PILLAR III DISCLOSURES | 31 December 2020

Seilern Investment Management Ltd.

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1. Introduction

1.1. Background

The European Union's (EU) Capital Requirements Directive (CRD), sets out the regulatory framework governing the amount and nature of capital that credit institutions and investment firms must maintain. In the United Kingdom (UK), the CRD has been implemented by the Financial Conduct Authority (FCA) through rules and guidance set out in the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU).

The framework consists of three pillars :

- Pillar 1 specifies the minimum regulatory capital requirements for the three major components of risk that firms face: credit, market and operational risk.
- Pillar 2 requires firms to assess the amount of internal capital they consider adequate to cover all of the risks to which they are, or likely to be, exposed and the need to hold additional capital against the risks not covered by Pillar 1; and
- Pillar 3 requires firms to disclose their policies for managing risk and their capital resources.

1.2. Regulatory Principles and Rules applicable to SIM

- FCA Principle 2: A firm must conduct its business with due skill, care and diligence.
- FCA Principle 3: A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- FCA Principle 4: A firm must maintain adequate financial resources.
- GENPRU 2.1: Calculation of capital requirements.
- GENPRU 2.2: Capital resources.
- BIPRU 2: Capital.
- BIPRU 11: Disclosure (Pillar 3).
- FCA SYSC 19C: BIPRU Remuneration Code.

2. Scope of the Disclosure

This document presents Seilern Investment Management Limited's (SIM or the Firm) risk management arrangements, capital requirements and certain remuneration disclosures. In this document, we disclose information unless it has been determined as immaterial or proprietary or confidential.

2.1. Scope and Basis of the Disclosure

This statement is made on SIM only. SIM is authorised and regulated by the FCA under FRN: 144827 to provide advisory and discretionary investment management services. This disclosure does not include any statement for any other affiliated Seilern company. The FCA does not require us to report our financial returns on a consolidated basis.

The FCA has authorised SIM with the following Part 4A Permission:

- Advising on investments (except on Pension Transfers and Pension Opt Outs);
- Agreeing to carry on a regulated activity;
- Arranging (bringing about) deals in investment;
- Dealing in investments as agent;
- Making arrangements with a view to transactions in investments;
- Managing investments; and
- Arranging safeguarding and administration of assets.

SIM is a BIPRU Limited Licence Firm and, we do not have permission to hold Client Money and/or Client Assets, do not operate a Trading Book, and therefore we are outside of the scope of CRD IV. SIM benefits from the FCA's Capital Requirements Regulation (CRR) derogation, which permits us to continue to comply with the CRD III requirements and as such, the following disclosures are in accordance with the requirements of BIPRU 11, which requires that a firm subject to the provisions of the Directive must disclose the relevant information required under this rule unless the information is believed to be immaterial, proprietary or confidential.

The purpose of this statement is to meet the BIPRU requirements under Pillar 3. This statement is produced on an annual basis, shortly after SIM's accounts have been audited and the completion of our Internal Capital Adequacy Assessment Process (ICAAP).

3. Governance Framework

SIM is governed and overseen by the Board of Directors, including non-executive directors, to provide independent governance to safeguard the Firm's longevity and sustainability. The Board meets at least four times a year at the quarterly board meetings.

Four separate board committees are an essential part of SIM's governance process and relevant for this disclosure, which are:

- The Audit & Remuneration Committee (ARC) independently monitors the integrity of the company's financial reporting and devises the appropriate remuneration packages for staff remuneration and relevant policies.
- The Risk Management Committee (RMC) is responsible for providing oversight and giving advice to the Board concerning identified current and potential risk exposures to the business, level of risk tolerance and future risk strategy.
- The Brexit, Legal and Compliance Committee is primarily tasked with assessing the impact of key legal and regulatory developments on the business, including Brexit.

4. Risk Management

4.1. Overview

The FCA's Principle 3 requires that we take reasonable care to organise and control our affairs responsibly and effectively, with adequate risk management systems. To do this, we have established a Risk Management Framework (RMF), which sets out the standards and requirements for risk management, control and assurance at SIM. The RMF aims to ensure that we manage and control our risks. It also informs and is directed by the business strategy in which risk management considerations are integral.

The Firm has established a Risk Management Committee (RMC) that is responsible for providing oversight and giving advice to the Board on the risk exposures to the business, level of risk tolerance and future risk strategy. In addition, SIM has an independent Risk & Internal Audit Manager who conducts independent assurance on the effectiveness and appropriateness of the Firm's systems and controls.

The RMC also reviews the Firm's Risk Matrix and risk incidents to determine that SIM remains within its risk appetite and subsequently reported to the Board. The operation of the RMF and Risk Matrix is reviewed by the Compliance Officer and Risk & Internal Audit Manager. The Firm's Chief Operating Officer (COO) holds the senior management function for the implementation and operation of the RMF.

SIM defines risk tolerance as the type and level of risk that we, as an advisory and discretionary investment manager, are willingto accept to pursue our business objectives. Our Board and RMC have established a number of risk tolerance levels to monitor the key risks that we face.

Although we believe that our risk management arrangements are appropriate for the size and complexity of ourbusiness and that the capital resources we hold are adequate to meet the risks that we face, we cannot guarantee that this will be the case any particular risk arises.

There will always be some unlikely risks with an unusually high impact which may require additional capital.

4.2. Credit Risk

Due to the company's business model, SIM is not subject to any material credit risk. SIM is an advisor and investment manager, and does not hold any client money or assets. SIM does not have a trading book: anything that falls under BIPRU 3.1.6 as non-trading book are its exposures, assets and liabilities.

The largest proportion of SIMs assets is deposited as cash in our bank (Lloyds) and the bank is rated BBB+ as per S&P as 31 March 2021. The cash held has a maturity of three months or less and has a lower risk weighting. As such, we believe that cash, based on the bank's credit rating, has a risk weighted exposure of 20% (as per BIPRU 3.4.3). All other assets held in the company's balance sheet (intangibles, fixed assets, debtors, prepayments, VAT refund) are deemed to have no risk weighted exposure. As such, all of these amounts are multiplied by 8% as per BIPRU 3.1.5 to give the credit risk amount.

4.3. Market Risk

SIM has no material exposure to market risk due to its business model. SIM holds some of its cash in foreign currency (mainly USD and EUR). SIM has customers and suppliers in countries outside the UK (mainly in USD and EUR). As such, there is some small exposure to foreign currency risk here and any cash, customers or suppliers' balances held in foreign currency are multiplied by 8%.

Market risk, also called "systematic risk," cannot be eliminated through diversification, though it can be hedged against in other ways.

Mitigating risk

- Systematic risk can be partially mitigated by asset allocation. SIM invests in quality growth stocks. The firm invests in various, markets and specifically looks for companies that more resistant to a downtrend. The Fund and Co-Fund Managers regularly monitor their stocks throughout the day, and, may change their weighting in a particular stock, if necessary.
- The firm's trader observes the stock market and communicates with brokers to identify anomalies that could turn the market. He will also seek trading opportunities.

4.4. Operational Risk

SIM defines operational risk as the prospect of loss resulting from inadequate or failed procedures, systems or policies and any event that disrupts business processes. SIM has a range of controls to mitigate risk, which are:

- Focused and well-structured governance arrangements, including board and risk committees;
- Documented policies, procedures and processes which identify and address operational risk issues;
- Appropriate oversight arrangements within all three lines of defence, including self risk assessments, incident planning and response, compliance monitoring and internal audit checks; and
- Promoting a risk-aware culture for staff through education and training

4.5. Liquidity Risk

SIM must at all times maintain adequate liquidity resources, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. To this end, the Firm must not include liquidity resources that can be made available by other affiliates.

To meet the overall liquidity requirements, SIM ensures that:

- It holds sufficient assets which are marketable or otherwise realisable;
- It can generate funds from those assets in a timely manner;
- It maintains a prudent funding profile in which its assets are of appropriate maturities, taking account of the expected timing of that Firm's liabilities; and
- It is able to generate unsecured funding of appropriate tenor in a timely manner.

The cash flow forecasts that provide the backbone to SIM's liquidity assessment are kept under constant review by the Finance Manager (with financial oversight by the CEO) and are subject to a formal review and approval by the board quarterly.

SIM, operates a simple business in which it can generally forecast its fee inflows and costs; it does not undertake its own account trading and is therefore not directly exposed to market pricing fluctuations. Reserves and surplus income, where applicable are broadly held as cash with its bank.

The review of income and expenditure and the risk that SIM cannot meet its liabilities as they fall due form the basis of the ICAAP. Quarterly management accounts are prepared that detail the company's reserves, income, and expenditure compared to the cash flow forecasts. The nature and level of the liquidity risk are regularly reviewed to make necessary adjustments to the model, for example, persistent late fee payers.

5. Capital Requirements and Resources

5.1. Capital Resources

ICAAP	**Risk**	***Amount (£)***
Pillar I	Base requirement (€50k)	*44,000*
	Credit risk (A)	*173,978*
	Counterparty risk (B)	-
	Market risk (C)	*28,892*
	Total (A + B + C)	*202,870*
	Operating risk	-
Pillar II	Risks per section 4.3	-
GENPRU 2.1.54	Fixed overhead requirement	*797,152*
	Highest amount is FOR (D)	***797,152***
WDPG	Wind down costs (E)	*749,146*
	COMPARE (D) AND (E) CHOOSE HIGHEST	***797,152***
	Net assets as at 31/12/20	*5,586,000*
	(Deficit) / surplus	***4,788,848***

5.2. Capital Requirement

As a BIPRU 50k firm, the Firm‘s minimum capital requirement under Pillar 1 is calculated as being the greater of:

- A base capital requirement of €50,000;
- The sum of its market and credit risk capital requirements; and
- The fixed overheads requirement.

6. Compliance with rules in BIPRU and Pillar 2 Requirements

Our overall approach to assessing our internal capital adequacy and meeting our Pillar 2 obligations is set out in our ICAAP. The purpose of our ICAAP is to inform our senior management, and Board of the ongoing assessment of the risks faced by our business, how we mitigate those risks and, having considered those mitigating factors, and how much current and future capital is required to meet those risks.

The ICAAP process involves separate consideration of risks to our capital combined with:

- Scenario analysis and stress testing
  Financial scenarios determined by our Risk Management arrangements that assess whether we are appropriately capitalised to withstand a range of adverse circumstances and events.
- Wind down analysis
  The objective of the wind-down analysis is to demonstrate that we have sufficient capital resources to be able to wind-down our regulated activities in an orderly manner.

The level of capital required to cover risks is a function of impact and probability.

We assess impact by modelling the changes in our income and expenses caused by various potential risks over a 12-month time horizon. Probability is assessed subjectively.

Our ICAAP is updated at least annually or more frequently if material internal or external factors make it prudent to do so. Our ICAAP and the reporting on the risks contained within it, is considered and owned by our CO and overseen by our CEO. It is formally approved on an annual basis by our Board.

Our ICAAP analysis has not indicated a need to hold financial resources in excess of our Pillar 1 capital requirements. Our ICAAP confirms that we have appropriate financial resources to meet our business requirements over the coming 12-month period. We have assessed that no additional capital is currently necessary to meet our business requirements over the coming 12-month period.

However, we apply a prudent internal policy to managing our capital and holding capital resources materially in excess of our regulatory requirement. We monitor our expenditure and revenues monthly to take account of any material fluctuations that may cause our FOR to be reassessed. We ensure that we have sufficient capital to meet our FOR and verify this on a monthly basis. No fixed methodology is used to calculate the excess to be held over our regulatory requirements and is determined by our CEO and CO continuingly. This ensures that we maintain flexibility to make decisions on our capital resources appropriate to the prevailing circumstances in the financial services industry and the risks faced by our business.

7. Remuneration

SIM is subject to the BIPRU Remuneration Code rules under SYSC 19C (the Code). Our approach to remuneration has been designed to support the company shareholders' long-term interests to reflect the asset management risk model and deliver long-term sustainability. The remuneration disclosure is referring to the Firm's 2020 performance year from 1 January to 31 December.

SIM is committed to having consistent and proportionate remuneration arrangements which:

- is overseen by our Audit & Remuneration Committee (ARC);
- promote sound and effective risk management;
- do not encourage risk-taking which is inconsistent with the risk profiles and constitutions of the funds;
- align with the long-term interests of all parties, including our clients, our shareholders and business strategy and
- ultimately forms an important part of the overall systems and controls in place to mitigate against potential conflicts of interest.

Remuneration at the Firm is made up of the following components:

- fixed (‘salary’)
- employees may receive dividends from the residual profits of the company as part of the Seilern Share Scheme
- variable (‘bonus’) salary on a discretionary basis
- a set of benefits, including an autoenrollment pension, a health plan (including dental, cash plan) and a travel insurance.

Our Remuneration Policy Statement (RPS) contains details of SIM's remuneration policies and practices for the Firm as a whole which is available on the Firm's website at www.seilerninvest.com.

Please see below for details of our total remuneration as at 31 December 2020.

	Senior Management	Fund Management	Operations staff
Total remuneration	339,524	1,183,791	787,287