CAPEVIEW CAPITAL LLP

Report and Financial Statements
for the year ended 31 December 2020

Registration number OC364354

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MEMBERS' REPORT

Group Structure

CapeView Capital LLP (the "Firm") is a limited liability partnership, incorporated in England and Wales on 5 May, 2011, to act as the discretionary investment manager of a number of accounts ("Accounts") including, inter alia, the CapeView Azri Fund, Capeview Azri 2X Fund and CapeView Strategic Fund (together these are described as the "Funds").

Principal Activity

The principal activity is the provision of investment management services.

Designated Members

The designated members are:

Richard Haas, Chief Executive Officer
Michael Sakkas, Portfolio Manager
Sushil Shah, Portfolio Manager

Members' profit share, drawings and the subscription and repayment of Members' capital

Members draw a proportion of their profit share in 12 equal monthly instalments during the year. Any excess profits made during the financial year will then be distributed between Members accordingly based on their side letters and in accordance with the provisions of the LLP Agreement.

Each member has contributed a specific amount of capital as set out in the LLP Agreement.

Members' responsibilities statement

The members are responsible for preparing the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) require the members to prepare financial statements for each financial year. Under the law the members have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the 2008 Regulations. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members confirm that:

- so far as each member is aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- the members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with the Companies Act.

The responsibilities are exercised by the Management Committee on behalf of the Members.

On behalf of the Management Committee.

Richard Haas
Designated Member
CapeView Capital LLP

31 March 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPEVIEW CAPITAL LLP

Opinion

We have audited the financial statements of CapeView Capital LLP (the 'limited liability partnership') for the year ended 31 December 2020, which comprise the income statement, the statement of financial position, the statement of cash flows, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited liability partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the limited liability partnership to cease to continue as a going concern.

In our evaluation of the members' conclusions, we considered the inherent risks associated with the limited liability partnership's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the limited liability partnership's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the members with respect to going concern are described in the 'Responsibilities of members for the financial statements' section of this report.

Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

the financial statements are not in agreement with the accounting records and returns; or

we have not received all the information and explanations we require for our audit.

Responsibilities of members for the financial statements

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We enquired of management concerning the Partnership's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

  We enquired of management, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We identified that there is a culture of honesty and ethical behaviour and a strong emphasis of prevention and deterrence of fraud.

  We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Partnership and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework FRS 102

- We assessed the susceptibility of the Partnership's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that reclassified costs from the income statement to the balance sheet

  Our audit procedures involved:
  - evaluation of the design effectiveness that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material manual journals, including those with unusual account combinations;

  In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.

  These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the Partnership operates
  - understanding of the legal and regulatory requirements specific to the regulated entity;

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement
- the rules and interpretative guidance issued by the Financial Conduct Authority
- the entity's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for

authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

David Pearson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
31 March 2021

PARTNERSHIP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Turnover		33,882,380	23,795,761
Other operating income	2,12	1,471,289	1,508,637
		35,353,669	25,304,398
Operating Costs			
Staff Costs	4	(8,977,248)	(5,504,292)
Other operating expenses		(3,418,349)	(3,461,233)
Operating profit		22,958,072	16,338,873
Fair value movement on derivatives		291,948	-
Profit for the financial year before Members' remuneration and profit shares		23,250,020	16,338,873
Members' remuneration charged as an expense		(21,213,828)	(14,675,208)
Profit for the financial year available for discretionary division amongst Members		2,036,192	1,663,665

The notes on pages 13 to 18 form part of the financial statements

PARTNERSHIP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
ASSETS			
Fixed assets			
Tangible assets	5	33,169	92,517
		33,169	92,517
Current assets			
Debtors	6	21,351,389	10,173,629
Cash at bank and in hand	12	5,119,212	4,459,098
Partners' Current Accounts		-	380,000
		26,470,601	15,012,727
Creditors: amounts falling due within one year			
Creditors	7	7,551,156	4,255,900
		7,551,156	4,255,900
Net Current Assets		18,919,445	10,756,827
Net assets attributable to members		**18,952,614**	**10,849,344**
Represented by:			
Members' capital classified as equity		1,175,000	1,175,000
Members' other interests classified as equity		2,036,192	1,663,665
Loans and other debts due to members		15,741,422	8,010,679
		18,952,614	**10,849,344**
Total Members' interests			
Members' capital classified as equity		1,175,000	1,175,000
Other Reserves		17,777,614	9,674,344
Other amounts due from Members		-	(380,000)
		18,952,614	10,469,344

The financial statements were approved by the Designated Members and authorised for issue on 31 March 2021.

Richard Haas
Designated Member

The notes on pages 13 to 18 form part of the financial statements

PARTNERSHIP STATEMENT OF CASH FLOWS FOR THE YEAR TO 31 DECEMBER 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the financial year		23,250,020	16,338,873
Adjustments for:			
Depreciation of tangible assets	5	59,348	65,537
(Increase)/decrease in debtors	6	(10,979,566)	(7,522,293)
Increase in creditors	7	3,295,256	108,794
Unrealised (profit)/loss on open derivative instruments	6	(198,194)	(93,754)
Net cash generated from operating activities		15,426,864	8,897,157
Cash flows from Investing activities			
Proceeds on sale of investment		-	-
Purchase of tangible assets		-	-
Net cash flows from Investing activities		-	-
Cash flows from Financing activities			
Payments to Members that represent a return on amounts subscribed or otherwise contributed		(14,766,750)	(10,071,056)
Net cash flows from Financing activities		(14,766,750)	(10,071,056)
Net (decrease)/increase in cash & cash equivalents		660,114	(1,173,899)
Cash & cash equivalents at the beginning of period		4,459,098	5,632,997
Cash & cash equivalents at the end of period		5,119,212	4,459,098

The notes on pages 13 to 18 form part of the financial statements

PARTNERSHIP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Members' capital classified as equity	Other Reserves	Loans and other debts due to/(from) Members	Total
	£	£	£	£
At 1 January 2019	1,175,000	1,915,646	1,110,881	4,201,527
Members' remuneration charged as an expense	-	-	14,675,208	14,675,208
Profit for the financial year available for discretionary division among members	-	1,663,665	-	1,663,665
Members' interests after profit for the year	1,175,000	3,579,311	15,786,089	20,540,400
Allocated profit	-	(1,915,646)	1,915,646	-
Drawings	-	-	(10,071,056)	(10,071,056)
At 1 January 2020	1,175,000	1,663,665	7,630,679	10,469,344
Members' remuneration charged as an expense	-	-	21,213,828	21,213,828
Profit for the financial year available for discretionary division among members	-	2,036,192	-	2,036,192
Members' interests after profit for the year	1,175,000	3,699,857	28,844,507	33,719,364
Allocated Profit	-	(1,663,665)	1,663,665	-
Drawings	-	-	(14,766,750)	(14,766,750)
At 31 December 2020	1,175,000	2,036,192	15,741,422	18,952,614

The notes on pages 13 to 18 form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. The Company

CapeView Capital LLP (the "Firm") is a limited liability partnership, incorporated in England and Wales on 5 May, 2011, to act as the discretionary investment manager of a number of Accounts including, inter alia, the CapeView Azri Fund, CapeView Azri 2X Fund and CapeView Strategic Fund. The registered office is Two London Bridge, London, SE1 9RA, United Kingdom.

2. Basis of preparation

The principal accounting policies are summarised below and have been consistently applied throughout the financial period.

Basis of accounting

The Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships issued in July 2014. The Financial Statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

Going concern

Since the outbreak of COVID-19 in 2020, the Members continue to closely monitor the impact of the pandemic to the business. No material cost increases are forecast and there have been no significant investor redemptions from the Funds. Most of the Funds' clients are on 30 days' notice to redeem quarterly. After reviewing the Firm's forecasts and projections, the Members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. The LLP therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover

The turnover shown in the profit and loss account represents amounts due for investment advisory services recognised on an accruals basis during the year, exclusive of Value Added Tax. Performance fees are recognised when crystallised. Management fees recognised in the period were £13,253,188. Performance fees were £20,629,192. Other income and interest were £1,471,289.

Foreign currency translation

Items included in the financial statements are presented in sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the income statement date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the profit and loss account.

Derivative instruments

From time to time the Firm uses forward foreign currency contracts and foreign exchange options to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the derivative contracts is calculated by reference to current derivative contracts with similar maturity profiles.

Depreciation policy

Tangible and intangible assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of the fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office Improvements	straight line over 36 months
Office Equipment	straight line over 36 months
Furniture and Fixtures	straight line over 36 months
IT Upgrade	straight line over 36 months

Key judgements

In the application of the partnership's accounting policies, the members are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. No key judgements, estimates or assumptions have been identified.

3. Information in relation to Members

Profits are allocated and shared by the non-salaried members after the end of the year in accordance with their side letters and with the provisions of the LLP Agreement.

4. Salaried Members and employees

Staff costs during the year were as follows:

	2020	2019
	£	£
Wages and Salaries	7,792,238	4,773,148
Social Security cost	1,084,913	639,857
Employee Benefits	100,097	91,287
	8,977,248	5,504,292

The average monthly number of employees was as follows:	**2020**	**2019**
Office Staff including salaried members	18	17

5. Tangible Assets

	Office Improvements	**Office Equipment**	**Furniture and Fixtures**	**Total**
	£	**£**	**£**	**£**
Cost:				
At 1 January 2020	269,957	328,405	18,670	617,031
At 31 December 2020	269,957	328,405	18,670	617,031
Depreciation:				
At 1 January 2020	194,062	311,783	18,670	524,514
Charge for year	47,926	11,423	-	59,349
At 31 December 2020	241,987	323,206	18,670	583,863
Net Book Value:				
At 31 December 2019	75,895	16,622	-	92,517
At 31 December 2020	27,970	5,199	-	33,169

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Debtors

	2020	2019
	£	£
Debtors	20,851,341	9,892,438
Other current assets	34,971	35,671
Prepayments and accrued income	173,129	151,766
Derivative instrument	291,948	93,754
	21,351,389	10,173,629

7. Creditors: amounts falling due within one year

	2020	2019
	£	£
Creditors	74,537	91,504
Taxes and social security costs	58,250	51,124
Accruals and deferred income	7,418,369	4,113,272
	7,551,156	4,255,900

8. Related party transactions

Certain profitability thresholds were met during 2020 and the Firm will pay CVC Holdings LLC its liability of £1,163,004 in April 2021. There were no other related party transactions.

9. Ultimate controlling party

In the opinion of the members there is no ultimate controlling party of the LLP.

10. Financial Commitments – Operating Leases

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight-line basis over the period of the lease. At 31 December 2020 the Firm was committed to making the following payments during the next year in respect of operating leases:

	31 December 2020	
	£	
Leases expiring within:	Land and Buildings	Other
One year	-	285
Second to fifth year	319,000	-

The Firm has contracted to an operating lease for the 5th Floor, Two London Bridge, London SE1 9RA. The lease expires on 6 August 2023.

The Firm has contracted to an operating lease for two Canon copiers. The lease expires 31 January 2021.

11. Auditors Remuneration

The remuneration of the auditors is analysed as follows:

	2020	**2019**
	£	**£**
Audit of the financial statements	16,500	15,500
Total audit services	16,500	15,500
FCA assurance services (CASS)	5,250	4,750
Total non-audit services	5,250	4,750
	21,750	20,250

12. Cash and Cash Equivalents

Cash and cash equivalents includes restricted cash of £144,093 (2019:£52,801). The restricted cash relates to the operation of a Research Payment Account ("RPA") whereby the LLP pays for research in accordance with MiFID II. Each of the Accounts reimburses its share based on its assets under management. The RPA is held at Barclays Bank Plc and any balance on the account at the year end will be carried forward and reduce the following year's budget.

APPENDIX I – PILLAR 3 DISCLOSURE

Pillar 3 disclosure fulfils CapeView Capital LLP's (the "Firm") obligation to disclose to market participants key pieces of information on a firm's capital, risk exposures and risk assessment processes and its remuneration policies and practices.

The Firm is a full scope Alternative Investment Fund Manager ("AIFM") able to provide discretionary investment management services to Alternative Investment Funds ("AIFs") and segregated managed accounts. The Firm is categorised by the FCA as a collective portfolio management investment firm ("CPMI") and a BIPRU (Prudential sourcebook for Banks, Building Societies and Investment Firms) Limited Licence investment firm for regulatory capital purposes.

I. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Designated Members determine the Firm's business strategy and risk appetite. They have designed and implemented a risk management framework that recognizes the risks that the business faces and how those risks may be mitigated and assessed on an on-going basis. The Management Committee meets on a regular basis and discusses projections for profitability, liquidity, regulatory capital, business planning and risk management.

The Firm considers the following as key risks to its business:

<u>Business risk</u> – This risk represents a fall in assets under management in the Funds or the loss of key staff which may reduce the fee income earned by the Firm and hinder its ability to finance its operations and reimburse its expenses. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process ("ICAAP").

<u>Operational risk</u> – This risk covers a range of operational exposures from risk of valuation and trading errors to risk of breach of a Fund's investment objectives. Legal and reputational risks are also included within the category of operational risk. Operational risks and mitigants are assessed as part of the ICAAP.

<u>Credit risk</u> – This risk relates to the exposure to the Funds for non-payment of management and performance fees and counterparty exposure relating to the Firm's bank balances and any other debtors. This is monitored by the Firm's Financial Controller and reported monthly to the Management Committee.

<u>Market risk</u> - The risk is the exposure to foreign exchange fluctuations due to investment management and performance fees being denominated in currencies other than sterling. This foreign currency exposure is limited as a result of the close relationship between the Funds and the Firm resulting in payment of outstanding liabilities in a timely fashion.

II. CAPITAL RESOURCES

As a CPMI firm the Company is subject to both the regulatory capital regimes of the Alternative Investment Fund Managers Directive ("AIFMD"), in respect of its AIFs, and relevant provisions applicable to investment firms contained in the Capital Requirement Directive ("CRD"), as amended, for the Firm.

Capital requirements arising from Pillar 1 and Pillar 2 of the CRD are compared to any higher requirements arising from the AIFMD asset-based capital calculation and professional indemnity insurance ("PII") elements to derive the total regulatory capital required by the Firm.

Pillar 1 capital is the greatest of:

1. a base capital requirement of Euro 50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement ("FOR").

Pillar 2 capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP.

The capital resources of the business comprise Tier 1 capital with no deductions.

It is the Firm's experience that its capital requirement normally consists of the FOR, although market and credit risks are reviewed monthly and may apply when there is a performance fee due but unpaid at year end. The Firm applies a standardised approach to credit risk, applying 8% to the Firm risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not paid, and bank balances. Having performed the ICAAP it is the Firm's opinion that no additional capital is required in excess of its Pillar 1 capital requirement.

As at 31 December 2020 Firm's combined regulatory capital position is:

Capital Position	**£000**
Tier 1 Capital: Partnership Capital	1,175
Total Capital Resources Requirement: Fixed Overhead Requirement (and AIFMD PII capital requirement)	1,082

III. MANAGEMENT OF THE ICAAP

The approach of the Firm to assessing the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to the Firm and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital, as relevant. The Firm stress tests future impact by considering the Firm's forecast for the 3 years, its breakeven point and, in order to address the worst case scenario, the costs to close.

The Firm's ICAAP is formally reviewed by the Management Committee at least once per annum, unless there are material changes to the Firm's business or risk profile, at which time it would be re-assessed.

IV. THE REMUNERATION CODE

The aim of the BIPRU Remuneration Code (the "Code") is to ensure that firms have risk focused remuneration policies which promote and are consistent with effective risk management, and do not expose firms to excessive risk.

Under the Code, the Firm is classified as a Proportionality Level III Firm, the lowest risk category as the Firm does not manage or trade proprietary positions. This means the Firm may disapply many of the technical requirements of the Code and proportionately apply the Code's rules and principles.

The Firm is also subject to the AIFMD Remuneration Code but, has taken into account the FCA's view that the application of the AIFM Remuneration Code should satisfy compliance with the BIPRU Remuneration Code insofar as the AIFM Code provisions are deemed equivalent. Having considered the application of both

Remuneration Codes, the Firm is satisfied that its remuneration arrangements are not required to vary depending upon which Remuneration Code is applicable.

BIPRU Chapter 11 includes a requirement for disclosure of the Firm's remuneration policy and practices, as well as aggregate quantitative disclosure for staff assessed as having a material impact on its risk profile, including senior management ("Code Staff").

The disclosure obligations applicable to remuneration subject to the Code ("Remuneration") includes all forms of fixed remuneration and variable remuneration but excludes the element of profit share awarded to such individuals as owners of the business.

a. Remuneration Policies

The Firm operates in accordance with its Remuneration Policy Statement (the "Policy") which considers the Firm's remuneration arrangements. Potential conflicts of interest arising from such arrangements are considered by taking into account the controls in place to guard against the Firm's authorised persons being rewarded for taking inappropriate levels of risk.

The Firm is satisfied that the Policy operating is appropriate to its size, internal organization and the nature, scope and complexity of its activities.

b. The Decision-Making Process

The Management Committee oversees remuneration policies and arrangements.

c. Link between Pay and Performance

Remuneration subject to the Code is based on an assessment of the profitability of the Firm, an individual's performance and their ability to influence the Firm.

Code Staff, consisting of the three members of the Management Committee, all senior managers, receive drawings and profit share which, for certain Code Staff, is based on net revenues related to investment management, considered as Code fixed remuneration, and performance fees considered as variable remuneration for certain specified funds, as determined by the Management Committee.

On an exceptional basis, and in accordance with the Code, the Firm may enter into remuneration arrangements, which may involve a guaranteed element to attract and retain key staff.

d. Quantitative Remuneration Data

The aggregate Remuneration, fixed and variable, for staff assessed as Code Staff by virtue of them having a material impact on the risk profile of the Firm for the year ending 31 December 2020 amounted to £18,763,692 fixed and £1,656,192 variable.