

Alvarium RE Limited

Pillar 3 Disclosure

14th April 2019

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Alvarium RE Limited Registered in England under no. 06931299 at 10 Old Burlington Street London W1S 3AG United Kingdom. Authorised & regulated by the Financial Conduct Authority under FRN 582903.

1. Overview

Alvarium RE Limited, (Alvarium RE) is a part of the group of companies which are owned or controlled by Alvarium Investments Limited under the overall trading name of Alvarium Investments. The principal activity of Alvarium RE is the sourcing of alternative platforms in respect of Real Estate vehicles for Professional clients. In relation to these transactions, Alvarium RE provides advisory services.

Alvarium RE also acts as Principal for 9 active Appointed Representatives.

Alvarium RE 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.

Alvarium RE 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 Company is consolidated for accounting purposes with its ultimate parent company, LJ GP Partnership 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 Alvarium RE only.

Alvarium RE 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").

The consequence of this dual classification, is that Alvarium RE must assess its minimum capital requirements under two prudential methodologies, and it is the higher of the two which is the regulatory minimum capital.

The two prudential methodologies are as follows:

CPMI Firm

As a CPMI Firm, Alvarium RE 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

BIPRU Firm

As a BIPRU firm, Alvarium RE's capital requirement is based on the greater of:

- a) A base capital requirement of €50,000;
- b) The sum of Alvarium RE's market and credit risk requirements; or
- c) Its fixed overhead requirement ("FOR").

As of 31st December 2018, the regulatory minimum capital is £1,250m. This is based on the credit and market risk capital requirement, as it exceeds the base capital and the fixed overhead requirement.

The regulatory capital resources for Alvarium RE as at 31st December 2018 is £8,880 and the minimum regulatory capital is £1,250m.

2. Identified Risks

The Board of Alvarium RE 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 Director of Compliance 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 relates to receivables in respect of Investment management services to Clients, Group Companies, together with Approved Representatives, and 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.

Market Risk Alvarium RE's exposure to Market risk is limited to foreign exchange fluctuations related to accounts receivable in major global currencies other than the functional currency of sterling. This arises where fees are received in Dollars or Euros. The Firm has excluded Market risk on the basis that it is not a material risk to the Firm.

Liquidity Risk Liquidity risk as the risk arising from the Company'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, Alvarium RE instructs professional advisers on legal and regulatory matters. There is also an indemnity policy.

Business Continuity Risk: Alvarium RE Limited, as part of Alvarium Group, falls under the Group business continuity plan, which is tested periodically at 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 2018 is summarised as follows:

Core tier one capital	£'000
Total tier one capital after deductions	8,800
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	8,800
Total tier three capital	0
Total capital resources after deductions	8,800

Minimum Capital

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. It's FOR.

Calculation of base capital requirement**I. Calculation of Base Capital requirement**

Capital Required under BIPRU	£000	Capital Required under AIFMD	£000
The base capital requirement of €50k	45	The base capital requirement of €125K	112

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

CREDIT & COUNTER PARTY RISK*	Exposure	Weighting	000's
			Rating
Cash	1,819,765	20%	364
Amounts due from Group Companies	11,298,939	100%	11,299
Fixed Assets	48,922	100%	49
Prepayments	1,508,423	100%	1,508
Debtors	2,408,500	100%	2,409
	<u>14,992,764</u>		<u>15,629</u>
Overall Rated weighting		8%	1,250

*- ECB EUR vs GBP rate of 0.895 as of 31 December 2018

III. Calculation of the fixed overhead requirement (FOR)

FOR		000's
Total Expenses	5,620,311	
Less Variable Expenses	1,498,014	
Total Fixed Costs	4,122,297	
x 25%	1,030,574	1,031

The calculation of the sum of market and credit risk requirements is the higher and consequently it constitutes the minimum capital requirement.

The solvency ratio is as follows:

<u>SOLVENCY RATIO</u>	£000s
A. Regulatory Capital	8,800
B. Regulatory Capital Requirement	1,250
Regulatory Capital Surplus (A - B)	7,549
Solvency Ratio (A/B)	8.54

5. Remuneration disclosure

Governance

The purpose of the Remuneration Code is to ensure firms establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management. The Board is responsible for Alvarium RE’s policy on remuneration. The Board consists of:

- Nicholas Barker
- Alexander Charles Benedict De Meyer
- Jonathan Richard Elkington
- Edward Lawson Johnston
- Sophie Alice Rowney
- Andrew Charles Williams
- Elliot Paul Shave

ALVARIUM RE’s Remuneration Policy will be reviewed, at least, annually by the Board to ensure that it remains consistent with the Remuneration Code Principles and ALVARIUM RE’s objectives.

Quantitative remuneration information

Remuneration at Alvarium RE can be made up of fixed (‘salary’) and variable (‘bonus’) components. Alvarium RE 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 Alvarium RE is deemed by the Board 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	Code Staff
£1,629,915	7