds 100% of its cash balance with HSBC and regularly monitors this position. The current credit rating for HSBC is AA-. Some cash may be held in fixed deposits, cash levels are monitored to ensure sufficient amounts are held in current accounts and available on demand.

The Firm does not conduct any principal trading and therefore is not exposed to any significant counterparty risk.

The Firm currently only trades in liquid equities and FX on behalf of its clients. Equity trades are settled delivery versus payment which minimises counterparty risk. The Firm has a counterparty risk policy to monitor broker counterparty risk. This includes a minimum credit rating requirement for FX counterparties.

## Liquidity

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due. This also ensures that the Firm has appropriate (liquid) resources in the event of a stress scenario.

The Members believe the potential for harm associated with the Firm's business strategy, based on the Firm's basic liquid assets requirement, is low. The Firm maintains a healthy core liquid assets surplus above the basic liquid assets requirement. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. The Firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds. Additionally, it has historically been the case that all debtors are settled promptly. This ensures further liquidity resources are available to the Firm if required on a timely basis. The Firm's cash position is monitored by the Members on a monthly basis.

## Governance Arrangements

### Overview

The Members believe that effective governance arrangements help the Firm to achieve its strategic objectives while also ensuring that the risks to the Firm are identified, managed, and mitigated.

The Members have overall responsibility for the Firm and are therefore responsible for defining and overseeing its governance arrangements.

The Members meet on a monthly basis to fulfil their governance responsibilities. Amongst other things, the Members:

- approve and oversee the implementation of the Firm's strategic objectives and risk appetite;
- ensure the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls;
- ensure compliance with the requirements of the regulatory system;
- assess the adequacy of policies relating to the provision of services to clients; and
- provide oversight of the Firm's senior management.

The Members discuss, review and ratify the Firm's key Governance Arrangements Document ("SYSC Document") at least annually. This document demonstrates how the Firm has met its obligations with regard to its governance arrangements. The SYSC Document provides the Members with information on the functioning and performance of all aspects of the Firm, including the following areas:

- General organisational requirements, including steps taken by the Firm to ensure continuity and regularity in the performance of its regulated activities, and the Firm's accounting policies;
- Employees, including steps taken by the Firm to ensure that employees have the necessary skills, knowledge, and expertise for the discharge of the responsibilities allocated to them, and to ensure that they are fit and proper persons;
- Policies, procedures, and controls for meeting its compliance and financial crime requirements;
- Internal capital adequacy and risk assessment process;
- Outsourcing of critical or material operating functions or activities;
- Record-keeping controls and arrangements;
- Conflicts of interest management;
- Remuneration policies and practices; and
- Whistleblowing controls.

## Members

All of the Firm's Members are of sufficiently good repute and sufficiently experienced to ensure the sound and prudent management of the Firm. They all have sufficient experience in relation to the management of the Firm's investment strategies.

### **Jayson Vowles, CFA, Managing Partner and Co-Lead Investor**

Jayson is the managing partner and co-lead investor at Franchise Partners. He has 23 years of investment experience. Prior to founding the Firm in June 2009, Jayson was Vice President and a portfolio manager/research analyst for Global and American Franchise portfolios at Morgan Stanley Investment Management, which he joined in August 2003. Previously, Jayson worked at Goldman Sachs and Deloitte & Touche. Jayson has a B.Comm. and a post-graduate diploma in Accounting from the University of Natal. He is a CFA® Charterholder, a Qualified Chartered Accountant and a member of the South African Institute of Chartered Accountants (SAICA).

### **Michael Allison, CFA, Partner and Co-Lead Investor**

Michael is a partner and co-lead investor at Franchise Partners. Michael has 27 years of investment experience. Prior to founding the Firm in June 2009, Michael was Executive Director and a portfolio manager/research analyst for Global and American Franchise portfolios at Morgan Stanley Investment Management. Michael joined Morgan Stanley in 2000 and served as a portfolio manager for global and European equity portfolios before joining the Franchise team in February 2005. Previously, Michael worked at NatWest Markets and Unilever. He has a B.Comm. and a post-graduate diploma in Management Accounting, both from the University of Natal. He is a CFA® Charterholder and a Chartered Global Management Accountant.

### **Karim Ladha, CFA, Partner and Investor**

Karim is a partner and investor at Franchise Partners. He joined the Firm in May 2011 and has 17 years of investment experience. Prior to joining the Firm, Karim worked at Neptune Investment Management in London. Previously, Karim performed both equity and fixed income research at Morgan Stanley Investment Management, including working with the Franchise team. Karim has a B.A. in Philosophy, Politics and Economics from St John's College, University of Oxford and an MBA from the University of Chicago, and is a CFA® Charterholder.

### **Richard Crosthwaite, Partner and Investor**

Richard is a partner and investor at Franchise Partners. He joined the Firm in January 2014 and has 18 years of investment experience. Prior to joining the Firm, Richard was a fund manager at Legal & General Investment Management. In this role he continued his previous analyst responsibility for the TMT sector. Previously, Richard was a senior equity research associate at Sanford C Bernstein Ltd, working with the firm's Telecoms and European Media teams, following earlier experience working in corporate finance. Richard has an M.A. in Classics from the University of Cambridge.

### **Sandeep Ghela, Partner and Chief Operating Officer**

Sandeep joined Franchise Partners in March 2010 and has 26 years of industry experience. Sandeep joined the Firm as the Head of Middle Office and was promoted to Chief Operating Officer in January 2018. Before joining the Firm, Sandeep was a managing consultant within the Financial Services Practice of Navigant Consulting where his role included providing the Firm with operations advice and management. Sandeep's career focus has been in investment operations and technology, with consulting roles at Navigant Consulting (Europe) and, prior to that, consulting and operational roles in South Africa at Morse Management Consulting, Microgen and Momentum Advisory and Administration Services. Sandeep has a B.Comm. (Accounting) from the University of the Witwatersrand and has a Registered Persons Qualification from the Institute of Financial Markets and a Higher Certificate in Insurance from the Insurance Institute of South Africa.

The Members do not hold any directorships requiring disclosure as at 31 March 2024

## **Diversity of the Members**

The Members believe that a diverse and inclusive organisation helps support the Firm's mission of serving clients. It also helps attract and retain the talented professionals required to meet our clients' expectations.

The Members encourage and support a culture in which all staff are treated with dignity and respect. At all times the Members aim to:

- develop and promote the best people for the role and the Firm, noting that can be based on more than just their qualifications and previous experience, but can also be about how they enrich our workforce and help us to innovate and grow as a business;
- go further than simply ensuring all applicants and employees receive fair treatment. Some employees need a little more help to achieve their potential than others - this is especially true for

employees with disabilities, where adjustment may be made to assessments to level the playing field.

- work to build and maintain a working environment free from harassment and intimidation;
- ensure strict adherence to existing and new legislation based on a stated right to equal treatment; and
- deal effectively with any complaints of alleged discrimination and/or harassment, ensuring that, should such incidents arise, they are fully investigated, and that remedial action is taken where necessary.

The Firm does not tolerate unlawful discrimination, whether this is conscious or unconscious.

## Own Funds

As at 31 March 2024, the Firm maintained own funds of £4.1m. The Firm meets 100% of its own funds requirement with Common Equity Tier 1 (CET1) Capital (i.e., paid-up members capital).

### Own Funds Requirements

As a Non-SNI MIFIDPRU firm, the Firm's Own Funds Threshold Requirement consists of:

Requirement	£'000
<i>Highest of:</i>	
(A) Permanent minimum requirement ("PMR")	75
(B) Fixed overhead requirement ("FOR")	3,561
(C) K-factor requirement	2,536
<hr/>	
(D) Own fund requirement (Max. A, B or C)	3,561
(E) Additional own funds requirement for wind down	3,106
<hr/>	
<b>Own funds threshold requirement (Max. D or E)</b>	<b>3,561</b>
Own funds	4,100
<hr/>	
<b>Own funds surplus</b>	<b>539</b>

The Firm's own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with the Firm's business strategy, based on the Firm's own funds requirement, is low. This is because the Firm's revenues and asset base are relatively consistent and stable.

The Firm maintains a healthy own funds surplus above the own funds requirement in order to mitigate the risk of breach of the own funds requirement. In the event that the Firm's own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify the FCA.

The Members will consider the necessary steps required to increase the own funds buffer; this may include injecting more own funds into the Firm.

To determine its own funds threshold requirement, the Firm identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduces the appropriate amount of additional own funds required to cover the residual risk.

This process is documented in the Firm's Internal Capital Adequacy and Risk Assessment document ("ICARA").

## Remuneration Policy and Practices

### Overview

As a Non-SNI MIFIDPRU Investment Firm, Franchise Partners is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook ("SYSC")). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The Firm's remuneration policies and practices aim to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and that does not encourage risk-taking which would be inconsistent with the Firm's risk profile and the services it provides to its clients.

In addition, the Firm recognises that remuneration is a key component in attracting, motivating, and retaining high quality staff and sustaining consistently high levels of performance, productivity, and results. As such, the Firm's remuneration philosophy is grounded in the belief that its people are its most important asset and provide its greatest competitive advantage.

The Firm is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

### Characteristics of the Firm's Remuneration Policy and Practices

Remuneration at the Firm comprises fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm's financial performance and the performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.



## Governance and Oversight

The Members are responsible for setting and overseeing the implementation of the Firm's remuneration policy and practices.

The Members review the Firm's remuneration policy and practices annually.

## Material Risk Takers

Franchise Partners undertakes an annual review of its staff to identify those roles which could potentially have a material impact on the risk profile of the Firm or the assets it manages ("Material Risk Takers"). Individuals designated as Material Risk Takers ("MRTs") include (but are not limited to):

- Members of the management body in its management function;
- Members of the senior management team;
- Those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;
- Those with managerial responsibilities for the activities of a control function;
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;
- Those that are responsible for managing information technology, information security, and/or outsourcing arrangements for critical or important functions; and
- Those with authority to take decisions approving or vetoing the introduction of new products.

The firm has identified 6 MRTs in the Firm.

## Quantitative Remuneration Disclosure

According to MIFIDPRU 8.6.8 (4), a firm needs to disclose the fixed, variable and total remuneration split into categories of senior management, other MRTs and other staff. However, even aggregated disclosure under these requirements would lead to the identification of one or two MRTs and therefore, the Firm is relying on the exemption in relation to these obligations provided by MIFIDPRU 8.6.8 (7)(b).