



Oak Hill Advisors (Europe) LLP

MIFIDPRU 8 Disclosure

September 2024

For the year ended 31 December 2023

Contents

- 1. Overview 2
- 2. Governance arrangements..... 3
 - 2.1. External Directorships 3
 - 2.2. Promoting diversity and inclusion 4
- 3. Risk management objectives and policies 5
 - 3.1. Risk assessment and potential harms 5
 - 3.2. Own funds requirements – MIFIDPRU 4 7
 - 3.3. Concentration risk – MIFIDPRU 5 7
 - 3.4. Liquidity – MIFIDPRU 6 7
- 4. Own funds 8
- 5. Own funds requirements 10
 - 5.1. Adequacy of own funds 10
- 6. Remuneration policy and practices..... 11
 - 6.1. Quantitative Remuneration disclosures 11
- 7. Investment policy 11

1. Overview

The Investment Firms Prudential Regime (“IFPR”) is the Financial Conduct Authority’s (“FCA”) prudential regime for MiFID investment firms. IFPR, which came into effect on 1 January 2022. The regime aims to streamline and simplify the prudential requirements for investment firms regulated by the FCA.

Oak Hill Advisors (Europe), LLP (“OHA Europe” or the “LLP”) is a limited liability partnership which is authorised and regulated by the FCA to perform portfolio management activities under the second Markets in Financial Instruments Directive (“MiFID II”). The LLP is a MIFIDPRU Investment Firm subject to the IFPR and is classified as a non-small and non-interconnected investment firm (“Non-SNI”) “ for the purposes of the prudential requirements of the FCA handbook.

The LLP has produced this Public Disclosure Document in line with the rules and requirements of MIFIDPRU 8, as applicable to Non-SNI firms. This Public Disclosure Document has been prepared based on the audited financials as at 31 December 2023, covering the financial period 1 January 2023 to 31 December 2023.

OHA Europe acts as an investment manager to European Collateralised Loan Obligation issuers (“CLOs”), private funds, certain affiliated entities and separate accounts. In addition, OHA Europe provides investment advice to OHA (UK) LLP (“OHA UK”) and its immediate US parent company, Oak Hill Advisors, L.P. (“OHA”), in respect of European assets in funds and separate accounts managed by OHA.

OHA Europe is majority owned by Oak Hill Advisors (U.K. Services) Limited (the “Parent Company”), a private limited company incorporated in the United Kingdom. The Parent Company is a wholly owned subsidiary of OHA, which is a Delaware (United States) limited partnership that serves as an investment advisor primarily to investment funds and private accounts investing in high yield credit, leveraged loan, structured product, distressed investment and private lending markets. OHA is registered as an investment advisor with the US Securities and Exchange Commission.

In respect of its management of CLOs, OHA Europe is considered a “sponsor” or “originator” (specific to each CLO) under the European Banking Authority’s risk retention rules . Under this arrangement, the LLP is committed to purchase and own a 5% interest in each of the tranches of securities to be issued by each of the CLOs at final closing (the “Retention Interests”). The LLP is required to hold the Retention Interests over the life of the CLOs. In addition, the LLP arranges for certain third-party financing in respect of the Retention Interests. Currently the LLP manages five CLOs.

T. Rowe Price completed its acquisition of the OHA on 29 December 2021. The acquisition was announced on 28 October 2021 for a purchase price of approximately \$4.2bn, with \$3.3bn payable at closing, approximately 74% in cash and 26% in T. Rowe Price common stock, and an additional \$900mn in cash upon achievement of certain business milestones beginning in 2025.

2. Governance arrangements

The Management Committee is the governing body of the LLP and has management and oversight responsibilities for the LLP.

On a day-to-day basis responsibility for the management of the business is delegated to the three Co-Heads of Europe supported by the other members of the Management Committee and their respective teams.

There are various group-wide committees covering matters such as valuation; risk; compliance; counterparty exposure; business continuity planning; and environmental, social, and governance factors in OHA's investment decision making. Several members of the LLP's Management and Operating Committees are members of the various OHA group-wide committees, providing appropriate coverage and insight for the UK business.

The LLP has a Conflicts of Interest Policy and procedures in place. Potential conflicts of interests are continually monitored and assessed by Compliance as an independent control function, as well as being reported to the Management Committee on a regular basis.

In line with MIFIDPRU 7.3.1 OHA has a Risk Committee at the Group level which covers off the LLP. There are two members of the Management Committee that also sit on the Risk Committee to ensure oversight.

The Risk Committee receives regular reporting and management information on the LLP's operations, specifically reporting and escalation of any compliance, financial, legal and risk matters. The Risk Committee receives independent reporting for internal control functions as well as external independently appointed auditors and consultants on the effectiveness of the LLP's operations, systems and control arrangements.

2.1. External Directorships

In line with MIFIDPRU 8.3.1 (2), the LLP has detailed below the number of external appointments, both as executive and non-executive roles of its Management Committee members:

Member Name	# External executive roles	# External non-executive roles
Musa Sonmez (Co-Head of Europe & Partner)	0	0
Lucy Panter (Portfolio Manager & Partner)	0	0
Declan Tiernan (Co-Head of Europe & Partner)	0	1
Alexis Atteslis (Co-Head of Europe & Partner)	0	0
Colin Blackmore (European General Counsel & Chief Compliance Officer)	0	1
Philip Muller (European Chief Financial Officer)	0	1

2.2. Promoting diversity and inclusion

OHA is committed to fostering a diverse, equitable and inclusive working environment where employees of all backgrounds and experiences are valued. OHA firmly believe collaboration among team members with varied perspectives generates deeper insights that better serve our investors, employees and community.

OHA aim to fulfil the following objectives:

- Enhance employee engagement
- Recruit, develop and retain talented employees with diverse backgrounds and experiences
- Expand community engagement and impact

As a reflection of our commitment to continuously meet and improve upon these objectives, OHA is a signatory to the ILPA Diversity in Action Initiative. As a signatory, OHA offers transparency into its actions to promote DEI within the organization, and in the wider industry. We believe we offer an inclusive and inviting culture where our employees can both contribute and develop meaningfully. This is reflected in the formal integration of DEI as a part of all employee reviews, with extra emphasis for senior level employees at OHA.

We strive to promote a culture of inclusiveness through workforce training, firm wide events, and communications. Our internal Women's Network and LGBTQ+ Network are important initiatives that seek to educate and empower employees, inform pathways to advancement within OHA, as well as provide valuable networking opportunities.

To expand our access to top talent with diverse backgrounds, we are actively involved with non-profit organizations that help us successfully recruit full-time candidates for investment and non-investment roles. Currently, these partnerships include Girls Who Invest, SEO, Npower, Out4Undergrad and Wharton Alliance, which are various organizations focused on women, minorities, those from disadvantaged or under-represented communities, military veterans, and the LGBTQ+ population.

Through these networks and programs, we enjoy high employee participation and engagement. We aspire to continue building on these existing programs and initiatives to demonstrate leadership in the industry and to meet our objectives.

3. Risk management objectives and policies

OHA EUROPE's general risk management objective is to consider the risk assessment through the lens of harm that the business may cause and the ability of the LLP to compensate for harm through appropriate hedging and other risk management activity. Where risks and resulting harms cannot be mitigated, the LLP will monitor and evaluate those risks on an ongoing basis.

The overall risk management process is further summarised as follows:

- Risk identification (identify applicable risks and harms to Firm, Client, and Market);
- Harm Evaluation (assess the likelihood and magnitude of each risk and the possible harm of a risk event occurring);
- Risk appetite and response (assess tolerance for harm and potential mitigation / controls in place);
- Residual risk (consider remaining harm after mitigation / controls are factored in and whether additional capital is required); and
- Monitoring and reporting (business performance, changes in business activity, compliance with financial, legal and requirements, and controls effectiveness is monitored on an on-going basis).

3.1. Risk assessment and potential harms

OHA Europe carries out an annual risk assessment which is assessed and refined continuously throughout the year as required. The results of this assessment are documented in the LLP's Internal Capital Adequacy Risk Assessment ("ICARA"). The LLPs principal risks identified in respect of the LLP's activities are summarised below:

Credit Risk

The LLP is exposed to credit risk on several different assets on its balance sheet. The nature of each asset / exposure and the associated risk level varies considerably.

As noted earlier, as a manager of EU risk retention compliant CLOs, OHA Europe is required to hold 5% of each class of notes issued by the CLOs. The notes issued by each vehicle and owned by OHA Europe are secured on the underlying portfolio of European loans, with interest and principal (or dividends in the case of subordinated notes) paid out in line with the payment waterfalls built into the legal documentation of each CLO. The exposure is to a diversified portfolio of actively managed loans across a range of industries and geographies within Europe.

The LLP considers market default rates and other external data, along with historic experience on OHA-managed CLOs, when evaluating the credit risk exposure related to these investments.

OHA Europe is also exposed to risk in the form of non-collection of management fees from the CLOs, other funds and separate accounts which it manages. These fees are collected routinely throughout the year with no history of non-payment and as such this credit risk is considered to be low.

All inter-company receivables are short term with no history of loss. They arise from inter-company fees, where OHA Europe provides investment advice to OHA and which are generally settled on an annual basis, and inter-company lending which is callable within 10 days. The counterparty for the majority of intra-group receivables (being OHA), is a cash generative firm with high variable costs which can be reduced in times of stress. OHA Europe considers it highly unlikely that OHA would not be able to meet its liabilities to OHA Europe (or any other creditor) as they fall due and the risk is therefore considered low.

Cash balances are held with a UK bank, which carries an acceptable credit rating for its senior unsecured debt. OHA Europe currently considers the deposits to be safe.

OHA Europe utilises, to a limited extent, EUR-GBP FX forwards with a third party in order to help mitigate the market risk exposure on Retention Interests in the CLOs, which are held in EUR but partly funded with GBP capital as discussed in "Market / Foreign Exchange Risk" below. This activity creates potential counterparty exposure as the

trades are not collateralised. Notwithstanding this position, the LLP calculates a credit risk capital requirement against these positions based on trade notional, instrument type, and counterparty credit rating.

Market / Foreign Exchange Risk

The LLP's market risk is principally its exposure to foreign exchange fluctuations due to its non-Sterling bank deposits and management fee and inter-company receivables that are denominated in foreign currencies (largely EUR and USD). Sensitivity scenarios have been run and documented in OHA Europe's most recent ICARA and the exposure is monitored on an ongoing basis.

The largest contributor to gross FX risk on the balance sheet is the Retention Interests in the CLOs, which are denominated in EUR. This risk is mostly offset by external financing which is also denominated in EUR while the portion financed by GBP equity capital is hedged using FX forwards to eliminate the EUR / GBP risk. As such the net FX exposure on these investments is negligible.

Price Risk

The LLP has pure mark-to-market risk exposure on the subordinated notes held within the Retention Interest portfolio, as they are held at fair value through profit and loss. Movements in the price of these positions therefore has a direct impact on the profitability of the LLP in any given period. However, from a capital perspective the LLP holds capital against default risk of the underlying loans within the CLOs, which when accounting for the fact that the risk retention investments are held to maturity, should adequately support any price shock on the subordinated notes. Additionally, the LLP has sufficient coverage by management fee revenue streams and Transfer pricing advisory income to counter fair value movement thus risk sufficiently mitigated.

Interest Rate Risk

Primarily interest rate risk arises on CLO risk retention investments where these investments have been financed by external debt / borrowing. However, both assets and liabilities in CLO deals are floating rate linked to EURIBOR with an initial margin that is set on day one (either a spread over the note returns where OHA still holds the notes, or a fixed annual premium paid under the repurchase agreements). The resulting net interest expense is immaterial.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Some of the operational risks the LLP faces are loss of key staff, personnel replacement costs, trading and valuation errors, business continuity and disaster recovery, cyber risk and group risk. Additional risks the LLP considers include regulatory and compliance risk, business risks (such as reputational risk), and other risks such as health and safety. Details of these and their potential impact on the LLP's capital position are considered and documented in the LLP's ICARA, along with the systems, internal controls and human resources in place to mitigate the potential harm.

3.2. Own funds requirements – MIFIDPRU 4

The first K-factor applicable to the LLP is K-AUM, which covers the average assets under management that the business manages. Secondly the LLP is subject to a K-COH requirement, which is a calculation of the average value of the client orders handled for the funds predominately managed by OHA UK and OHA. Finally, the LLP is subject to a K-DTF requirement. The K-DTF requirement looks at daily traded volume when the LLP is trading on its own account or when executing client orders in the LLP's name. While the LLP does not trade on its own account, it does execute block level trades where, from time to time, client allocations are provided to the broker post trade, therefore being subject to K-DTF.

The LLP's investments risks are captured within its K-factor calculation and operational risks are predominantly captured within its Fixed Overhead Requirement ("FOR") calculation. The LLP has further assessed any operational risks and winddown costs within its ICARA and quantified additional own funds and liquidity, where required.

3.3. Concentration risk – MIFIDPRU 5

The LLP does not conduct any trading on its own account and does not have regulatory permissions for dealing as principal. The LLP therefore does not have any concentration risks on or off-balance sheet and does not operate a trading book.

3.4. Liquidity – MIFIDPRU 6

The LLP always maintains minimum liquidity in compliance with the Basic Liquid Asset Requirement (BLAR), being at least a third of its FOR. The LLP does not provide any client guarantees and therefore its entire liquidity requirement is driven by its expenses, as captured by the FOR.

As part of the ICARA, the LLP also maintains liquidity to satisfy its net wind-down costs and any additional liquidity requirements which the ICARA identified for supporting the ongoing business activities of the LLP. In practice the LLP holds a minimum of 120% of the total liquid asset threshold requirement.

4. Own funds

In line with MIFIDPRU 8.4 the LLP has prepared the reconciliation of own funds in line with MIFIDPRU 8 Annex 1 as follows:

Composition of regulatory own funds as at 31 December 2023			
	Item	Amount (GBP 000's)	Source
1	OWN FUNDS	25,004	
2	TIER 1 CAPITAL	25,004	
3	COMMON EQUITY TIER 1 CAPITAL	25,004	
4	Fully paid-up capital instruments	17,548	
5	Share premium	0	
6	Retained earnings	0	
7	Accumulated other comprehensive income	0	
8	Other reserves	7,455	
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
19	CET1: Other capital elements, deductions and adjustments	0	
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	TIER 2 CAPITAL	0	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statement GBP (000's) as at 31 December 2023				
		a	b	c
		Balance sheet as in audited financial statement	Under regulatory scope of consolidation	Cross reference to template OF1
		As at period end	As at period end	
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Debtors	9,593		
2	Cash at bank	7,881		
3	Investments	78,732		
	Total Assets	96,206		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors due within one year	1,064		
2	Creditors due after one year	70,138		
	Total Liabilities	71,202		
Shareholders' Equity				
1	Members capital classified as equity	17,548		
2	Other reserves	7,455		
	Total Shareholders' Equity	25,004		

5. Own funds requirements

This disclosure has been made in accordance with the MIFIDPRU 8.5 requirements. The information contained within this section is as of 31 December 2023 unless stated otherwise.

5.1. Adequacy of own funds

MIFIDPRU 7.4.7R requires firms to comply with the Overall Financial Adequacy Rule (“OFAR”). The OFAR states that the LLP must always hold own funds and liquid assets which are adequate, both in amount and quality to ensure:

- The LLP can remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The LLPs business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

As part of the ICARA process the LLP identified that additional own funds over and above the K-factors and FOR are required to sufficiently meet the OFAR and mitigate potential residual harms. The additional funds were determined as part of the ICARA, which included stress testing, winddown planning, forecasting and risk assessments.

OHA Europe’s Management Committee challenges and approves the ICARA and own fund requirements.

LLP Own Funds Threshold Requirement as at 31 December 2023	
Permanent Minimum Capital Requirement (PMR)	75
Assessment A: On-going operations	4,721
K-AUM Requirement	387
K-COH & K-DTF Requirement	1
Additional own funds	4,333
Assessment B: Wind-down	2,041
Fixed Overheads Requirement	1,363
Additional own funds	2,041
Total Capital Requirement (higher of Assessment A, B or PMR):	4,721
Own Funds	25,004
Surplus own funds	20,283

6. Remuneration policy and practices

The LLP's Remuneration Policy can be found on the LLP's, disclosure website on the following page:
<https://www.oakhilladvisors.com/european-disclosures/>.

6.1. Quantitative Remuneration disclosures

The LLP is required to disclose quantitative remuneration information for its Code Staff in a manner that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

The total aggregate remuneration attributable to the group of staff identified as Material Risk Takers for the year ended 31 December 2023 was £3,357k. The LLP had a total of nine material risk takers, seven of whom were focused on the investment and capital raising side of the business and two who focused on the finance, compliance, and risk management side. All Code Staff are either members of senior management, portfolio management or head of a control function.

The LLP has relied on the exemption per MIFIDPRU 8.6.8 (7) (a), as disaggregation of compensation for senior management and other MRT's would lead to identification of individual MRT's.

Number of MRTs (as at 31 December 2023)	9
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	Aggregate fixed remuneration	Aggregate variable remuneration	Total remuneration
Senior Management and Other MRTs	1,679	1,678	3,357
Other staff	781	719	1,500

7. Investment policy

In accordance with MIFIDPRU 8.7.1R the LLP meets the conditions in MIFIDPRU 7.1.4R and therefore is not required to disclose information on its investment policy.