Sloane Robinson LLP
Disclosure under Pillar 3 of the Capital Requirements Directive
Date: As at 31 March 2020

Overview

The Basel II Capital Accord was implemented in the European Union through the Capital Requirements Directive III ("CRD"). The CRD consists of three "pillars" which have been implemented in the United Kingdom under the rules of the Financial Conduct Authority ("FCA"):

Pillar 1 sets out the minimum capital requirements of firms to cover credit, market and operational risk;

Pillar 2 requires firms and the FCA to assess the need to hold additional capital to cover risks not covered under Pillar 1; and

Pillar 3 sets out disclosure requirements which provide market participants with information to assess firms' risks, capital and risk management procedures.

The FCA has set out its minimum disclosure requirements in relation to Pillar 3 in its handbook under BIPRU 11. The information set out below represents Sloane Robinson LLP (the "Firm")'s Pillar 3 disclosures.

Scope of application

The Firm is established in the UK and is authorised and regulated by the FCA as a full scope Alternative Investment Fund Manager ("AIFM"). As the Firm also conducts certain MiFID activities, the Firm is categorised as a collective portfolio management investment firm ('CPMI'). The Firm is subject to the prudential rules in the FCA handbook under the General Prudential Sourcebook (GENPRU), the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) and Chapter 11 of the Interim Prudential Sourcebook for Investment Businesses (IPRU(INV))

The Firm is not a member of a consolidation group for the purposes of BIPRU 11.

Frequency of disclosure

The Firm intends to make its Pillar 3 disclosures annually. These disclosures are based on the position as at 31 March 2020.

Location

This report will be published on the Firm's website and is available from the Compliance Officer at the registered office.

Materiality

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this statement.

Verification

The information contained in this document has not been audited by the Firm's external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgment on the Firm. Nor does this document provide disclosures in respect of the funds and strategies the Firm manages which are exposed to different risks.

Risk management objectives and policies

The Partners of the Firm set the Firm's appetite or tolerance for risk – those risks it will accept and those it will not take in the pursuit of its goals and objectives. This is documented in the Firm's Statement of Risk Appetite which is reviewed and re-endorsed by the Partners each year. The Partners also set the Firm's Risk Management Objective, which is to develop governance structures and systems and controls to mitigate risk to a level within the Firm's Risk Appetite.

The Board of Directors of Sloane Robinson Investment Services Limited ("SRIS"), the Managing Member of the Firm, is responsible for the total process of risk management, on a basis that is consistent with the Risk Appetite set for the Firm. The SRIS Board ensures that the Firm has implemented an effective, on-going process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that all such risks are actively managed for the business to operate within the Statement of Risk Appetite set by the Partnership. This identification and assessment process is undertaken via, and documented in, the Firm's Internal Capital Adequacy Assessment Process ("ICAAP") and its associated Risk Register and Risk Assessment Matrix.

Senior Management review the Firm's Risk Register and Risk Assessment Matrix on a periodic basis and as otherwise required to address changes to the business or other material developments.

The Firm's Risk Management Committee has responsibility for ensuring that risks to the Firm's business and the portfolios managed by the Firm are appropriately identified, monitored, mitigated and when necessary acted upon. The Risk Committee is chaired by the Chief Executive Officer ("CEO") who has ultimate day to day responsibility for risk across all aspects of the firm. The CEO reports directly to the SRIS Board and has both seniority and decision-making powers to function effectively as Chairman of the Risk Committee.

The main categories under which the Firm considers risk are as follows:

1. Credit Risk

The Firm neither holds client money nor assets nor lends money so it is not exposed to credit risk in its traditional sense.

The Firm's exposure to Credit Risk relates to the risk that investment management fees cannot be collected under the Firm's investment management agreements and the exposure to banks where fees received are deposited.

The Firm's appetite for Credit Risk is low so the Firm holds all cash balances with banks assigned high credit ratings.

2. Market Risk

The Firm does not have a trading book. The only potential exposures are non-trading book exposures to cash balances and debtors held in non-sterling currencies, i.e. foreign currencies.

The appetite for Market Risk is low so assets held in foreign currencies are proactively managed.

3. Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk which is the risk of loss resulting from failure to comply with laws, prudent ethical standards and contractual obligations.

The appetite for Operational Risk is low so the Firm is not willing to accept risks in most circumstances that may result in reputation damage, financial loss, major breakdown in information system or data integrity, and incidents of regulatory non-compliance.

4. Business Risk

Business Risk means any risk to the Firm arising from changes in the functioning of its business, including the risk that the Firm may not be able to carry out its business plan and its desired strategy.

The primary impact of Business Risks to the Firm is the reduction in profitability from reduced management and performance fees due to a reduction in the value of assets under management. This potentially may be the result of events beyond the control of the Firm (for example a general market decline) but, where possible, the Firm has assessed business risks and set out appropriate actions to manage them. The Firm ensures that it has sufficient capital to withstand adverse changes in the business environment.

5. Liquidity Risk

Liquidity Risk is defined as the risk that the Firm will encounter difficulty in meeting obligations associated with financial liabilities. The appetite for Liquidity Risk is low so funds sufficient to meet capital working requirements are held in current accounts and on short term deposit at two different bank accounts with high credit ratings.

The Firm ensures that the total amount of cash held in current accounts and in deposits maturing in less than 90 days is not less than 100% of the Firm's Fixed Overhead Requirement, being an amount equal to one quarter of the Firm's total expenditure in its most recent audited annual report and accounts less the deductions set out in GENPRU 2.1.54R, and that not more than 80% of cash or deposits should be held at one bank.

The Firm has chosen to deduct illiquid assets, as defined in GENPRU 2.2.260, from its capital; notice of which was given to the FCA on 31 August 2007.

The Firm's Liquidity Risk Management Policy contains the guidelines for the identification, management, monitoring and reporting of liquidity risk applicable to the Firm.

Capital Resources

The Firm is required to maintain at all times Capital Resources in excess of its Total Capital Resources Requirement being the higher of the Firm's (i) CPMI Capital Requirement and (ii) Pillar 1 and 2 Capital Requirement.

As at 31st March 2020, the Firm's regulatory capital position was as follows:

	£
Total Tier 1 Capital	2,220,673
Less Deductions of Illiquid Assets	34,695
Total Tier 1 Capital after Deductions	2,185,978

CPMI Capital Requirement

As a CPMI firm under IPRU-INV 11.2.1 the Firm is required to maintain own funds which equal or exceed (a) the higher of (i) the Funds Under Management Requirement and (ii) the Fixed Overhead Requirement, plus (b) the Professional Negligence Capital Requirement.

As at 31st March 2020, the Firm's CPMI Capital Requirement was as follows:-

(a) the higher of	£
(i) Funds Under Management Requirement	211,475
(ii) the Fixed Overheads Requirement,	1,020,971
plus (b) the Professional Negligence Capital Requirement.	77,457
Total CPMI Capital Requirement	1,098,428
Capital in excess of requirement	1,087,550

Pillar 1 Capital Resources Requirement

As a BIPRU firm that is also a CPMI firm, the Firm's Pillar 1 Capital Resources Requirement is the higher of the Base Capital Requirement of €125,000 and the Variable Capital Requirement ("VCR"), which is the higher of the Fixed Overhead Requirement, and the sum total of Credit Risk and Market Risk Capital Requirements. In addition, when a CPMI firm calculates the Credit Risk Capital Requirement and the Market Risk Capital Requirement for the purpose of calculating the Variable Capital Requirement under GENPRU 2.1.40 R it must do so only in respect of designated investment business. For this purpose managing an AIF or managing a UCITS is excluded from designated investment business.

Credit Risk Capital Requirement

The Firm has used the "Standardised Approach Simplified Method" (BIPRU 3.5) to calculate its Credit Risk Capital Requirement, being 8% of total risk-weighted exposures. The Firm's Credit Risk Capital Requirement as at 31st March 2020 has been calculated as follows:-

	Rule	**Exposure**	**Risk Weight**	**Risk weighted exposure amount**
		£		**£**
Banks	BIPRU 3.4.39	628,678	20%	125,736
Debtors	BIPRU 3.4.52	312,229	100%	312,229
Prepayments and accrued income	BIPRU 3.4.128	7,201	100%	7,201
Total		**948,108**		**445,166**
Credit Risk Capital Requirement	8% of risk weighted exposure			**£35,613**

Market Risk Capital Requirement

The Firm has Non Trading Book potential exposure only (BIPRU 7.4 & 7.5). The Firm's Market Risk Capital Requirement as at 31st March 2020 has been calculated as follows:-

	Rule	Exposure	Risk Weight	Position Risk Requirement
		£		**£**
Foreign currency position risk requirement	BIPRU 7.5	1,890,404	8%	151,232
Total		**1,890,404**		**151,232**
Market Risk Capital Requirement				**£151,232**

It is the Firm's experience that its VCR exceeds the Base Capital Requirement and is therefore used as the Pillar 1 Capital Resources Requirement. The VCR normally consists of the Fixed Overhead Requirement but at times during the year the sum of the Credit Risk Capital Requirement and the Market Risk Capital Requirement may be greater than the Fixed Overhead Requirement (typically when performance fees have been invoiced but not yet received) therefore the Firm monitors Credit Risk Capital Requirement and the Market Risk Capital Requirement on a regular basis.

As at 31st March 2020, the Firm's Pillar 1 Capital Resources Requirement was as follows:-

the higher of	£
(a) Base Capital Requirement (€125,000)	110,614
(b) the higher of	
(i) the Fixed Overheads Requirement (GENPRU 2.1.53)	1,020,971
(ii) the sum of Credit Risk Capital Requirement and Market Risk Capital Requirement	186,845
Total Capital Resources Requirement	1,020,971
Capital in excess of requirement	1,165,007

As the Firm's Pillar 1 Capital Resources Requirement normally consists of its Fixed Overhead Requirement and not the total of the Credit Risk Capital Requirement and the Market Risk Capital Requirement, disclosures relating to credit and market risk are considered to be immaterial.

Pillar 2

The Firm has undertaken an Internal Capital Adequacy Assessment Process to determine whether it needs any further regulatory capital in addition to its Pillar 1 Capital Resources Requirement due to the operational, business, credit and market risks it faces. Having considered those identified risks, the mitigants and controls put in place, and having applied various scenario and stress tests, the Firm has concluded that it does not need any further regulatory capital to meet its requirements under Pillar 2.

Remuneration Policy

In respect of its activities as a UK AIFM the Firm is required to have in place a Remuneration Policy pursuant to SYSC 19B of the FCA rules (the "AIFM Remuneration Code"). The Firm has adopted its Remuneration Policy in respect of its AIFM and non-AIFM activities (thereby also satisfying the requirement of SYSC 19C of the FCA rules).

The Firm's Remuneration Policy is approved by the SRIS Board, the Firm's Managing Member. The award of variable remuneration is determined by the SRIS Board in its discretion having regard to the relevant individual's performance and contribution to the Firm, including compliance with regulatory objectives and contributions to risk management. Further to the FCA's General Guidance on the AIFM Remuneration Code (the "Guidance") published in January 2014 (and particularly the guidance on how a firm should comply with the requirements in a way and to the extent that is appropriate to the firm's size, internal organisation and the nature, scope and complexity of its activities) the Firm has determined that it is appropriate to (i) disapply the "Pay-out Process Rules" (as defined in the Guidance) and (ii) not to establish a Remuneration Committee.

For the purpose of BIPRU 11.5, the Firm only has one "business area", which is its investment management business. The aggregate total remuneration paid to Code Staff[1] for the year to 31st March 2020 was £5,328,794, of which £3,830,844 was paid to "senior management" and £1,497,950 paid to other Code Staff.

[1] The term "Code Staff" includes senior management, risk takers, staff engaged in control functions and staff in the same remuneration bracket as senior management and risk takers