AlbaCore Capital LLP
Pillar 3 Risk Disclosure
Year Ended 31 December 2020

Introduction

AlbaCore Capital LLP ("AlbaCore" or the "Firm") 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.

The Capital Requirements Directive (the "CRD") created a revised regulatory capital framework across Europe covering how much capital financial services firms must retain. In the United Kingdom, rules and guidance are provided in the General Prudential Sourcebook (GENPRU) for Banks, Building Societies and Investments Firms (BIPRU).

The FCA framework consists of three "Pillars":

- Pillar 1 - sets out the minimum capital requirements for the Firm;

- Pillar 2 – deals with Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by the Firm to assess the adequacy of capital held in relation to its material risks; and

- Pillar 3 – requires the Firm to publicly disclose its policies on risk management, capital resources and capital requirements.

The rules in BIPRU 11 set out the provisions for Pillar 3 disclosure. This document is designed to meet the Firm's Pillar 3 disclosure obligations.

This document has been prepared by AlbaCore in accordance with the requirements of BIPRU 11 and has been verified by the Firm's governance committee (the "Governance Committee"). Unless otherwise stated, the information contained in this document is accurate as **at 31 December 2020, financial year-end**.

Pillar 3 disclosure will be made on an annual basis and published on the Firm's website (www.albacorecapital.com) as soon as practical after the year-end.

The Pillar 3 disclosure requirements as detailed in BIPRU 11.3.6R permit the Firm to omit required disclosures if it believes that the information is immaterial or could be regarded as proprietary or confidential.

Materiality is based on the criteria that the omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the firm. Proprietary information is that which, if it were shared, would undermine the Firm's competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with its customers, suppliers and counterparties.

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Scope and application of the requirements
The Firm is authorized and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorized as a BIPRU Firm by the FCA for capital purposes.

The Firm is regulated as a standalone entity in the UK and is not part of a UK consolidated group, as such this disclosure has been prepared in relation to the Firm only.

Risk Management
The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the Firm. The risk management process is overseen by the Firm's Chief Risk Officer, with the Governance Committee taking overall responsibility for this process and the fundamental risk appetite of the Firm.

The Governance Committee meets on at least a quarterly basis to discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Governance Committee aim to mitigate the Firm's risks through a framework of policies and procedures having regard to the relevant laws, standards, principles and rules (including the FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are reviewed and updated on a regular basis.

The Governance Committee has identified business, operational, credit, market and liquidity as the main areas of risk that could directly or indirectly impact the Firm. The Governance Committee meets regularly to review the Firm's risks, controls and other risk mitigation arrangements and assess their effectiveness.

A formal update on operational matters is provided to the Governance Committee on a quarterly basis. Management accounts are reviewed on a quarterly basis and currently demonstrate the adequacy of the Firm's regulatory capital.

Appropriate action is taken where risks are identified which fall outside the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's mitigating controls.

Risks
Specific risks applicable to the Firm come under the headings of (i) credit, (ii) market, (iii) business, (iv) liquidity, and (v) operational risks.

(i) Credit Risk
The Firm's main exposures to credit risk are the risk that investment management fees (inclusive of investment advisory and collateral management fees) cannot be collected from its clients; and the risk that the banks, where collected fees are deposited and the Firm's general deposits are held, fail.

Based on the above assessment, the Firm's credit risk is deemed to be low. The Firm holds all cash balances with international banks assigned with high credit ratings, and the Firm has also adopted a policy of holding no more than 40% of its cash at any one counterparty for an extended period of time. Management fees are drawn quarterly from the Funds. Performance fees are payable to the Firm at the end of the relevant Fund's life and after all capital and a preferred return has been distributed to the investors.

The Firm has adopted the standardised approach to credit risk, and therefore follows the provision within BIPRU 3 standardised credit risk of the FCA Handbook. The Firm applies a credit risk capital component of 8% to its non-trading book risk weighted exposure. As the Firm does not make use of an external credit rating agency, it is obligated to use a risk weight of 100% to all non-trading book credit exposures, except cash and cash equivalents which are held by investment grade firms and currently attract a risk weighting of 20%.

(ii) Market Risk

The Firm's market risks are foreign exchange risk in respect of its management fees receivable, and cash balances held in currencies other than GBP.

In January 2021, the Firm established a foreign exchange trading facility with one of its banks, primarily to facilitate the forward purchase of GBP against the non-GBP expected fee income as part of its treasury management activity. The Firm aims to hold or have forward purchased at least an amount of GBP approximately equal to 1 years' worth of fixed costs.

Since the Firm takes no trading book positions on its balance sheet, it has only indirect market risk. The Firm aims to hold at least 75% of its total cash in GBP since it covers the significant portion of its cost base in GBP. The Firm calculates its foreign exchange risk by applying an 8% risk factor to its foreign exchange exposure.

(iii) Business Risk

The Firm's revenue is reliant on the performance of its existing accounts under management, its ability to launch new funds and its regulatory reputation through adherence to all regulatory and contractual obligations. As such, the business risks posed to the Firm relate to underperformance resulting in the decline in revenue and adverse market conditions hindering the launch of new funds. These risks are mitigated by significant levels of capital held by the Firm, which will continue to cover all expenses of the business, even in a weakening environment, for a period of at least six months.

(iv) Liquidity Risk

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The Firm will always endeavour to have sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds. The cash position of the Firm is monitored on a regular basis by the finance team, who prepare weekly reports for management, including a one year forecast of cash requirements. The Head of Finance with oversight from the Governance Committee is responsible for managing the liquidity position of the Firm.

(v) Operational Risk

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm has identified a number of key operational risks. These relate to systems failure, breach of IT security, failure of third party providers, key man risk and potential for serious regulatory breaches such as late regulatory submissions, market abuse, trade dealing errors and fraud/theft. Appropriate policies are in place to mitigate against these risks, which include but are not limited to appropriate insurance policies, use of well-established and experienced third party service providers, whistle-blowing procedures, regular compliance training and succession planning.

Regulatory Capital

The main features of the Firm's capital resources for regulatory purposes as at 31 December 2020 are as follows:

Tier 1 Capital*	*£12,573,058*
Tier 2 Capital	£0
Deductions from Tiers 1 and 2	*£1,266,980*
Total Capital Resources	***£11,306,078***

*No hybrid tier one capital is held

The Firm has a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its management fee receivable, cash and other investments in foreign currency, and credit risk from management and performance fees receivable from the accounts under management, as well as other assets of the Firm. The Firm follows the standardized approach to market risk and the simplified approach to credit risk.

The Firm is subject to the Fixed Overhead Requirement ("FOR") and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As a BIPRU firm, the Firm's capital requirements are:

- €50,000; and
- the sum of the market and credit risk requirements; or
- the FOR which is =25% of the Firm's operating expenses less certain variable costs (i.e. fixed overheads).

FOR is calculated based on the Firm's previous year's audited expenditure. The Firm has adopted the standardized approach to market risk and the above figures have been produced on that basis. The Firm is not subject to an operational risk requirement.

Capital Requirement
The Firm's Pillar 1 capital requirement has been determined by reference to the Firm's credit and market risk exposure. The requirement is based on the FOR since this exceeds, credit and market risk capital and also exceeds its base capital requirement of €50,000.

The FOR is based on annual expenses net of variable costs deducted, which include discretionary bonuses paid to staff. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year. This is monitored by the Head of Finance and reported to the Governance Committee on a quarterly basis.

Remuneration Code Disclosure
The Firm is subject to the FCA's Remuneration Code set out in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code (the "RemCode") covers an individual's fixed and variable remuneration. The Firm's incentivizes its staff through a combination of both.

The Firm's business is to provide investment management services to professional clients, including funds. The Firm's remuneration policy is designed to ensure that it complies with the RemCode and that the remuneration arrangements:

- are consistent with and promote sound and effective risk management;
- do not encourage excessive risk taking;
- include measures to avoid conflicts of interests; and
- are in line with the Firm's business strategy, objectives, values and long-term interests.

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by instituting two tests: (i) a firm that is significant in terms of its size must disclose quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel; and (ii) that a firm must make disclosure that is appropriate to the size, internal organization and the nature, scope and complexity of their activities.

The Firm is not 'significant' in that it has relevant total assets of <£50bn (average total assets on the last accounting date) and therefore makes this disclosure in accordance with the second test (BIPRU 11.5.20R (2)).

Application of the requirements
The Firm is required to disclose certain information on at least an annual basis regarding its remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the Firm. This disclosure is made in accordance with the Firm's size, internal organization and nature, scope and complexity of the Firm's activities.

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Summary

1. The Decision Making Process

   The decision making process used for determining the Firm's remuneration policy including use of external benchmarking consultants where relevant is as follows:

   - The Firm's policy has been agreed by the Governance Committee in line with the FCA's RemCode principles;
   - Due to the size, nature and complexity of the Firm, it is not required to appoint an independent remuneration committee;
   - The Firm's policy will be reviewed annually and following any significant changes to the business which require an update to its Internal Capital Adequacy Assessment (ICAAP); and
   - The Firm's ability to pay bonuses is based on the Firm's overall performance and derived after the management fees earned for the year have been calculated, by the independent third party administrator of the Fund.

2. How the Firm Links Pay and Performance

   Individuals are rewarded based on their contributions to the overall strategy of the Firm. Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the Firm are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the Firm.

   The Firm may omit required disclosures where it believes that the information could be regarded as prejudicial to the UK or other national transpositions of the Data Protection Directive - Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

   The Firm has made no omissions on the grounds of data protection but due to confidentiality have omitted to provide a breakdown of remuneration and aggregate compensation expense given the limited number of staff subject to the RemCode.