



**Axiom Investors LLC**  
**Remuneration Policy Overview**  
**1 January 2022**

## TABLE OF CONTENTS

1.	INTRODUCTION AND BACKGROUND .....	2
1.1	Purpose of this document .....	2
1.2	Activities within the scope of this document.....	2
2.	WHAT REMUNERATION REQUIREMENTS ARE RELEVANT TO AXIOM? .....	2
2.1	Relevant regimes in each jurisdiction .....	2
2.2	Specific Remuneration Requirements .....	3
3.	WHY ARE THE REMUNERATION REQUIREMENTS RELEVANT TO AXIOM? .....	3
3.1	Relevance of Remuneration Requirements to delegates?.....	3
3.2	Approach for Axiom .....	4
4.	APPROACH TO PROPORTIONALITY .....	4
4.1	The proportionality principle.....	4
4.2	Factors relevant to application of proportionality for Axiom .....	5
4.3	Proportionate disapplication of pay-out process rules .....	5
5.	WHICH STAFF? .....	6
5.1	Identified Staff (or Code Staff in the UK).....	6
5.2	Application to Axiom .....	6
6.	WHAT REMUNERATION? .....	6
7.	REMUNERATION ARRANGEMENTS AND PRACTICES.....	7
7.1	Overview of governance arrangements .....	7
7.2	Decision-making process for determining remuneration including bonus awards .....	7
8.	OVERVIEW OF REMUNERATION PRACTICES .....	7
8.1	General principles.....	7
8.2	Remuneration structures .....	8
8.3	Appropriate balance between fixed and variable remuneration .....	8
8.4	Procedure for assessment of performance and determination of individual awards .....	9
8.5	Form of variable remuneration.....	9
8.6	Deferred remuneration.....	9
8.7	Performance adjustment.....	9
8.8	Guaranteed variable remuneration .....	9

## 1. INTRODUCTION AND BACKGROUND

### 1.1 Purpose of this document

1.1.1 The financial services regulatory regimes in the United Kingdom ("**UK**") and European Union ("**EU**") impose requirements on the remuneration arrangements of firms carrying on certain financial services activities in those jurisdictions and on collective investment schemes established or marketed in those jurisdictions.

1.1.2 Axiom Investors LLC ("**Axiom**") provides investment management services to firms and/or collective investment schemes subject to remuneration requirements in the UK and EU. The purpose of this document is to demonstrate that the provision of those services by Axiom does not result in the avoidance of the remuneration requirements.

### 1.2 Activities within the scope of this document

1.2.1 This document applies in respect of Axiom's provision of investment management services to different types of entity in the UK and EU. These include the following:

- (a) Acting as the investment manager of Axiom Investors ICAV, which is an investment fund incorporated in Ireland as a UCITS scheme under the European UCITS Directive (the "**EU UCITS**").
- (b) Acting as the sub-investment manager of EU UCITS operated by third party investment managers.
- (c) Acting as the investment manager or sub-investment manager of a number of third party alternative investment funds (each an "**AIF**") established in Ireland and Luxembourg (each an "**EU AIF**").
- (d) Acting as the sub-investment manager of a third party UK authorised fund that is categorised as a non-UCITS retail scheme, and is therefore an AIF established in the UK (each an "**UK AIF**").

1.2.2 Where Axiom provides investment management services to a collective investment undertaking, it may be appointed by the collective investment undertaking or its management company, or Axiom may be appointed as the delegate of an intermediate investment manager.

## 2. WHAT REMUNERATION REQUIREMENTS ARE RELEVANT TO AXIOM?

### 2.1 Relevant regimes in each jurisdiction

2.1.1 Based on the activities carried on by Axiom, the remuneration requirements expected to be relevant to Axiom are:

- (a) in Ireland - the remuneration requirements under the “**UCITS regime**”<sup>1</sup> and the “**AIFMD regime**”<sup>2</sup> in Ireland; and
  - (b) in the UK - the remuneration requirements under the AIFMD regime in the UK,
- (together, the “**Remuneration Requirements**”).

## 2.2 Specific Remuneration Requirements

2.2.1 In Ireland, the Remuneration Requirements are principally set out in:

- (a) for the UCITS regime - principally the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended); and
- (b) for the AIFMD regime - principally the European Union (Alternative Investment Fund Managers) Regulations 2013 (as amended).
- (c) In the UK, the Remuneration Requirements are set out in a number of ‘remuneration codes’ within the Senior Management Arrangements, Systems and Controls Sourcebook (“**SYSC**”) in the Handbook of Rules and Guidance (“**FCA Rules**”) of the Financial Conduct Authority (“**FCA**”). For the AIFMD regime applicable to Axiom the AIFM remuneration code (SYSC 19B) is relevant while the code for the UCITS regime is not currently relevant (UCITS remuneration code SYSC 19E)

2.2.2 The Remuneration Requirements are supplemented by guidelines or statements made by the European Securities and Markets Authority (“**ESMA**”).<sup>3</sup> These are relevant to the position in Ireland. The FCA has stated that such guidelines remain relevant in the UK notwithstanding Brexit.<sup>4</sup>

## 3. WHY ARE THE REMUNERATION REQUIREMENTS RELEVANT TO AXIOM?

### 3.1 Relevance of Remuneration Requirements to delegates?

3.1.1 Where an entity subject to the Remuneration Requirements under the UCITS regime or AIFMD regime delegates the performance of certain functions to another entity, it is required to ensure there is no circumvention of the relevant Remuneration Requirements.

<sup>1</sup> The regulatory framework established under Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as amended by Directive 2014/91/EU (“**UCITS Directive**”) and all implementing legislation and regulation (as amended), as implemented and/or retained in the UK following the UK’s withdrawal from the European Union (“**Brexit**”), or as implemented in Ireland (as appropriate).

<sup>2</sup> The regulatory framework established under Directive 2011/61/EU on Alternative Investment Fund Managers (“**AIFMD**”) and all implementing legislation and regulation (as amended), as implemented and/or retained in the UK following Brexit, or as implemented in Ireland (as appropriate).

<sup>3</sup> Guidelines on Sound Remuneration Policies under the UCITS Directive (ESMA/2016/575) (“**ESMA UCITS Guidelines**”) and Guidelines on sound remuneration policies under the AIFMD (ESMA/2013/232) (“**ESMA AIFM Guidelines**”)

<sup>4</sup> FCA statement on its approach to EU non-legislative materials.  
<https://www.fca.org.uk/publication/corporate/brexit-our-approach-to-eu-non-legislative-materials.pdf>

This "no circumvention" rule applies where a firm subject to the Remuneration Requirements appoints a delegate, and also applies to any further delegation (i.e. sub-delegation) by the delegate.

3.1.2 The ESMA UCITS Guidelines and ESMA AIFM Guidelines specify two approaches for firms subject to the Remuneration Requirements under the UCITS Directive and the AIFMD to ensure the requirements are not circumvented by delegates/sub-delegates. These are as follows:

- (a) **By contract:** Ensure appropriate contractual arrangements are put in place to ensure that there is no circumvention of the remuneration rules set out in the relevant guidelines / Remuneration Requirements. These contractual arrangements should cover any payments made to the delegates' "identified staff" as compensation for the performance of investment management activities on behalf of the delegating firm.
- (b) **By examination of applicable regulations:** Ensure delegates are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the relevant guidelines / Remuneration Requirements. This is primarily of benefit to delegates/sub-delegates that are regulated entities in the EU or UK and subject to the Remuneration Requirements or other regulatory regimes imposing requirements on remuneration (e.g. under the Capital Requirements Directive or MiFID).

### 3.2 Approach for Axiom

3.2.1 Axiom is **not** directly subject to the Remuneration Requirements, and the regulatory regime applicable to Axiom in the U.S. does not impose provisions similar to the Remuneration Requirements. Consequently, Axiom is not regarded as being subject to equivalent requirements on remuneration as those set out under the Remuneration Requirements.

3.2.2 Consequently, the approach that is taken by entities appointing Axiom is to have appropriate contractual arrangements in place to ensure there is no circumvention of the relevant Remuneration Requirements. This document is intended to supplement those contractual arrangements and help to demonstrate that there is no such circumvention.

## 4. APPROACH TO PROPORTIONALITY

### 4.1 The proportionality principle

4.1.1 The Remuneration Requirements for EU UCITS, EU AIFs and UK AIFs permit firms to comply with the Remuneration Requirements in a way and to the extent that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities. This is intended to permit firms to take a proportionate approach to compliance with the Remuneration Requirements.

4.1.2 Under the UCITS regime and AIFM regime in Ireland, and the AIFM remuneration code in the UK, there are specific remuneration requirements that may be disapplied on the basis of proportionality (discussed further at section 4.3 below).

## 4.2 Factors relevant to application of proportionality for Axiom

4.2.1 In determining the application of proportionality to this Policy, Axiom has considered various factors including the following:

- (a) **Size:** This includes: (i) the proportion of assets under management for EU UCITS, EU AIFs and UK AIFs compared with the total assets under management by Axiom; (ii) staff involved in management of EU UCITS, EU AIFs and UK AIFs compared with total employees; and (iii) for staff involved in the management of the EU UCITS, EU AIFs and UK AIFs, the proportion of the remuneration attributable to their role for the EU UCITS, EU AIF and UK AIF relative to their total remuneration.
- (b) **Internal organization:** This includes: (i) Axiom's structure and governance; and (ii) that neither Axiom nor the EU UCITS, EU AIFs or UK AIF it manages are listed on a regulated exchange.
- (c) **Nature, Scope and Complexity of its Activities:** In relation to the underlying risk profiles of the business activities carried out by Axiom, this includes (i) that there is no extensive use of derivatives for investment purposes by Axiom nor leverage; (ii) that generally the investment strategies pursued by Axiom for the EU UCITS, EU AIFs and UK AIF are not considered to be complex; (iii) there will be no performance fee for the services provided by Axiom.

4.2.2 Having considered the above factors, Axiom does not consider itself to be significant in terms of any of the factors identified above. Axiom monitors developments that may impact its approach to proportionality on an ongoing basis.

## 4.3 Proportionate disapplication of pay-out process rules

4.3.1 Under the Remuneration Requirements, certain specific requirements - known as the 'pay-out process' requirements - may be disapplied where applying the requirement would not be proportionate.

4.3.2 On the basis of the approach to proportionality outlined at section 4.3 above and the general view that applying the Remuneration Requirements in full would not result in an effective alignment of interests between staff and investors/clients, Axiom has determined to adopt a proportionate approach to implementing the Remuneration Requirements. **Accordingly, Axiom has determined to disapply the following remuneration principles under the Remuneration Requirements:**

Remuneration Requirement under AIFM regime and UCITS regime	Application
A substantial portion of variable remuneration to consist of units of the UCITS concerned, equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments.	Disapplied
Variable remuneration in the form of non-cash instruments to be subject to a retention policy.	Disapplied
A substantial portion of variable remuneration to be deferred.	Disapplied
Ex-post risk-adjustments of variable remuneration (malus and clawback).	Disapplied

## 5. WHICH STAFF?

### 5.1 Identified Staff (or Code Staff in the UK)

5.1.1 The Remuneration Requirements under the UCITS regime and AIFM regime apply in relation to the remuneration of those categories of staff whose professional activities have a material impact on the risk profiles of the firm and/or the UCITS/AIF it manages (termed “**Identified Staff**”, or “**Code Staff**” in the UK). The concept of “staff” is broad, and covers more than just a firm’s employees, officers and any secondees.

5.1.2 The categories of staff that will be Identified Staff include:

- (a) executive and non-executive members of the management body;
- (b) senior management;
- (c) risk takers (including portfolio managers);
- (d) staff engaged in control functions (i.e. staff other than senior management responsible for risk management, compliance, internal audit and similar functions); and
- (e) any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.<sup>5</sup>

5.1.3 Staff responsible for heading investment management, administration, marketing and human resources may be Identified Staff unless it is demonstrated that they have no material impact on the firm’s risk profile or the risk profile of the UCITS/AIF managed by firm.<sup>6</sup>

### 5.2 Application to Axiom

5.2.1 Axiom has considered the personnel that may be regarded as Identified Staff for the purposes of the Remuneration Requirements. The categorisation of personnel is reviewed periodically, including in the event of personnel changes.

5.2.2 As at the date of this document, for the appointments listed at paragraph 1.2 above, Axiom has determined that the Identified Staff would be the lead and co-lead portfolio managers for the particular fund/mandate, Axiom’s Chief Investment Officer, and Axiom’s Chief Compliance Officer.

## 6. WHAT REMUNERATION?

6.1.1 The Remuneration Requirements under the UCITS regime and AIFM regime apply in relation to any form of remuneration paid. It could include remuneration paid, provided or awarded in connection with employment by a firm even if paid by another organisation.

---

<sup>5</sup> Note: article 14a(3) of the UCITS Directive; section 6 of ESMA Guidelines

<sup>6</sup> ESMA Guidelines, para 19

- 6.1.2 For these purposes, all remuneration is either **"fixed remuneration"** (payments or benefits without consideration of any performance criteria such as salary and benefits) or **"variable remuneration"** (additional payments or benefits depending on performance or, in certain cases, other contractual criteria). Accordingly, this document applies to any form of remuneration, including salaries, discretionary pension benefits and benefits of any kind.

## 7. REMUNERATION ARRANGEMENTS AND PRACTICES

### 7.1 Overview of governance arrangements

- 7.1.1 Axiom's compensation process is overseen by the firm's Management Committee, consisting of senior members of the firm. On the basis of the proportionality assessment discussed at section 4.2 above, Axiom would not be required to establish a remuneration committee under the UCITS regime or AIFMD regime if Axiom were directly subject to the Remuneration Requirement.

- 7.1.2 Human resources, including compensation and recruiting, are standing agenda items at every monthly Management Committee meeting. Axiom strives to compensate employees at or above the prevailing rate in the market. To help ensure Axiom stays competitive, regular compensation benchmarking studies are completed by an independent third party. This allows employee compensation to be recalibrated in light of current events and trends.

### 7.2 Decision-making process for determining remuneration including bonus awards

- 7.2.1 For the personnel that are Identified Staff at section 5.2 above, bonus awards and changes to base salaries are proposed by the individual's direct manager or more senior personnel and are approved by the Management Committee.
- 7.2.2 For Identified Staff that are members of the Management Committee, those personnel excuse themselves from compensation approval discussions related to their own compensation. Individuals do not make decisions on their own, individual remuneration.

## 8. OVERVIEW OF REMUNERATION PRACTICES

### 8.1 General principles

- 8.1.1 Axiom seeks to align its remuneration policies and practices with its business strategy, objectives, values and interests, and those of the collective investment schemes it manages and its investors/clients. By having Portfolio Managers and Analysts reinvest alongside clients, Axiom encourages a culture of accountability and strong fiduciary behaviour that is intended to promote sound and effective risk management.
- 8.1.2 Generally, Axiom seeks to reward not only good performance in times of market prosperity but also the limitation of downside capture in times of market turbulence. By taking a symmetrical approach to alpha generation, combined with a quantitative analysis of each investment professional's risk composition, Axiom seeks to encourage its entire investment team to view performance generation through a lens of risk and reward. This is a concept embedded in Axiom's investment process when evaluating and rating new investment opportunities at the individual stock level and one that is also present in Axiom's portfolio construction practices.



## **8.2 Remuneration structures**

- 8.2.1 Axiom's compensation practices are competitive and in-line with industry standards. Incentive compensation is a function of overall Firm performance as well as individual contribution to that performance. In addition, as the Firm is 100% employee-owned, the opportunity to participate in the ownership through direct equity is offered to key contributors. All relevant staff are paid a competitive base salary and have the opportunity to earn a discretionary bonus that is based largely on the size of the bonus pool, which is determined by the overall profitability of the firm.
- 8.2.2 Employees receive a base salary, bonus, equity partnership (where applicable), health and dental benefits, paid time off, 401k benefits and life-insurance benefits. Regarding particular categories of staff:
- (a) Portfolio Managers receive a base salary, bonus, and equity partnership in the firm. A percentage of that compensation is deferred, and required to be reinvested in the respective strategies they manage. The percentage of direct equity ownership is based on a variety of factors relevant to an individual's contribution to the organization, of which for Portfolio Managers, investment performance is a key factor. For portfolio managers, a portion of the incentive compensation is in the form of deferred compensation on a vesting schedule. Axiom's Portfolio Managers are required to invest 100% of their deferred compensation in the strategies they manage. For deferred compensation, 100% of the deferred compensation vests after a 5-year period.
  - (b) Research Analysts receive a base salary, discretionary bonus, and in many instances, direct equity partnership. Bonuses comprise three components – firm performance based on revenue-weighted percentile rankings of strategies; sector value added; and other qualitative factors. A percentage of the Analysts' discretionary bonus is in the form of deferred compensation on a vesting schedule.
  - (c) Non-investment personnel (including the Chief Compliance Officer) receive a base salary, bonus, equity partnership (where applicable), health and dental benefits, paid time off, 401k benefits and life-insurance benefits. In particular, the Chief Compliance Officer's compensation is determined based on the effectiveness of the compliance program and, apart from an equity partnership interest participating in overall longer-term firm profits, is not linked to the performance of any particular investments or strategies.

## **8.3 Appropriate balance between fixed and variable remuneration**

- 8.3.1 Axiom is aware that the Remuneration Requirements require the management companies/AIFMs appointing Axiom to ensure that fixed and variable components of total remuneration are appropriately balanced so as to allow a fully flexible policy on variable remuneration (i.e. that variable remuneration may be nil.)
- 8.3.2 Axiom adopts this approach. Base salary for Identified Staff is significant. The bonus pool and determination of bonus awards for an individual could result in an individual receiving a nil result depending on the firm and individual performance.

#### **8.4 Procedure for assessment of performance and determination of individual awards**

- 8.4.1 [Set out procedure for assessing the performance of relevant staff and determining awards. The purposes is to demonstrate how remuneration is performance-based, and dependent on assessment over an appropriate time period (i.e. not necessarily just the last year0.]
- 8.4.2 When determining the performance and subsequent bonus of relevant staff, Axiom first takes into account the overall performance of the firm in the preceding year.
- 8.4.3 When determining the compensation of the investment staff, Axiom examines a great deal of quantitative data and performance attribution produced by our Performance Analytics team. Axiom examines the investment performance contributions of the individual portfolio managers for that year relative to our benchmark as well as relative to a peer group of similar funds following the same investment strategy managed by other peer firms. Axiom also looks at the performance contributions in the same manner over both the 3 and 5 year periods and use a combined, weighted performance number drawing on all three time periods to assess the individual's contributions and commensurate bonus.
- 8.4.4 This data helps to assess how each investment professional is adding (or losing) alpha and the kinds of risks they are incurring to achieve those results (concentration risk, currency risk, geo-political risk, etc.).

#### **8.5 Form of variable remuneration**

- 8.5.1 All bonuses are paid in cash. Deferred remuneration (see below) is exposed to the investment strategy managed by the relevant individual until the award vests, and is paid in cash upon vesting.

#### **8.6 Deferred remuneration**

- 8.6.1 For Portfolio Managers, a percentage of any bonus award is deferred and invested in the strategies they manage. The 100% of the deferred amount will vest after a 5-year period.

#### **8.7 Performance adjustment**

- 8.7.1 On the basis of the approach to proportionality described at section 5.2 above, performance adjustment provisions are not applied. Accordingly, deferred compensation is not subject to malus adjustment prior to vesting, and paid compensation is not subject to clawback. However, deferred compensation is exposed to the investment strategy managed by the relevant individual.

#### **8.8 Guaranteed variable remuneration**

Axiom does not generally have guaranteed variable remuneration for the staff that are Identified Staff.