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GuardCap Asset Management Limited

MIFIDPRU 8 DISCLOSURE

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GuardCap Asset Management Limited

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1. MIFIDPRU 8 DISCLOSURE

This document presents GuardCap Asset Management Limited ("GuardCap", "the Firm" or "the Company") risk management arrangements, capital requirements and remuneration disclosures.

This document should be read in conjunction with GuardCap's Financial Statements for period ended 31st December 2022.

The Firm is authorised and regulated by the Financial Conduct Authority (the "FCA"). The Firm is a UK domiciled discretionary investment manager to professional segregated account clients.

The Firm is categorised as a "Non-SNI MIFIDPRU investment firm" by the FCA for capital purposes. The Firm reports on a solo basis. The Firm's MIFIDPRU 8 disclosure fulfils the Firm's obligation to disclose to market participants' key information on a firm's:

- Risk management objectives and policies
- Governance arrangements
- Own funds
- Own funds requirement
- Remuneration policies and practices

In making the qualitative elements of this disclosure, the Firm is required to provide a level of detail that is appropriate to the Firm's size and internal organisation, and to the nature, scope and complexity of its activities.

This disclosure is made annually on the date the Firm publishes its annual financial statements. As appropriate, this disclosure is made more frequently, for example if there is a major change to the Firm's business model.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

GuardCap is subject to ICARA (Internal Capital Adequacy and Risk Assessment) process requirements. The purpose of the ICARA process is to ensure that the Firm:

- Has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms; and
- Holds financial resources that are adequate for the business it undertakes.

As part of the ICARA process, the Firm sets out its risk management processes including an analysis of the effectiveness of its risk management processes.

GuardCap has established risk management arrangements that seek to:

- Meet regulatory requirements as detailed in the FCA handbook, including the requirement to have effective processes to identify, manage, monitor and report the risks it is or might be exposed to;
- Reflect industry best practices; and
- Are appropriate and effective, taking into account the Firm's size, nature, characteristics, risk profile and risk appetite.

GuardCap's Senior Management is responsible for analysing all risks to which the Firm may be exposed and working with the board of directors to ensure such risks are mitigated as far as possible.

GuardCap's Senior Management regularly discuss and review risks to which the Firm is exposed. This ICARA process forms one of the methods through which Senior Management manage the risks within the business, in particular the deployment of risk mitigation techniques to address potential and actual material harms.

2.1 KEY 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 Investment Firm Prudential Regime ("ICARA").

Regulation - The Company is authorised and regulated by the Financial Conduct Authority. The Company would have to cease trading as an investment manager if its authority to conduct investment business were to be revoked. These risks are mitigated by the firm's limited activities and the quality and experience of its staff.

Having left the EU, measures have been taken to ensure that we are able to continue servicing clients in the EU. The directors are keeping current arrangements under review in case it becomes necessary to open a MiFID compliant business in an EU jurisdiction.

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.

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.

Interest rate risk - The Company has very limited exposure to interest rate risk as it has no debt and only relatively small amounts on interest-bearing deposits.

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.

Operational risk – Operational risk is the risk of losses caused by failed or flawed processes, systems, controls, etc. To guard against these risks the company has implemented controls to reduce the risk of material error and where processes or services are provided by third parties by careful selection of suppliers and monitoring their subsequent performance.

IT and Cyber Security - The risk that GuardCap's system infrastructure is breached by external individuals / bodies with or without malicious intention. Possible breaches could involve data theft, ransomware or a shutdown of systems. The Firm has a set framework to prevent and detect unauthorised access attempts to the Firm's systems which is frequently monitored and tested.

3. GOVERNANCE ARRANGEMENTS

3.1 OVERVIEW

GuardCap 's Board comprises of;

Steven Bates – Director

George Mavroudis – Director

Arieta Koshutova – Secretary to the Board

The Firm's governance arrangements ensure that the effective and prudent management of the Firm is prioritised. This is both with respect to the composition of the governing body itself and with respect to the Firm's overall structure, including the segregation of duties within the wider organisation.

The Firm maintains conflicts of interest procedures and processes. This includes the identification, managing and monitoring of potential or actual conflicts under the overall supervision of the governing body. The Firm emphasises the need to prioritise the interests of its clients and to resolve potential or actual conflicts between clients.

The Firm's Internal Capital Adequacy and Risk Assessment ("ICARA") process assists the Firm in determining its material harms, including those affecting its clients and the integrity of the market. The Firm's governing body reviews the ICARA at least annually.

3.2 External Directorships

The number of external directorships held by the members of the Firm's management body are as follows:

Management body member	Executive directorships	Non-executive directorships
Steven Bates	0	1
George Mavroudis	0	1

This excludes: (a) executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and (b) executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.

3.3 Diversity

GuardCap 's diversity policy aims to reflect the Firm's values and inclusivity at all levels within the organisation, including the management body.

When appointing members of the management body, the Firm adopts the following guidelines:

- The appointment process is based on the principles of fairness, respect and inclusion
- Appointments are made on the basis of individual competence, skills and expertise
- The selection process gives due consideration to candidate suitability without bias with respect to personal factors such as education, professional background, ethnicity, age, disability, sexual orientation, socio-economic status or geographic location].

As a small organisation with a small number of individuals comprising the management body, the Firm does not have any diversity 'targets' as such. However, the Firm is satisfied that its practices with respect to management appointments are consistent with the objectives stated above.

3.4 Risk Committee

GuardCap is not subject to a mandatory requirement to put in place a risk committee, per MIFIDPRU 7.3.1.

Notwithstanding this, the Firm ensures that risk management is embedded into its culture and its overall systems and controls framework.

4. CAPITAL ADEQUACY

GuardCap is a Limited Liability. Its capital comprises of share capital and retained reserves.

4.1 ASSESSMENT OF ADEQUACY OF OWN FUNDS

The information contained in this disclosure is proportionate to GuardCap's size, nature, and complexity of GuardCap's activities in line with the MIFIDPRU guidance rules.

GuardCap 's strategy, risks and capital structure are reviewed and challenged by the Management Team on an annual basis as part of the Firm's governance process or whenever there is a material change to the Firm's business or operating model.

Through the ICARA process, GuardCap has identified that the firm's basic own funds and liquid asset requirements are sufficient to enable the firm to meet the Overall Financial Adequacy Rule, and that consequently additional own funds and liquid assets are not required to address potential harms.

5. OWN FUNDS REQUIREMENT

The Firm's own funds requirement includes the following components:

Requirement	GBP
Sum of the K-AUM, K-CMH & K-ASA requirements	2,017
Sum of the K-COH 7 K-DTF requirements	0
Sum of the K-NPR, K-CMG & K-CON requirements	0
TOTAL K-factor requirement (KFR)	2,017
Fixed overheads requirement (FOR)	1,772
Permanent Minimum Requirement (PMR)	75
Own Funds Requirement (Higher of KFR, FOR, and PMR)	2,017

GuardCap assesses the adequacy of its own funds in accordance with the overall financial adequacy rule. This requires the Firm to hold financial resources that are adequate for the business it undertakes. This is designed to achieve two key outcomes for the Firm:

1. To enable it to remain **financially viable** throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities (including both regulated activities and unregulated activities); and
2. To enable it to conduct an **orderly wind-down** while minimising harm to consumers or to other market participants, and without threatening the integrity of the wider UK financial system.

The Firm achieves this via its Internal Capital Adequacy and Risk Assessment ("ICARA") process. The Firm sets out:

- A clear description of the Firm's business model and strategy and how this aligns with the Firm's risk appetite
- The activities of the Firm, with a focus on the most material activities
- Whether or not the ICARA process is 'fit-for-purpose'. Where this is the case, the Firm must explain why it has reached this conclusion. Where this is not the case, the Firm must set out the improvements needed, the steps needed to make the improvements and the timescale for making them, and who within the Firm is responsible for taking these steps
- Any other changes to the Firm's ICARA process that have occurred following the review and the reasons for those changes
- An analysis of the effectiveness of the Firm's risk management processes during the period covered by the review
- A summary of the material harms identified by the Firm and any steps taken to mitigate them
- An overview of the business model assessment and capital and liquidity planning undertaken by the Firm
- A clear explanation of how the Firm is complying with the overall financial adequacy rule ("OFAR") (i.e. the obligation to hold adequate own funds and liquid assets) vis-à-vis the Firm's ongoing business activities and wind-down arrangements
- A summary of any stress testing carried out by the Firm

- The levels of own funds and liquid assets that, if reached, may indicate that there is a credible risk that the Firm will breach its threshold requirements
- The potential recovery actions that the Firm has identified
- An overview of the Firm's wind-down planning

6. REMUNERATION POLICIES AND PRACTICES

GuardCap is subject to the Remuneration Code (the "Code") for MIFIDPRU Firms as codified in Section 19G of the SYSC sourcebook of the Financial Conduct Authority handbook.

This disclosure sets out qualitative and quantitative information on the Firm's remuneration processes and practices.

A. Qualitative Information

GuardCap has established, implemented and maintains remuneration policies, procedures and practices that are consistent with and promote effective risk management and do not encourage excessive risk taking.

The Firm ensures that the remuneration policy and its practical application are consistent with the Firm's business strategy, objectives and long-term interests.

Given the nature and small size of our business, remuneration for all employees is set by the Firm's management body.

Staff receive a salary which reflects their market value, responsibilities and experience.

All members of staff may also receive variable remuneration, such as an annual bonus, where the individual operates within the risk appetite of the company and has demonstrated appropriate behaviour.

Investment professionals who qualify for the Incentive Bonus Pool (ICBP) receive an annual salary which is fixed remuneration. In addition, they benefit from the ICBP which is based on net revenue generated by the investment teams and is calculated by a fixed formula. There is no discretion applied to determining the amount of the pool, but individual participation is not fixed and to that extent, the arrangement is considered variable remuneration for employees that benefit from this pool.

Variable remuneration is intended to reflect contribution to the Firm's overall success. Staff are assessed throughout the year and rated based on company and individual performance. The performance assessment considers both financial measures (such as earnings and profit margin) and non-financial measures (such as productivity/efficiency and quality, risk management, people and culture, customer focus and growth and innovation).

GuardCap 's linkage between variable remuneration and performance is based upon the following tenets:

I. Ensuring an appropriate balance of financial results between staff and shareholders
II. Attraction and retention of staff members
III. Aligning the interest of senior staff members via long-term incentive awards
IV. Link a proportion of a staff member's total compensation to the Firm's performance
V. Discourage excessive risk-taking
VI. Ensure client interests are not negatively impacted

Material Risk Takers 'MRTs'

The Firm's five members of senior management are define as MRTs, these are individuals whose professional activities have a material impact on the firm's risk profile.

Material risk takers are subject to additional requirements regarding variable remuneration, including provisions related to guaranteed variable remuneration, retention awards, severance pay, buy-out awards, performance adjustment, discretionary pension benefits and personal investment strategies.

Performance adjustment

Variable remuneration is subject to clawback in various circumstances.

Guaranteed Variable Remuneration

In limited circumstances the Firm may pay out a guaranteed variable remuneration. GuardCap operates the ability for a guaranteed bonus payment to be made in the first year of employment for investment professionals.

Severance Pay

Terms of any settlement agreement relating to an employee holding a Senior Manager Function would be agreed with the Board. Any deferred remuneration remains subject to clawback plan rules.

B. Quantitative Information

The following quantitative information is with respect to the financial year 31st December 2022.

For the financial year to 31 December 2022, the total amount of remuneration awarded to all staff was £17,206,718, of which £2,989,824 comprised the fixed component of remuneration, and £14,216,894 comprised the variable component. For these purposes, 'staff' is defined broadly, and includes directors and employees of the Firm. There were no guaranteed variable remuneration ("sign-on bonuses") and severance payments awarded to MRTs during the financial year ending 31st December 2022.

7. APPENDICES

7.1 OWN FUNDS TEMPLATES

As at the date of this disclosure the Firm's regulatory capital position is:

Composition of regulatory own funds			
	Item	**Amount (GBP thousands)**	**Cross-reference to the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**16,294**	
2	**TIER 1 CAPITAL**	**16,294**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**16,294**	
4	Fully paid-up capital instruments	12,191	Equity 1
5	Share premium		
6	Retained earnings	23,462	Equity 2
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(19,359)	Assets 2 & 3
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	**TIER 2 CAPITAL**		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and Adjustments		

7.2 BALANCE SHEET RECONCILIATION

The following table sets out a reconciliation of the Firm's own funds to the balance sheet in the Firm's audited financial statements:

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial Statements				
		A	B	C
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross- reference to composition of regulatory own funds**
		31 December 2022 (GBP thousands)	**31 December 2022 (GBP thousands)**	
Assets – *Breakdown by asset classes according to the balance sheet in the audited financial Statements*				
1	Tangible fixed assets	503		
2	Investments	40,421	15,780	Item 11
3	Debtors	15,546	3,579	Item 11
4	Cash and cash equivalents	10,255		
	Total Assets	66,725		
Liabilities – *Breakdown by liability classes according to the balance sheet in the audited financial Statements*				
1	Creditors: amounts falling due within one year	15,907		
2	Creditors: amounts falling due after more than one year	15,165		
	Total Liabilities	31,072		
Shareholders' Equity				
1	Called up share capital	12,191		Item 4
2	Profit and loss account	23,462		Item 6
	Total Shareholders' equity	35,653		