

Alvarium Investment Managers (UK) LLP

Pillar 3 Disclosure

14 September 2020

1. Overview

Alvarium Investment Managers (UK) LLP, (“AIM UK” 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.

AIM UK is authorised and regulated by the Financial Conduct Authority, (FCA number 455686). AIM UK is registered in England and Wales and has its registered office and place of business at 10 Old Burlington Street, London, W1S 3AG (Company Number OC320692).

AIM UK acts as the discretionary Investment Manager for individual client portfolios for mainly retail clients. In addition, it acts as the discretionary Investment Manager for two professional clients, and, as the Investment Manager and Distributor for one non-UCITS retail scheme (NURS) - S&W New Sarum Real Return Fund. Accordingly AIM UK is authorised and regulated by the FCA and categorised as a Limited Licence Firm and a “BIPRU €50K” firm for capital purposes.

AIM UK is a Limited Liability Partnership incorporated in England & Wales with three designated members: James Cave, Andrew Nicholson, and Alvarium Investment Management Limited.

AIM UK is required by the Financial Conduct Authority ("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. This is done following an Internal Capital Adequacy Assessment Process (ICAAP), and this Pillar 3 Disclosure document is the key output of this process which has been based on the Accounts for the year ending 31st December 2019.

The capital adequacy framework consists of three Pillars:

Pillar 1 requires the Firm to calculate the capital requirements figure, and for AIM UK, as a “BIPRU €50K” firm, this is based on the higher of:

- a) Its base capital requirement of the sterling equivalent of €50,000; or
- b) The sum of its market and credit risk requirements; or
- c) Its fixed overhead requirement (FOR).

Pillar 2 requires the Firm to assess whether additional capital should be held to cover risks that are not covered by the Pillar 1 requirements.

Pillar 3 deals with public disclosure of risk management, capital resources, capital requirements and remuneration.

In applying the Pillar 1 testing to AIM UK's Accounts for the year-end 31 December 2019, the results were as follows:

- a) The sterling equivalent of the € Base Capital equivalent is £43,000*
- b) The total of credit and market risk requirements, or Credit Risk Component is £75,692.
- c) 25% of fixed overheads (FOR) for the year is £154,732

In respect of Pillar 2, the ICAAP process has not identified capital to be held over and above the Pillar 1 requirement.

The FOR of £154,732, is the regulatory minimum capital. As per the Accounts of 31st December 2019, the regulatory capital is £992,696. Accordingly, AIM UK has a surplus over its regulatory capital requirement.

2. Identified Risks

Risk Management

The Designated Members of AIM UK 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 Firm's Designated Members, who take overall responsibility for this process. The Designated Members have recognised the following risks:

Credit Risk The exposure to credit risk is limited to receivables in respect of investment management 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.

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

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 and ,where necessary, AIM UK

instructs professional advisers on legal and regulatory matters. There is also an indemnity policy.

Business Continuity Risk: AIM UK, 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	992,696
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	992,696
Total tier three capital	0
Total capital resources after deductions	992,696

Minimum Capital Requirement

The minimum capital requirement is the greater of:

- Its base capital requirement
- The sum of its market and credit risk requirements (combined provide the firm's risk capital calculation), or
- It's Fixed Overhead Requirement (FOR)

And are calculated as follows:

I. Calculation of base capital requirement

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

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

CREDIT & COUNTER PARTY RISK			
	Exposure	Weighting	
Bank & Cash	49,542	20%	9,908
Tangible fixed assets	2,214	100%	2,214
Prepayments and accrued income	195,380	100%	195,380
Debtors	738,647	100%	738,647
Total	985,783		946,149
Application of overall weighting of 8%			75,692

III. Calculation of the fixed overhead requirement (FOR)

FIXED OVERHEAD REQUIREMENT	
Total Expenses	769,447
Less Variable Expenses	150,518
Total Fixed Costs	618,929
x 25%	154,732

Solvency Ratio

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

SOLVENCY RATIO	
A. Regulatory Capital	992,692
B. Regulatory Capital Requirement	154,732
Regulatory Capital Surplus (A - B)	837,960
Solvency Ratio (A/B)	6.4

4. Remuneration and Governance

Remuneration at AIM UK can be made up of fixed ('salary') and variable ('bonus') components. AIM UK is required to disclose aggregate information on remuneration in respect of its Code Staff, broken down by business area. The relatively small size and lack of complexity of the firm's business is such that AIM UK is deemed by the Designated Members to have one business area, investment management, and does not regard itself as operating, or needing to operate, separate 'business areas' and the following aggregate remuneration data should be read in that context.

Total Remuneration	Total Variable Remuneration	Total Fixed Remuneration	Code Staff
£273,054	£10,000	£273,054	2