

Alvarium Fund Managers (UK) Limited

Pillar 3 Disclosure

14 September 2020

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Alvarium Fund Managers (UK) Ltd Registered in England under no. 9921853 at 10 Old Burlington Street London W1S 3AG United Kingdom. Authorised & regulated by the Financial Conduct Authority under FRN 751355.

1. Overview

Alvarium Fund Managers (UK) Limited, (“AFMUK” or the “Firm”) is a part of the group of companies which are owned or controlled by Alvarium Investments Limited under the overall trading name of Alvarium(the “Alvarium Group”). AFMUK was incorporated on the 18th December 2015, and authorised by the Financial Conduct Authority, effective from the 28th December 2016 as a Collective Portfolio Management Investment ("CPMI") Firm which enables AFMUK to provide certain additional services to its clients which fall within the European Union's Markets in Financial Instruments Directive ("MiFID").

In 2018, AFMUK took over as the AIFM of a Real Estate Investment Trust - LXi REIT plc – previously managed by another Alvarium Group company, (Alvarium RE Limited). AFMUK also commenced as AIFM of HLIF, a Property Authorised Investment Fund (PAIF).

AFMUK is required by the FCA to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline.

AFMUK must undertake an Internal Capital Adequacy Assessment Process (ICAAP), to inform the Board of the ongoing assessment of the Firm's risks, how it intends to mitigate those risks and quantify the current and future capital necessary having considered mitigating factors; the ICAAP is also how the Firm explains to the FCA its capital adequacy assessment process.

The Firm’s ICAAP is formally reviewed by the Board of Directors annually and is revised should there be any material changes to the Firm’s business or risk profile. The Pillar 3 Disclosure document is a key output of this process.

Although the Firm is consolidated for accounting purposes with its ultimate parent company, Alvarium Investments Limited, it is not part of a UK Consolidation Group for the purposes of the FCA’s prudential rules. Therefore, this Pillar 3 Risk Disclosure Statement is in respect of AFMUK only.

As AFMUK is classified by the Financial Conduct Authority ("FCA") as a BIPRU firm and also, as a Collective Portfolio Management Investment firm under the Alternative Investment Fund Managers Directive ("AIFMD") - meaning that it is authorised as a Full Scope UK “Alternative Investment Fund Manager” (“AIFM”); this means that AFMUK has dual classification, and that it must assess its minimum capital requirements under two prudential methodologies. It is the higher of the two which is the regulatory minimum capital.

The two prudential methodologies are as follows:

Under the CPMI classification:

As a CPMI Firm, AFMUK must hold own funds and liquid assets in excess of the higher of:

1. The funds under management requirement - minimum capital requirement of €125,000.
2. The fixed overheads requirement (“FOR”) being one quarter of the fixed overheads, and
3. The sum of AFMUK’s market and credit risk requirements.

Under the BIPRU classification

As a BIPRU firm, AFMUK’s capital requirements is based on the greater of:

- a) A base capital requirement of €50,000;
- b) The sum of AFMUK’s market and credit risk requirements; or
- c) Its fixed overhead requirement (“FOR”).

As of 31st December 2019, the regulatory minimum capital is £106,000, being the base capital requirement of the sterling equivalent of €125,000, which is the higher of both the fixed overhead requirement, and the sum of the credit and market risk capital requirement.

2. Identified Risks

Risk Management

The Board of AFMUK has established a framework for the management of risk and has overall responsibility for risk management systems and related controls and for reviewing their ongoing effectiveness. This process is overseen by the Compliance Oversight Officer and supported by the Board, who take overall responsibility for this process. The Board has recognised the following risks:

Credit Risk The exposure to credit risk is limited to receivables in respect of services to Alvarium Group companies, together with exposure to banking counterparties. The principle banking relationship is with an investment grade institution with significant reserves. The standardised approach to credit risk has been adopted, applying 8% to the Firm’s risk weighted exposure amounts with the exception of cash at bank, where 8% x 20% of the exposure is calculated.

Liquidity Risk Liquidity risk as the risk arising from the Firm’s inability to meet its obligations as and when they fall due.

This is managed as follows:

- Maintaining a strong capital base with significant surplus cash.
- Forecasting future cash flow requirements on a monthly basis.

Operational Risk: Operational risk is defined as the risk of loss to the Firm resulting from inadequate or failed internal processes, people and systems, or from external events; it includes legal and financial crime risk. All critical operational outsourcing of regulated activities is undertaken within the Alvarium Group, where necessary, AFMUK instructs professional advisers on legal and regulatory matters. There is also an indemnity policy.

Business Continuity Risk: AFMUK, as part of the Alvarium Group, falls under the Alvarium Group business continuity plan, which is tested periodically at Alvarium Group level and reviewed annually.

3. Capital Resources

Regulatory Capital

The capital qualifies as Tier 1 capital. The Firm’s capital position as at 31 December 2019 is summarised as follows:

CORE TIER ONE CAPITAL	£
Total tier one capital after deductions	193,894
Upper tier two capital	0
Lower tier two capital	0
Total tier two capital after deductions	0
Total tier one capital plus tier two capital after deductions	193,894
Total tier three capital	0
Total capital resources after deductions	193,894

Minimum Capital Requirement

The minimum capital requirement is the greater of:

- I. Its base capital requirement;
- II. The sum of its market and credit risk requirements (combined provide the Firm's risk capital calculation); or
- III. Its Fixed Overhead Requirement (FOR).

And are calculated as follows:

I. Calculation of base capital requirement

CAPITAL REQUIRED UNDER BIPRU		CAPITAL REQUIRED UNDER AIFMD	
The base capital requirement of the sterling equivalent of €50,000**	£43,000	The base capital requirement of the sterling equivalent of €125,000	£106,000

**- ECB EUR vs GBP rate of 0.85 as of 31 December 2019

II. Calculation of the sum of market and credit risk requirements

CREDIT & COUNTER PARTY RISK			
	Exposure	Weighting	
	£1,279	100%	£1,279
Bank Current Account	£152,516	20%	£30,503
Total	£167,055		£31,782
Application of overall weighting of 8%			£2,543

III. Calculation of the fixed overhead requirement (FOR)

FIXED OVERHEAD REQUIREMENT	
Total Expenses	£14,067
Less Variable Expenses	£0
Total Fixed Costs	£14,067
x 25%	£3,517

Solvency Ratio

The calculation of the base capital is the higher and consequently it constitutes the minimum capital requirement. The solvency ratio is as follows:

SOLVENCY RATIO	
A. Regulatory Capital	£193,894
B. Regulatory Capital Requirement	£106,000
Regulatory Capital Surplus (A - B)	£87,894
Solvency Ratio (A/B)	1.83

4. Remuneration and Governance

The governing body of AFMUK consists of Nicholas Barker, Mark O’Flaherty, Robert Burton and Helen Jones. AFMUK has no employees and its directors are not remunerated by the firm.

AFMUK appointed Oliver Butt and Nick Kinder as independent non-executive directors (NEDs). NED remuneration is fixed at £2k per annum per NED.