



## GuardCap Asset Management Limited Pillar 3 Disclosure

### Executive Summary

GuardCap Asset Management Limited (the “Firm”) is authorised and regulated by the Financial Conduct Authority (the “FCA”). The Firm is categorised as “BIPRU Firm” for capital purposes and reports on a solo basis. The Firm’s Pillar 3 disclosure fulfils the Firm’s obligation to disclose to market participants’ key pieces of information on a firm’s capital, risk exposures and risk assessment processes.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely 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. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions.

Unless otherwise stated all figures are as at 31 December 2021, the Firm’s financial year end.

### Risk Management

The Firm’s Directors determine its business strategy and the level of risk acceptable to the Firm. In conjunction with the Chief Operating Officer, they have designed and implemented a risk management framework that recognises the risks that the business faces and how those risks may be monitored and mitigated and assess on an ongoing basis. The Firm has in place controls and procedures necessary to manage those risks.

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

**Business risk** - The funds under management are subject to redemption by investors. While the Firm continues to market its funds there is no guarantee that subscriptions will exceed redemptions. This risk is mitigated by the diversity of the Firm’s clients and portfolios.

The Firm has a small number of staff making it important to reward and retain key employees and this is supported by the Firm’s longer-term remuneration policies and benefits package. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process (“ICAAP”).

**Market risk** - The Firm’s principal exposure to market risk is through its holdings of Collective Investments in Transferable Securities. In addition, there is an indirect exposure to financial markets because the Firm’s investment management fee income is calculated based on the value of funds under management. This risk is mitigated by our investment strategies which typically demonstrate risk characteristics that are lower than the market but nonetheless we are still exposed to market volatility.

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**Operational risk** - The Firm is exposed to operational risks which may arise from loss of revenue or unexpected increases in operating expenditure. The Firm guards against revenue loss through high quality customer servicing and following agreed investment strategies.

**Credit risk** - The Firm is exposed to credit risk in respect of balances held by the Firm's bankers and to fund custodians and distributors for unpaid management fees. This risk is mitigated by the fact that all cash is held in UK regulated financial institutions and most receivables arise from management fees due from regulated entities or institutional clients who the directors consider maintain a high standard of credit worthiness.

**Liquidity Risk** - Liquidity risk arises from having insufficient cash resources to meet liabilities as they fall due. This risk is managed through the preparation of monthly cashflow forecasts. With strong positive inflows forecast for 2022, liquidity risk going forward is assessed to be low.

**Concentration risk** - The Funds are exposed to the possible risk inherent in the concentration of the investment portfolios in a small number of industries, investment sectors and/or countries. The Firm manages/moderates this risk through a careful selection of securities in several investment sectors within established ranges and through compliance with UCITS diversification criteria.

**Currency exchange risk** - The Firm's investment strategies are largely invested in assets outside Sterling, and the fee revenue earned is therefore subject to the fluctuation of Sterling against these underlying currencies. This is a risk which the business cannot and therefore does not mitigate. The Firm is also exposed to currency exchange rate risk in respect of non-Sterling cash balances and its fund management fee income which is earned in currencies other than Sterling. The Firm manages these risks by monitoring cash flows to ensure unnecessary foreign currency balances are kept to a minimum.

## **Regulatory Capital**

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 fees receivable from the funds under its management and fee investment in shares issues by GuardCap UCITS Funds Plc.

The Pillar 1 capital requirement is the higher of:

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

The Pillar 2 capital requirement 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. When making this calculation, the Firm also takes into account the own funds requirement detailed above, in particular where the own funds exceeds Pillar 1 capital (and the extent to which the Firm is able to use capital instruments to fulfil both requirements). No additional capital is required in excess of the Pillar 1 capital requirement.

It is the Firm's experience that its Pillar 1 capital requirement has previously normally consisted of the FOR, with market and credit risks being reviewed periodically. 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, the Firm has concluded that no additional capital is required in excess of its Pillar 1 capital requirement.

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As at 31st December 2021 the Firm's regulatory capital position is:

Capital Item	£'000
Tier 1 capital	£40,564,000
Total capital resources, net of deductions	£40,564,000

## ICAAP

The Firm's ICAAP assesses the adequacy of its internal capital to support current and future activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital mitigates those risks. The Firm also considers a wind down scenario to assess the capital required to cease regulated activities.

As the Firm has shares in the GuardCap UCITS Funds plc, the credit risk is the principle factor determining the firm's capital requirement. Our capital requirements (credit and market risk) are currently £9,272,000 which is well within the level of regulatory capital held.

We consider this amount to be sufficient regulatory capital to support the business and have not identified any areas which give rise to a requirement to hold additional risk based capital.

The Firm's ICAAP is formally reviewed by the Directors annually, but will be revised should there be any material changes to the Firm's business or risk profile.

## Remuneration

Given the nature and small size of our business, remuneration for all employees is set by the Directors of the Firm. The Firm formally reviews the performance of all employees and based thereon determines each employees overall level of remuneration and the split of that between base salary, bonus, etc. in compliance with the FCA Rules on remuneration.

Given that the Firm has only one business area, investment management, all remuneration disclosed in our audited financial statements is from this business area.

The aggregate level of remuneration earned by all staff in 2021 is £14,842,925 and this is disclosed in our audited financial statements.

The Firm is subject to the BIPRU Remuneration Code ("the Code"), has applied proportionality and, pursuant to this application and where relevant, has dis-applied various provisions of the Code.

## March 2022