

Pillar 3 Risk Disclosure

Overview

The European Capital Requirements Directive (“CRD”) and the Alternative Investment Fund Managers Directive (“AIFMD”) (“together, the Directives”) establish a revised regulatory capital framework across Europe governing the amount and nature of capital which credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority (“FCA”) in its Handbook of rules and guidance, including in particular in the General Prudential Sourcebook (“GENPRU”), the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”) and the Investment Funds Sourcebook (“FUND”).

The FCA’s CRD framework consists of three ‘Pillars’:

- **Pillar 1**
This sets out the minimum capital amount required to meet the firm’s credit, market and operational risk.
- **Pillar 2**
Requires the firm to assess whether its capital is adequate to meet its risks that are not covered by Pillar 1, and is subject to review by the FCA.
- **Pillar 3**
Requires public disclosure of qualitative and quantitative information about the underlying risk management controls and capital position of a firm.

The AIFMD adds further capital requirements which relate to the assets under management and professional liability risks of the Alternative Investment Funds (“AIFs”) operated by a manager.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet Wimmer Horizon LLP (“Wimmer Horizon”)’s Pillar 3 obligations by setting out the company’s risk management objectives and policies.

We are permitted to omit required disclosures if we believe that the information is immaterial such that its omission or misstatement would not be likely to change or influence the assessment or decision of a reader relying on that information for the purpose of making economic decisions.

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 with the public, 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 not omitted any disclosures on grounds that information is regarded as proprietary or confidential.

Frequency and location of disclosure

Future disclosures will be issued on an annual basis at a minimum, and will be made available on Wimmer Horizon’s website. The disclosures are as at the accounting reference date, which for the purpose of this disclosure is 31 March 2019.

Scope and application of the requirements

Wimmer Horizon is authorised and regulated for investment management activities in the UK, by the FCA and is classed as a Collective Portfolio Management Investment Firm (“CPMI”). Wimmer Horizon

is subject to minimum regulatory capital requirements and is categorised as a CPMI that is an external AIFM *firm* by the FCA. It has no trading book exposures.

Wimmer Horizon is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Risk management

Wimmer Horizon's Management Committee determine the business strategy and risk appetite of the company, together with the design and implementation of a defined and transparent risk management framework, having regard to relevant laws and regulatory rules.

The Management Committee meet on a regular basis to discuss all key business issues, including current projections for profitability, cash flow, regulatory capital management, and business planning and the firm's risk management. As new risks arise or as new business activities are entered into, the risk management framework is updated accordingly. Note that the risk management of the investment vehicles managed by the firm is overseen by Wimmer Horizon's Risk Management Committee, led by the Chief Risk Officer.

The Internal Capital Adequacy Assessment Process ("ICAAP") is an integral part of Wimmer Horizon's risk management framework and is reviewed and updated no less frequently than annually. The ICAAP sets out the sources of risk to the firm and to the investment vehicles which the firm manages and then rates the potential impact of each risk to the firm's business and to the investment vehicles which the firm manages, offsetting this against the systems and controls which have been put in place to mitigate those risks.

Reasonable steps are taken by Wimmer Horizon to reduce the probability of any risk crystallising. Furthermore, additional capital resources proportionate to the potential likelihood of occurrence and impact are maintained for risks where the probability is not fully mitigated and which Wimmer Horizon does not wish to bear.

The Management Committee have identified that the main risks to which the Company is exposed are as follows:

- **Operational Risk**

This is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

Wimmer Horizon seeks to mitigate all operational risks to acceptable levels, in accordance with its risk appetite, by maintaining a strong control environment, ensuring that staff have appropriate skills and training and establishing an efficient and effective management structure.

- **Business Risk**

The most significant business risk faced by the Firm is that of a substantial and sustained reduction in Funds under Management, caused by adverse market conditions or investor redemptions, resulting in a loss of management fee income.

Ongoing stress testing is conducted by the Management Committee in order to assess and evaluate the ongoing potential impact of the various stress events on the performance of the Firm's funds.

- **Market Risk**

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Wimmer Horizon has limited exposure to market risk. It does not have a trading book and as such, market risk is limited to exposure to foreign exchange fluctuations, due to the management fee income being denominated in US\$. This is generally hedged however.

▪ **Credit Risk**

This is the risk that a third party will default on a financial obligation. Wimmer Horizon is exposed to credit risk from:

- Fund management and performance fees due from the investment vehicles which Wimmer Horizon manages; and
- The cash deposits which are held by authorised banks on behalf of Wimmer Horizon.

This risk is deemed to be minimal.

Having assessed all possible risks to the Firm through the ICAAP review, the largest risk in capital terms is that of performing an orderly wind down of the business. Accordingly, Wimmer Horizon's Pillar 2 figure is that of an orderly wind down.

Wimmer Horizon deems its risk exposure to be typical for a business of its size and nature.

Regulatory capital

Wimmer Horizon is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed.

As above, Wimmer Horizon is an external AIFM and a CPMI and as such its capital requirements are the greater of:

- Funds Under Management Requirement, which is the Base Capital Requirement of €125k + 0.021% of AIF AUM in excess of €250m (but subject to a maximum of €10m)
- The sum of its market and credit risk requirements; or
- Variable Capital Requirement, which is the Fixed Overhead Requirement and Professional Negligence Capital Requirement.

Wimmer Horizon considers itself to be small with a relatively simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from: (i) management and performance fees receivable from the funds under its management; and (ii) bank deposits.

It is Wimmer Horizon's belief and experience market and credit risks sum to less than the Fixed Overheads Requirement. Accordingly, Wimmer Horizon considers its market risk capital requirement and its credit risk capital requirement to be immaterial for purposes of this Pillar 3 disclosure.

In addition, the Firm has established that the amount of capital required as a result of its latest ICAAP review is £179,000 and maintains sufficient capital accordingly.

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The main features of the Wimmer Horizon's capital resources for regulatory purposes are as follows:

	£'000
Total Tier 1 capital less innovative tier 1 capital	2,080
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	1,900
Total capital resources, net of deductions	180
Variable Capital Requirement	173
Additional Capital Required for Pillar II	Nil

Remuneration Disclosures

As a CPMI Firm, Wimmer Horizon is subject to the AIFM Remuneration Code (SYSC 19B). However, the Firm has disapplied some of the more onerous principles of the AIFM Remuneration Code, most significantly those relating to a remuneration committee, retained units, shares or other instruments, deferral, and performance adjustment, based on the application of the proportionality elements described in the FCA's General Guidance on the AIFM Remuneration Code.

The Firm's Management Committee set, and oversee compliance with, Wimmer Horizon's remuneration policy, including reviewing the terms of the policy at least annually. The Firm currently sets the variable remuneration of its staff in a manner which takes into account a number of criteria including staff and firm performance.

The Firm only has one "business area", namely its investment management business. All of the Firm's Code Staff fall into the "senior management" category of Code Staff pursuant to BIPRU 11.5.18R (7) (disclosure requirement). The aggregate "remuneration" (as defined in the FCA Rules) awarded to the LLP's Code Staff during the financial year ending on the accounting reference date was £0.