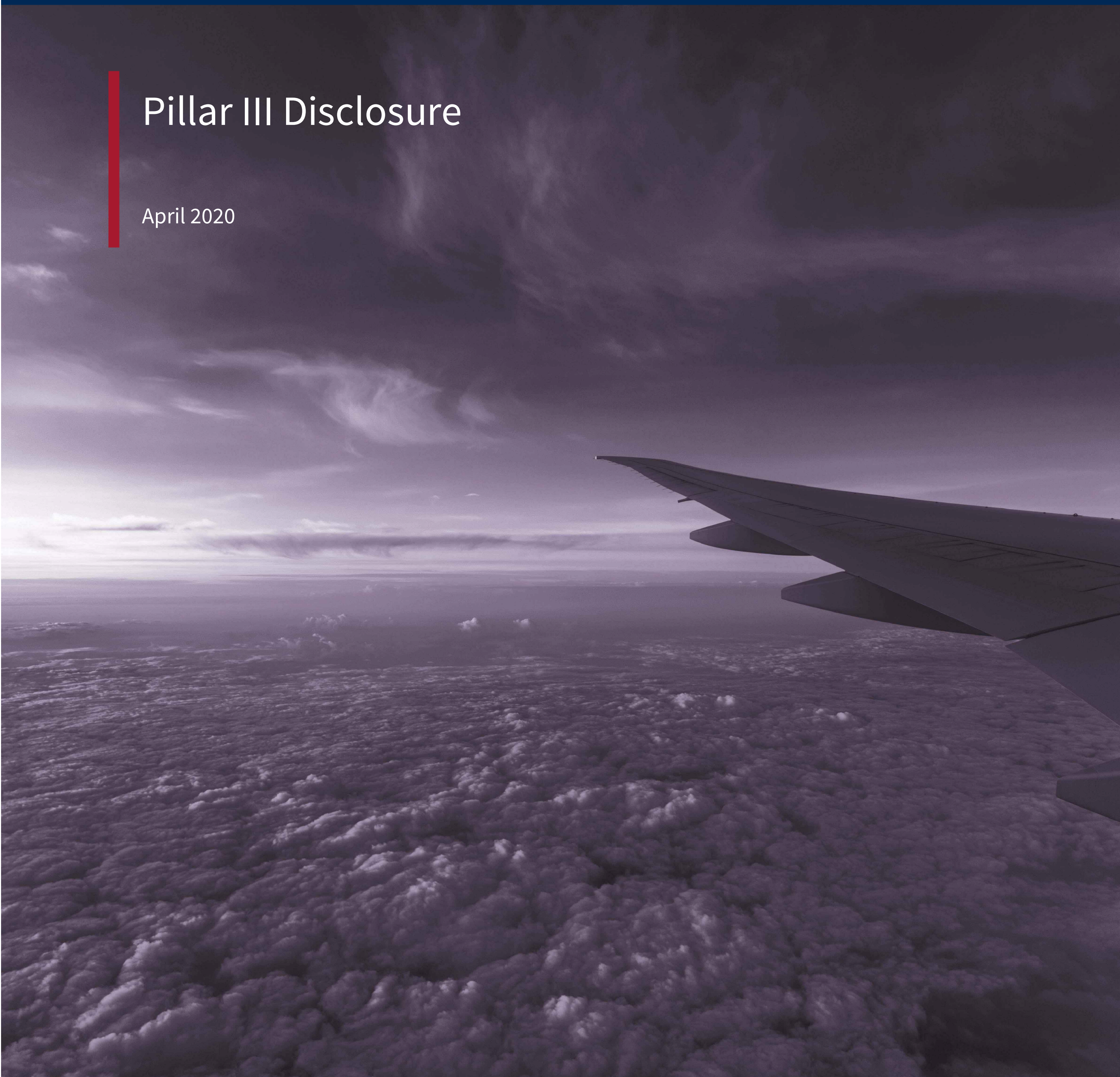
GATEMORE



Pillar III Disclosure

April 2020

Pillar III Disclosure

The Pillar III rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the Financial Conduct Authority ("***FCA***") Gatemore Capital Management LLP ("***Gatemore***") will disclose the information set out in BIPRU 11 (the Pillar III rule) on at least an annual basis. In accordance with BIPRU 11.3.3(2) this disclosure has been assessed by Gatemore's Senior Management to comprehensively convey the firm's risk profile to market participants. The Pillar III disclosure will be made in the firm's annual report and accounts.

The CCO & CFO, *David Cassells*, is responsible for preparing the Pillar III document before it is presented to the Senior Management, which will then be approved by the Managing Partner of the firm, Mark Hodgson.

Gatemore may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly, where Gatemore has considered an item to be immaterial it has not been disclosed. Gatemore has implemented a policy for assessing the appropriateness of its market disclosures, including their verification and frequency.

In addition, if the required information is deemed to be proprietary or confidential then Gatemore may take the decision to exclude it from the disclosure. In accordance with BIPRU 11.4.2, proprietary information is that which, if it were shared, would undermine its competitive position. In addition, as per BIPRU 11.4.3, information is considered to be confidential where there are obligations binding the Firm to confidentiality with our customers, suppliers or counterparties. Where information is omitted for either of these reasons, this is stated in the relevant section of the disclosure, along with the jurisdiction.

The information contained in this document has not been audited by Gatemore's external auditors, does not constitute any form of financial statement and must not be relied upon in making any judgement on Gatemore.

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1. INTRODUCTION

1.1 Permission Profile

Gatemore is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as Collective Portfolio Management Investment firm **("*CPMI*")**. It is also a full scope UK AIFM; it has no trading book exposures. The Firm is not required to prepare consolidated reporting for prudential purposes.

1.2 Implementation of Basel Accord

The Basel III framework, effective as of 1 January 2014, has been implemented in the European Union via the Capital Requirements Directive IV ("***CRD IV***") and the Capital Requirements Regulation ("***CRR***"), replacing the Capital Requirements Directive. CRD IV was designed primarily for credit institutions and banks but is also applicable to certain investment firms.

The FCA proceeded with transposing the CRD IV into the FCA Handbook, through the creation of a new sourcebook, the Prudential Sourcebook for Investment Firms ("***IFPRU***")

The FCA exercised its discretion which was available under the CRR and as a result, BIPRU firms still remain subject to BIPRU and GENPRU rules, as these stood on 31 December 2013. Gatemore falls within the category of firms that benefit from the exemption, and as such does not come under the scope of CRD IV, but remains subject to the CRD III requirements. In addition to its prudential requirements as a BIPRU firm, given that Gatemore is a CPMI, it is also subject to the requirements of IPRU(INV) 11 in the FCA Handbook.

1.3 Three Pillars

The FCA's current prudential regime can be split into three "*pillars*":

- **Pillar I** – prescribes the minimum capital requirements that authorised firms need to hold. For Gatemore, this is the higher of €125k; a quarter of the firm's annual adjusted expenditure (the Fixed Overheads Requirement); or the sum of the firm's prescribed Credit risk and Market risk.
- **Pillar II** – requires firms to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. If the firm feels that the risks are not adequately mitigated then they should allocate capital against those risks. Stress and scenario tests are conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.
- **Pillar III** - requires firms to develop a set of disclosures which will allow market participants to assess key information about the Firm's underlying risks, risk management controls and capital position.

The Fixed Overheads Requirement determines Gatemore Capital Resources Requirement as this is greater than the sum of its credit and market risk exposure.

The Firm is a Limited Liability Partnership and its capital arrangements are as follows:

	£'000S
Initial capital	1,814
Other reserves	(722)
Member drawings	(683)
Loans due to Members	1,522
Member interests	**1,931**

The main features of the Firm's Capital Resources Requirement are calculated in accordance with GENPRU 2 Annex 4 and are as follows:

CAPITAL ITEM	£'000S
Tier 1 capital less innovative tier 1 capital	1,931
Total tier 2, innovative tier 1 and tier 3 capital	
Deductions from tier 1 and tier 2 capital	
Total capital resources, net of deductions	

Pillar I

- Information on the breakdown of capital requirements under *Pillar I* (including: credit risk, market risk and fixed overheads)
- The Fixed Overheads Requirement determines Gatemore's Capital Resources Requirement as this is greater than the sum of its credit and market risk exposure.

Pillar II

- In addition, and in compliance with the *Pillar II* requirement, Gatemore has carried out its Internal Capital Adequacy Assessment Process ("*ICAAP*") through a comprehensive review of its business and operational activities. The review, as laid out in Gatemore's ICAAP document, assesses the material risks that Gatemore may become exposed to and determines whether Gatemore should allocate additional capital to cover for the identified risks that may result from current or future activities. Gatemore's approach considers operational, business, credit and market risks and has calculated the financial effect of these accordingly. Stress and scenario tests are also conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.
- The Partners have identified Foreign Exchange Risk, Key Person Risk, Market Risk and Reputational Risk as the main areas of risk to which the firm is exposed.

2 CREDIT RISK

- Information on how the firm calculates its credit risk in accordance with the relevant rules (BIPRU3, use of standardised approach, etc.)
- Information on how the firm manages its credit risk, as applicable
- 8% of risk weighted amounts
- Definition of past due and impaired
- Geographic distribution
- Names of ECAIs
- Risk exposure classes

If necessary, Gatemore would allocate extra capital to the relevant risk, as per the *Pillar II* requirement: this has not been deemed necessary. This process is conducted at Senior Management meetings which are held on at least an annual basis and the relevant policies and procedures are updated where necessary.

3. MARKET RISK

Foreign Exchange Risk

At any one time there will be varying degrees of currency exposure which is a risk to client portfolios. The risk is mitigated by way of Gatemore operating a value based hedging strategy on behalf of its clients that aims to maximise currency exposure when sterling is strong and minimise it, through forward contracts, when it is weak.

4. LIQUIDITY RISK

Liquidity risk is the risk that an active market for AIF or Client Portfolio assets temporarily or permanently ceases to exist, which may make it difficult to sell assets at current prices in order to raise cash. The adverse outcomes of liquidity risk mismatches include: the inability to pay redemption liabilities as they fall due; a realised market loss as a result of the forced sale of assets to raise liquidity; missed investment opportunities due to lack of liquidity.

This is mitigated by monitoring the liquidity profile of investments, having regard to the contribution of individual assets which may have a material impact on liquidity, and the material liabilities and commitments, contingent or otherwise, which each AIF or Client Portfolio may have in relation to its underlying obligations.

6. COUNTERPARTY RISK

Counterparty risk is the risk that a third party may fail to meet their duties and obligations during the execution of a transaction.

All counterparties of each AIF or Client Portfolio are reviewed annually.

7. OPERATIONAL RISK

Operational risk pertains to the risk of loss associated with inadequate or failed internal processes, people and systems, or external events.

Gatemore has considered potential operational risks that it might be exposed to and has concluded that it is mainly exposed to key person risk:

7.1 Key Person Risk

Key Person Risk is mitigated as all client portfolios have at least two principals reviewing them monthly to ensure knowledge is not concentrated in one individual. Furthermore, due diligence research carried out on pension fund managers is shared between all three principals and other employees.

8. BUSINESS RISK

8.1 Damage to reputation risk

Gatemore's reputation for the quality of its services provided to clients is key to the continued successful operation of the business. Gatemore will not operate within potentially controversial or sensitive sectors or regions and will use online tools to monitor mention of the firm in press publications.

8.2 Concentration and loss of major client risk

Gatemore's varied client base is key to the continued successful operation of the business and maintained income. Gatemore will continue to market to diverse clients to ensure longevity of the business.

The Firm has concluded that its Tier 1 capital is sufficient to cover its *Pillar I* and *Pillar II* requirements.

8.3 Insufficient funding risk

Gatemore has considered the funding risk to the business and therefore prepares and continually monitors the cash flow forecasts to ensure sufficient funding for the continued successful operation of the business. Gatemore will not spend outside of its budgeted cash flow unless approved by senior management.

The Firm has concluded that its Tier 1 capital is sufficient to cover its *Pillar I* and *Pillar II* requirements.

9. RISK MANAGEMENT

The Partners of Gatemore determine the business strategy and risk appetite along with the risk management policies and procedures. Potential sources of risk to the firm are considered and the resulting exposure is assessed after the application of both management and mitigation of these risks. Furthermore, Gatemore then conducts a series of stress tests and scenario analyses on these risks to determine the effect they would have on the firm.

If necessary, Gatemore would allocate extra capital to the relevant risk, as per the *Pillar II* requirement: this has not been deemed necessary. This process is conducted at Senior Management meetings which are held on at least an annual basis and the relevant policies and procedures (including the firm's ICAAP) are reviewed and updated as necessary.