Inverewe Capital London Limited

Pillar 3 Disclosure

May 2021

Inverewe Capital London Limited ("ICLL") was incorporated in England and Wales as a limited company on 19 February 2014 under company number 08902964 and is authorised and regulated by the Financial Conduct Authority ("FCA"). ICLL acts as investment manager which includes Inverewe Credit Opportunities Master Fund ICAV and Inverewe Credit Opportunities Fund ICAV (the "ICAVs"), that are both regulated by the Central Bank of Ireland.

The Pillar 3 disclosure fulfils ICLL's obligation to disclose to market participants key information regarding ICLL's capital, risk exposures and risk assessment processes.

ICLL is categorised and authorised as a BIPRU firm and an Alternative Investment Fund Manager ("AIFM") by the FCA for capital purposes. ICLL is also classified as a Collective Portfolio Management Investment firm and as such maintains certain MiFID permissions (such as Managing Investments) and may have additional capital requirements to take into account. As such ICLL is an IFPRU EUR125k firm.

CAPITAL RESOURCES SUMMARY as of 31 March 2021

Risk	Amount (in GBP '000)
Total Tier 1 + Tier 2 capital after deductions	219
Base Capital Resources Requirement	(106)
BCRR satisfied	113
Credit Risk Requirement	(11)
Excess Tier 1 and Tier 2 capital available	208
Add: Tier 3 Capital	-
Total Capital available to meet MRR	208
Market Risk Requirement (MRR)	(13)
Excess Total Capital	195
Fixed Overheads Requirement	152
Excess Total Capital	67

CAPITAL RESOURCES

As a Collective Portfolio Management Investment firm **the capital resources requirement** is calculated as the total of Pillar 1 and Pillar 2 capital.

Pillar 1 capital is the greatest of:

1. A base capital requirement of EUR125,000 plus 0.02% of assets under management >EUR250,000,000 capped at EUR10,000,000;
2. The sum of market and credit risk requirements; and
3. The Fixed Overhead Requirement ("FOR") of three months' fixed overheads.

Pillar 2 capital is calculated by ICLL 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 ICLL's experience that the capital requirement normally consists of the FOR, although market and credit risks are reviewed periodically. ICLL applies a standardised approach to credit risk, applying 8% to ICLL 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 ICLL's opinion that no additional capital is required in excess of its Pillar 1 capital requirement.

As of 31 March 2021, ICLL's regulatory capital position (in '000), includes:

Capital required:
GBP152

Tier 1 capital: Share Capital, Share Premium and Audited Reserves:
GBP219

Total Capital Resources Surplus:
GBP67

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Directors and Management of ICLL determine business strategy and the risk appetite. A risk management framework has been designed and implemented that identifies and documents the risks that the business faces. This is reviewed periodically, especially when there are relevant changes to the business environment or the business model of ICLL. The Directors and Management also determine how those risks may be mitigated and assess on an ongoing basis the controls and procedures necessary to manage those risks. The Directors and Management meet on a regular basis and discuss business planning, projections for profitability, liquidity, regulatory capital and risk management.

Risks

As an investment manager, ICLL considers the following as key risks to its business:

Business risk – This risk represents a fall in assets under management in the ICAVs or the loss of key staff which may reduce the fee income earned by ICLL 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"). The business has key insurances in place and the controllers of ICLL are able to arrange to inject more capital into the business as this is needed. The Directors and Management have a plan to ensure that the business can be wound down in an orderly fashion should the business risk be too large for it to absorb.

Based on the analysis of the risks and the controls in place, ICLL does not believe that any additional capital provision is required to cover business risk.

Operational risk – This risk covers a range of exposures from risk of operational errors to risk of breach of the investment objectives of the ICAVs. Legal and reputational risks are also included within the category of operational risk. Operational risks and mitigating factors are assessed as part of the ICAAP.

Based on the analysis of the risks, the controls in place and the availability of relevant insurances, including professional indemnity insurance, ICLL does not believe that any further capital provision is required under Pillar 2.

Credit and concentration risk – This risk relates to the exposure to ICLL for non-payment of management and performance fees and counterparty exposure relating to ICLL's receivable balances and any other debtors. This is monitored by the COO of ICLL and reported to Directors and Management periodically.

Based on the analysis of the risks and the controls in place, ICLL considers credit and concentration risks to be low:

- ICLL does not make loans to any of its counterparties.
- ICLL does not trade as principal and therefore cannot incur counterparty risk as it relates to security transactions.
- The single largest credit and concentration exposure relates to the instant access bank accounts held with a top tier bank. Under Pillar 1 these exposures are risk weighted at 8% of its risk weighted exposure amount (i.e. 8% of 20% of the balance).
- Exposures to counterparties occur in relation to the investment management fees receivable. Such exposures are generally settled within 30 days of their occurrence and such exposures under Pillar 1 are risk-weighted at 8% of their face value for the calculation of credit risk. In order to calculate the market risk requirement, investment management fees receivable at the date of the calculation are included in the calculation to determine FX risk exposure.
- Material prepaid expenses generally do not exceed 90 days.

Fixed assets are minimal and are depreciated in line with UK GAAP. Under Pillar 1, the balance sheet value of the fixed assets (cost less depreciation) forms part of the calculation of credit risk and is risk weighted at 100% of the balance sheet value defined above.

Risk assessment: Given that cash in ICLL is held with a top tier bank and is readily accessible, the current risk weighting under Pillar 1 is adequate. Given the relatively small size and the general 30 day settlement of counterparty exposures, the current risk weighting of 8% under Pillar 1 is adequate. ICLL has sufficient capital to cover the expenditure commitments that extend beyond the 90 day period. ICLL does not consider that a Pillar 2 adjustment is required for credit and concentration risks faced by ICLL.

Market and securitisation risk - The risk is the exposure to foreign exchange fluctuations due to investment management and performance fees being denominated in currencies other than GBP. ICLL enters into spot FX transaction when deemed appropriate to minimise foreign currency risk.

The analysis of market and securitisation risk is as follows:

- ICLL offers discretionary investment management and advisory services and makes investment decisions for the ICAVs that results in creating risk for them.
- ICLL only acts as agent when executing transactions on behalf of the ICAVs.
- ICLL does not act on a principal basis and therefore has no market exposure.
- Securitisation risk does not exist as ICLL does not securitise any of the assets belonging to ICLL.

Risk assessment: ICLL does not incur market or securitisation risk and therefore a Pillar 2 adjustment is not required.

Liquidity, interest rate and foreign exchange rate risk -

- Creditor balances only occur in relation to the day-to-day operation of the overhead expenditure of ICLL. ICLL does not incur any costs relating to the accounts under management.
- The bank accounts are maintained with a top tier bank with instant access cash availability. A rise or fall in interest rates will have a minimal impact on ICLL as it neither borrows in order to cover the costs of its operation nor is it dependent on interest income as a source of funding.
- The banks accounts are denominated in GBP, EUR and USD and the management fees are calculated and received in EUR. ICLL's expenditure base is incurred primarily in GBP, but also in EUR and USD.

  ICLL does incur foreign exchange exposures however it manages them via conversion back to the base currency of ICLL as appropriate.
- The capital excess (Total capital Resources over Total Capital Resources Requirement) is currently in excess of 100% of Capital Resources.
- Contingency funding remains available to ICLL from the founders.

Risk assessment: on the basis of the foregoing, it is not considered necessary to make any extra capital provision for liquidity, interest rate and foreign exchange risk under Pillar 2.

REMUNERATION DISCLOSURE

ICLL has only one business area, investment management and advisory, has classified itself as an FCA defined "Proportionality level three firm" and has implemented a Remuneration Policy in accordance with SYSC 19B of the FCA Rules and associated proportionality guidance.

ICLL has further defined Code staff to be all FCA approved persons as of 31 March 2021, which includes all senior management, all risk takers and any other overlapping Code staff categories where all remuneration (that is disclosed in audited financial statements - which should be available from Companies House when filed) is attributable to Code staff and is fully attributable to fixed cash remuneration.

Given the amount of assets under management, the segregation of risk management and the inherent alignment of the interests of the Code staff and investors via the significant amount of Code staff investment into the ICAVs, ICLL believes it is appropriate to disapply the payout provisions and deferral provisions, as it is permitted to do. As such, it is also not necessary to have an independent Remuneration Committee.

In compliance with the FCA Rules on remuneration, ICLL formally reviews employment agreements / performance of all employees and based thereon determines the overall level of remuneration for each employee, which can be split between base salary, benefits, bonus, etc.

MANAGEMENT OF THE ICAAP

The approach of ICLL 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 ICLL 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. ICLL considers forward budget forecast, breakeven point, the estimated impact of the loss of Directors, Management and/or Key Employees and costs to close or wind down the business, in order to address the worst-case scenarios for these purposes.

ICLL's ICAAP is formally reviewed and approved by the Directors and Management at least once per annum and should be revised should there be any material changes to ICLL's business model or risk profile.

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