Aspect Capital Limited
Pillar 3 Disclosure and Policy

As of 31st December 2019

Introduction

Regulatory Context

The Pillar 3 disclosure of Aspect Capital Limited ("the Firm") is set out below as required by the FCA's "Prudential Sourcebook for Banks, Building Societies and Investment Firms" (BIPRU), specifically BIPRU 11.3. This follows the introduction of the Capital Requirements Directive ("CRD") which represents the European Union's application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

Commitment to the UK Stewardship Code

Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook, the Firm is required to disclose the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where it does not commit to the Code, its alternative investment strategy. The Firm pursues systematic, quantitative investment strategies that do not invest in companies with the intention of taking any activist role or any form of controlling interest, nor does the Firm consider that investors in its strategies would expect such engagement. Consequently, while the Firm supports the objectives that underlie the Code, the provisions of the Code are not relevant to the type of investment currently undertaken by the Firm. If the Firm's investment strategies change in such a manner that the provisions of the Code become relevant, the Firm will amend this disclosure accordingly.

Frequency and Means of Disclosure

The disclosure will be made annually as at the Firm's Accounting Reference Date (31st December) and more frequently to the extent required under BIPRU (BIPRU 11.4.4) and will be made available online at www.aspectcapital.com or such other website as the Firm may maintain for third party access.

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 judgement on the Firm.

Materiality

The Firm regards information as material 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 document.

Proprietary and Confidential Information

The Firm regards information as proprietary if sharing that information with the public would undermine the Firm's competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investment therein less valuable. Further, the Firm must regard information as confidential to the extent the Firm owes obligations of confidentiality in relation to such information to customers or other third parties. The Firm may omit information from this document which is proprietary or confidential, provided that the Firm includes a statement to that effect and explains why such information has not been disclosed.

Summary

The BIPRU 11 requirements have three Pillars. Pillar 1 deals with minimum capital requirements; Pillar 2 deals with the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by a Firm and the Supervisory Review and Evaluation Process through which the Firm and regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces; and Pillar 3 deals with public disclosure of risk management policies, capital resources and capital requirements. The regulatory aim of the disclosure is to improve market discipline.

The Firm is an AIFM Investment Firm (as defined in the FCA Handbook). It acts solely as agent and does not hold client money. The Firm's greatest risks have been identified as business and operational risks. The Firm is required to disclose its risk management objectives and policies for each separate category of risk, which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; the policies for hedging and mitigating risk; and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

The Firm, in its ICAAP, has assessed business and operational risks and set out appropriate actions to manage them.

A number of key operations are outsourced by the Firm's clients to third party providers such as administrators, which limits the Firm's exposure to operational risk. The Firm has an operational risk framework (described below) in place to mitigate operational risk. The Firm's main exposure to credit risk is the risk that management and performance fees cannot be collected and therefore credit risk is low. The Firm holds all cash with banks assigned with high credit ratings.

Market risk exposure has been assessed by the Firm and is limited to the Firm's exposure to any cash amounts held by the Firm in a foreign currency. All foreign currency is converted into British Pounds ("GBP") on a regular basis. Assets and liabilities denominated in a foreign currency are actively hedged into GBP as and when they arise.

Background to the Firm

The Firm is incorporated in England and is authorised and regulated by the FCA as an AIFM Investment Firm. The Firm's current activities give it the BIPRU categorisation of a 'Collective Portfolio Management Investment Firm' ("CPMI Firm").

The Firm is a solo UK regulated entity and is covered by the Internal Capital Adequacy Assessment Process.

BIPRU 11.5.1 R

Disclosure: Risk Management Objectives and Policies

Risk Management Objective

The Firm's general risk management objective is to develop governance structures and systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital.

Governance Framework

The Firm's board of directors (the "Board") is the governing body of the Firm and is responsible for the development and execution of corporate strategy, the formation and review of high-level departmental planning, the monitoring of risk and regulatory compliance and the management of annual budgets.

The members of the Board are as follows:

- Anthony Todd (Chief Executive Officer)
- Martin Lueck (Research Director)
- Kenneth Hope (Chief Operating Officer)
- Barney Dalton (Chief Technology Officer) resigned with effective date 1st of February 2019
- Jonathan Greenwold (General Counsel) resigned with effective date 19th April 2019
- Rosie Reynolds (Chief Commercial Officer)

  (together, the "Executive Board")
- Peter Gibbs (Non-Executive Director)
- Kevin Carter (Non-Executive Director)

Jonathan Greenwold had the responsibility for minuting the Board meetings and any relevant filings relating thereto until his resignation on 19th April 2019, at which point Rosie Reynolds assumed the responsibility for the preparation of Governance Board minutes, with all other board minutes and related filings being dealt with by Aspect's Legal Team.

The Board (or a quorum thereof) meets regularly in order to carry out the following functions:

- formulate the Firm's corporate strategy through sessions that are scheduled over two days at least three times a year;
- ensure the effective implementation of that strategy through more frequent meetings of the Executive Board that are scheduled on at least a monthly basis and are also organised on an ad hoc basis to deal with any more urgent issues prior to the next diarised Executive Board meeting; and
- monitor the Firm's activities from a governance, risk and compliance perspective through corporate governance-focussed sessions that are scheduled every two months ("Governance Board Meetings").

In any such meetings, the Board may receive updates from one or more business areas or may invite senior managers to present progress reports on strategic initiatives.

Whether or not every director is required to attend a particular Board meeting and the extent to which a given meeting is minuted depends on the nature of matters being discussed. For example, the Non-Executive Directors attend all Governance Board Meetings which are also formally minuted whereas they will not usually attend meetings of the Executive Board which are generally arranged to enable the executive directors to share information and update others on progress made against objectives/projects in an informal environment and are only formally minuted where Board resolutions are passed. However, for all meetings a quorum of at least two directors is required and any relevant action points that arise are assigned to a director or other person for implementation.

Each director oversees his relevant functional area of the business. An appropriate management infrastructure has been implemented in relation to each functional area so as to support the day to day requirements and activities of the business.

Risk Framework

The Firm has developed a Risk Oversight Structure (shown below) within the business in order to manage its risks. In addition the Firm uses a variety of risk management tools and techniques:

Figure 1: Risk Oversight Structure

- The Firm takes a conservative approach to risk
- The Firm has identified its risks and recorded them in a 'Risk Register'
- The 'Risk Register' is reviewed at regular meetings of the Operational Risk Committee
- The Firm has undertaken scenario analysis and stress tests on the most significant risks identified. This informs the Firm how risks are likely to behave and what, if any, impact these risks are likely to have on the Firm's balance sheet
- The Firm has put in place an internal control framework to govern its processes and procedures and to mitigate any risks.

BIPRU 11.5.4 R

Disclosure: Compliance with BIPRU 3, BIPRU 4, BIPRU 7, and the overall Pillar 2 Rule

BIPRU 3

For its Pillar 1 regulatory capital calculation of credit risk, under the credit risk capital component the Firm has adopted the Standardised Approach (BIPRU 3.4) and the Simplified Method of calculating risk weights (BIPRU 3.5).

Credit risk calculation

Credit risk capital requirement	Rule	Exposure
Credit risk capital component	BIPRU 3.2	£93,321,243
Total		**£93,321,243**

Analysis of credit risk capital component

	Rule	Exposure	Risk weight	Risk weighted exposure amount
Guarantees	BIPRU 3.4.34	£15,128,892	100%	£15,128,892
Banks etc short-term	BIPRU 3.4.39	£18,454,333	20%	£3,690,867
Exposure to corporates / debtors	BIPRU 3.4.52	£8,546,815	100%	£8,546,815
Fixed assets	BIPRU 3.4.127	£877,431	100%	£877,431
Accrued investment management fees and prepayments	BIPRU 3.4.128	£4,049,490	100%	£4,049,490
Investment in Funds	BIPRU 3.1.6	£59,680,845	100%	£59,680,845
Forex Debtors	BIPRU 3.4.128	£1,346,903	100%	£1,346,903
Total		**£108,084,709**		**£93,321,243**
Credit risk capital component	8% of risk weighted exposure			**£7,465,699**

BIPRU 4

The Firm does not adopt the Internal Ratings Based Approach and hence this is not applicable.

BIPRU 7

The Firm has Non-Trading Book potential exposure only (BIPRU 7.4, 7.5).

Pillar 2

The Firm has calculated a Pillar 2 capital resources requirement of £18,819,000. This compares to the Pillar 1 capital resources requirement of £7,610,041.

BIPRU 11.5.5 R

Disclosure: Retail Exposures

This disclosure is not required as the Firm has not adopted the Internal Ratings Based Approach to credit risk and therefore is not affected by BIPRU 11.5.4R (3).

BIPRU 11.5.6 R

Disclosure: Equity Exposures

This disclosure is not required as the Firm has not adopted the Internal Ratings Based Approach to credit risk and therefore is not affected by BIPRU 11.5.4R (3)

BIPRU 11.5.7 R

Disclosure: Exposure to counterparty risk

This disclosure is not required as the Firm does not have a Trading Book.

BIPRU 11.5.8 R

Disclosure: Credit risk and dilution risk

The Firm's exposure arises from client balances and the Firm's corporate cash balances with banks. The Firm's normal payment terms are 30 days for trade debtors. Older balances are individually reviewed and assessed for impairment. In addition, the Firm requires all cash balances to be deposited with a range of banks all of which have high credit ratings. The Firm considers the risk of past due or impaired exposures to be minimal. A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

BIPRU 11.5.9 R

Disclosure: Credit and dilution risk

This disclosure is not required as the Firm does not make Value Adjustments and Provisions for Impaired Exposures that need to be disclosed under BIPRU 11.5.8R (9).

BIPRU 11.5.12 R

Disclosure: Market risk

The Firm has Non Trading Book potential exposure only (BIPRU 7.4 & 7.5).

Market risk calculation

PRR	Rule	Position	Risk weight	Risk weighted exposure amount
Foreign currency positional risk requirement	BIPRU 7.5	£1,804,275	8%	£144,342
Total		**£1,804,275**		**£144,342**

BIPRU 11.5.2 R

Disclosure: Scope of application of directive requirements

The Firm is subject to the disclosures under the *Banking Consolidation Directive* however, it is not a member of a UK Consolidation Group and, consequently, does not report on a consolidated basis for prudential purposes.

BIPRU 11.5.3 R

Disclosure: Capital resources as at 31st December 2019

The Firm is a Collective Portfolio Investment Management Firm, without an Investment Firm Consolidation Waiver deducting Material Holdings under (GENPRU 2 Annex 4). Tier 1 capital comprises share capital, share premium, retained earnings, equity option reserve and 2019 audited profits.

Tier 1 capital	£87,245,336
Deductions	(£11,311,070)
Tier 2 capital	£0
Deductions	£0
Capital resources	£75,934,266
Tier 3 capital	£0
Deductions	£0

BIPRU 11.5.10 R

Disclosure: Firms calculating risk weighted exposure amounts in accordance with the Standardised Approach

This disclosure is not required as the Firm uses the Simplified Method of calculating risk weights (BIPRU 3.5).

BIPRU 11.5.11 R

Disclosure: Firms calculating risk weighted exposure amounts using the IRB Approach

This disclosure is not required as the Firm has not adopted the Internal Ratings Based Approach to credit risk.

BIPRU 11.5.13R

Disclosure: Use of VaR model for calculation of market risk capital requirement

This disclosure is not required as the Firm does not use a VaR model for the calculation of its market risk capital requirement.

BIPRU 11.5.15R

Disclosure: Non-Trading Book exposures in equities

This disclosure is not required as the Firm does not have a Non-Trading Book exposure to equities.

BIPRU 11.5.16R

Disclosures: Exposures to interest rate risk in the Non-Trading Book

Although the Firm has substantial cash balances on its balance sheet, there is currently no significant exposure to interest rate fluctuations.

BIPRU 11.5.17R

Disclosures: Securitisation

This disclosure is not required as the Firm does not securitise its assets.

BIPRU 11.5.18R

Disclosures: Remuneration

As a CPMI Firm, the Firm 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 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 Remuneration Committee meets twice a year and its responsibilities include the formulation of the Firm's remuneration policy, the framework for the terms of employment (including remuneration and pension arrangements) of executive directors and other selected senior executives, the structuring of employee benefits and performance related pay schemes and the review of contractual terms offered on termination of employment. The committee members are the two Non-Executive Directors of the Firm (one of whom acts as Chair), Chief Executive Officer, Director of Research and Director of Organisational Development.

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 awarded to the Firm's Code Staff during the 2019 financial year was £3,376,393.