Aperture Investors UK, Ltd

PILLAR 3 DISCLOSURE
as of 31st December 2021

The information below relates solely to Aperture Investors UK, Ltd ("Aperture" or "Firm") as of 31st December 2021. The EU Capital Requirements Directive ("the Directive") established a revised regulatory capital framework governing the amount and nature of capital which credit institutions and investment firms must maintain. In the UK, the Directive was implemented by the Financial Conduct Authority ("FCA") in its regulations through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies, and Investment Firms ("BIPRU").

The FCA implemented Investment Firm Prudential Regime ("IFPR") on 1st January 2022, following a series of consultation papers and policy statements. The requirements of IFPR have been reflected in the new MIFIDPRU handbook, which replaces the BIPRU handbook. Aperture falls into the scope of IFPR as a MIFIDPRU Investment Firm. For the financial year ending 31st December 2022, Aperture will be required to comply with the MIFIDPRU Remuneration Code, as reflected in SYSC 19G, which has replaced FCA Handbook SYSC 19C (BIPRU Remuneration Code).

Scope and Application of the Requirements

Aperture is authorised and regulated by the FCA and by virtue of its regulatory permissions and subsequent categorisation for capital purposes, it is required to make a Pillar 3 disclosure under the provisions of BIPRU 11 of the FCA Handbook, as of 31st December 2021, and the transitional provisions in MIFIDPRU TP 12.

The Firm is not a financial holding company, as defined by FCA regulations and so is not required to prepare consolidated reporting for prudential purposes.

Frequency of Disclosure

The Firm updates its Pillar 3 on an annual basis (after the previous year's annual accounts have been finalised). However, this is the last Pillar 3 Disclosure and future disclosures will be required under MIFIDPRU 8 via the Firm's website.

The FCA Framework consists of three Pillars:

- **Pillar 1** sets out the minimum capital amount that meets the Firm's credit, market and operational risk;

- **Pillar 2** requires the Firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- **Pillar 3** requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This disclosure is designed to satisfy the Firm's Pillar 3 obligations.

The Firm is permitted to omit required disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information. In addition, the Firm may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In the Firm's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with customers, suppliers and counterparties.

The Firm has made no omissions on the grounds that it is immaterial, proprietary or confidential.

Satisfaction of Capital Requirements

The Firm's approach to assessing the adequacy of its internal capital to support its current and future activities is documented in its Internal Capital Adequacy Assessment Process ("ICAAP"), which includes an assessment of each of the risks faced by the firm and the internal controls in place to mitigate those risks. This is then stress-tested against various scenarios. The ICAAP is carried out at least annually or more frequently if required. The ICAAP working group (future ICARA working group) aims to meet on a quarterly basis to assess the viability of the risk framework i.e., if further regulatory capital needs to be added, controls need to be strengthened.

Risk Management

The Firm is governed by its Senior Managers and the Board. The Board in collaboration with Aperture Investors, LLC ("Aperture US") Senior Management Team determine its business strategy and risk appetite. They are also responsible for establishing and maintaining its governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces. Aperture's risk appetite reflects the desire to optimise the capital structure of Aperture and efficiently utilise its resources to aim to generate returns for its investors.

The Board has set the risk appetite to ensure it is able to:

- meets its regulatory capital requirements;
- achieve strategic objectives including business growth plans; and
- withstand an adverse stress scenario.

Aperture also determines how to mitigate risks on an ongoing basis and effectively assess the framework implemented periodically to evaluate if any enhancements are required. The Board meet on a quarterly basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management at the Board Meetings. Senior Management is responsible for highlighting any relevant developments to the business strategy that may impact the level of regulatory capital buffer held and risk appetite. The UK Infrastructure group meets monthly to discuss the operational resilience of the Firm and anything that is considered critical is strategically escalated to the Board, as well as Aperture US. The Senior Managers aim to manage the Firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules and Section 206(4)-7 review) with the goal to operate a defined and transparent risk management framework. These policies and procedures are updated as required and at least annually.

Aperture has identified that business, operational, market, liquidity and credit risks are the main areas of risk to which the Firm is exposed. Annually as part of the ICAAP, the Board formally review the Firm's risks, controls and other risk mitigation arrangements and assess their effectiveness. Where Senior Management identify material risks, they consider the financial impact of these risks as part of the Firm's business planning and capital management and consider whether the amount of regulatory capital targeted is adequate.

Business Risk

The Firm is considered small in scale, with 19 full time employees, and operates with a lean and robust operational infrastructure and business strategy, with active support from Aperture US. The principal risks related to Aperture are:

- key investor redemptions resulting in the loss of Assets Under Management ("AUM") or mandates which may be triggered by i.e. prolonged poor performance; and
- key dependency on Portfolio Managers, a departure may have a detrimental impact to the Aperture business strategy and revenue generation
- poor revenue generation linked to the Firm's performance fee linked structure.

Operational Risk

The Firm is exposed to a wide range of operational risks resulting from inadequate or failed internal process, people, and systems or from external events. The key operational exposures that Aperture is exposed to include: breakdown in process, control or procedures (or their inadequate infrastructure relative to the growth of the business), reputational risk and systems failures. Where appropriate the Firm has policies and procedures in place to mitigate such risks, such that residual risks are consistent with its risk tolerance.

Liquidity Risk

Aperture maintains in its bank accounts sufficient capital to cover its capital requirements and expenses, as they fall due. Cash balances within the Firm are actively monitored, with robust controls and a substantial buffer is generally targeted.

Aperture's policy is to maintain sufficient liquid funds to meet obligations as they fall due. An increase in expenses would only be agreed if coupled with an identified increase in cash income, or sufficient excess liquid capital to support any forecast negative cash flow. Such an increase would only arise because of formal business planning. The Board aims to ensure that a liquidity buffer is held to cover unexpected liquidity outflows so that the Firm will be able to continue to meet its financial commitments during an extended period of stress. The nature of the Firm's business means that the majority of its assets are held either in cash or represented by the "net costs" agreement from Aperture US. There are no liquidity constraints on the cash balances and fees due are typically received prior to the end of each fiscal quarter.

Credit Risk

The Firm's principal activity is discretionary investment management and the key credit risks comprise of the credit exposure with respect to monies held in its bank account and the non-payment of management and performance fees as they fall due. Such risks are reviewed at least monthly and to note each of its counterparties in this instance are regulated and where relevant highly rated.

Market Risk

The Firm manages discretionary investment mandates invested in equity and fixed income markets and the management and performance fees due on those mandates are subject to market volatility. Management and performance fees may also be payable in currencies other than GBP, and such currency exposure is mitigated to an extent by converting all payments to GBP as and when they are settled.

Regulatory Capital

The Firm is a Private Company limited by shares and its capital arrangements are established in the Articles of Association, dated 18th September 2018. The Firm is a wholly owned subsidiary of Aperture US.

As at the date of this Pillar 3 Disclosure, Aperture was a BIPRU investment firm and as such its capital requirements were the greater of:

- its base capital requirement of €50,000; or
- the sum of its market and credit risk requirements; or
- its Fixed Overhead Requirement ("FOR")

The Firm is subject to the Fixed Overhead Requirement ("FOR"). With respect to Pillar II capital, the Firm has not identified any credit risk exposure categories or capital requirements for market risk as material in the context of its regulated activities.

Aperture had regulatory capital resources of £7,224,545 as of 31st December 2021 and this consisted entirely of Tier 1 capital.

The Firm believes that the FOR adequately defines its capital requirements. The Firm's capital requirements based on FOR is currently £1,877,952 which is well within the level of regulatory capital held. The Firm considers this amount to be sufficient regulatory capital to support the business and it has not identified any areas which give rise to a requirement to hold additional risk-based capital.

Remuneration

The Firm is required to make annual disclosures of its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile. The Firm was subject to the FCA's BIPRU Remuneration code as covered in SYSC 19C of the FCA Handbook on 31st December 2021.

Aperture's policy is to pay fixed remuneration in line with the market and determine variable remuneration based on overall Firm performance as well as individual performance with respect to client mandates, management of conflicts of interest and conduct with respect to the Firm's culture framework. Aperture's fully seeded investment teams receive modest base salaries according to industry data and stand to earn most of their compensation from performance-linked fees. Investment teams can receive up to 35% of the firm's performance-linked fees paid on realized outperformance, or 10.5% of total outperformance.

In line with the requirements covered under BIPRU 11.5.18 R, the aggregate remuneration on behalf of Aperture as of 31 December 2021 is as follows:

Senior Managers	
Fixed	£988,690

Variable	£520,613
Count	4

Other Remuneration Code Staff	
Fixed	£1,509,273
Variable	£1,340,129
Count	9