

### **Pillar III Disclosure Statement**

The Pillar 3 disclosure of Fulcrum Asset Management LLP (**‘the Firm’**) is set out below as required by the Financial Conduct Authority’s (**“FCA”**) “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (BIPRU) specifically BIPRU 11.3.3 R. This is a requirement which stems from the UK’s Capital Requirements Directive (CRD) III implementing Regulations, which represented the European Union’s application of the Basel Capital Accord. The Firm is no longer formally subject to CRD, but remains subject to the UK’s implementation Regulations of CRD prior to CRD IV. The regulatory aim of the disclosures is to improve market discipline.

The CRD, to which the Firm remains subject as a consequence of the UK CRD III implementing Regulations, consists of three ‘Pillars’:

- Pillar 1 sets out the minimum capital amount that meets the Firm’s credit, market and operational risk;
- Pillar 2 requires the Firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential.

We have omitted from this disclosure our market and credit risk regulatory capital requirement on the basis that, given how the Firm is managed, the figures are not material to the Firm’s overall regulatory capital position. We have made no other omissions on the grounds that it is immaterial, proprietary or confidential.

### **Scope and application of the requirements**

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is a full scope UK Alternative Investment Fund Manager (AIFM) of the EEA and has Non-EEA Alternative Investment Funds (AIFs). It also undertakes additional activities which result in the Firm being subject to BIPRU for capital purposes. It is an investment management firm and as such has no trading book exposures.

### **Risk management**

The Firm is governed by a management body (the **“Board”**) who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm’s governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Board also determines how the risk the business faces may be mitigated and assesses on an ongoing basis the arrangements to manage those risks. The Board meets on a regular basis and discusses current projections for profitability, cash flow, regulatory capital management, and business planning and risk management.

The Board manages the Firm’s risk business through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules), with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated periodically as required.

The Board has identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. At least annually the Board formally reviews these risk exposures and assesses the appropriateness of controls and other risk mitigations. Where the Board identifies material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

### Regulatory capital

The Firm is a Limited Liability Partnership and reports its regulatory capital requirements on a consolidated basis. The main features of the Firm’s capital resources for regulatory purposes as per June 2019 are as follows. Tier 1 capital comprises of Partnership capital, share capital and share premium.

Capital item (£'000)	LLP	Group
Tier 1 capital (less innovative tier 1 capital)	£3,295,000	£3,240,476
Total tier 2, innovative tier 1 and tier 3 capital	0	0
Deductions from tier 1 and tier 2 capital	0	0
Total capital resources, net of deductions	£3,295,000	£3,240,476

The Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from its non AIFMD business. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement 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 discussed above, the Firm is an AIFM limited licence firm and as such its capital requirements are the greater of:

- its base capital requirement of €125,000 plus an additional requirement where the value of AIFs managed exceeds €250 million; or
- the sum of its market and credit risk requirements; or
- its Fixed Overhead Requirement; plus
- its professional liability risk requirement

OR

- Pillar 2 Wind Down Requirement.

**Remuneration Code**

The Firm has a Remuneration Code Proportionality Level 3 Firm and has applied the rules appropriate to its Proportionality Tier. The Firm's Founding Partners are responsible for the Firm's remuneration policy.

All variable remuneration is adjusted in line with capital and liquidity requirements. All of the Firm's business derives from investment management activity.

<b>Type of code staff</b>	<b>Number of staff</b>	<b>Total remuneration £'000 (<i>per December 2018 financial statements</i>)</b>
Senior management	10	£6,931
Other remuneration code staff	-	-