Northill Capital LLP

Pillar 3 Disclosure

For the year end: 31st March 2018

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Introduction

Regulatory Context
The Pillar 3 disclosure of Northill Capital LLP ("the Firm") is set out below as required by the FCA's "Prudential Sourcebook for Banks, Building Societies and Investment Firms" (BIPRU) specifically BIPRU 11.3.3 R. The BIPRU Pillar 3 disclosure rules implement the European Union's Capital Requirements Directive ("CRD") which came into effect on 1 January 2007. The CRD set out regulatory capital adequacy standards and the associated supervisory framework across the European Union based on the Basel II recommendations of the Basel Committee on Banking Supervision. The regulatory aim of the disclosures is to improve market discipline.

Frequency
The Firm's Pillar 3 disclosures are made annually usually as-of the Firm's Accounting Reference Date ("**ARD**") or more frequently as required under **BIPRU 11.3.8R**. The Firm's ARD is 31 March.

Media and Location
The Firm's Pillar 3 disclosures are published and available on the Firm's external website in accordance with BIPRU 11.3.10R and will also be available on request by writing to the Head of Compliance, 1 Curzon Street, London SW1J 5HD.

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
BIPRU Pillar 3 rules (BIPRU 11.3.5R and BIPRU 11.4.1R) provide that Pillar 3 disclosures are only required where the information would be considered material to a user relying on that information to make economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

Proprietary and Confidential Information
BIPRU Pillar 3 rules (BIPRU 11.3.6R, BIPRU 11.3.7R and BIPRU 11.4.2R) provide that firms may omit information where the information is regarded as proprietary or confidential.

The Firm's Pillar 3 disclosures do not currently exclude or omit information on the basis that it is proprietary or confidential information.

Summary

The CRD requirements have three pillars:

- Pillar 1 deals with minimum capital requirements;
- Pillar 2 deals with 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 a UK Limited Liability Partnership. The Firm was incorporated in November 2010 and authorised by the Financial Conduct Authority ("FCA") in April 2013. Overall the Firm has a straight forward business model, acting as the main operating entity within the Northill Capital Group. Over the next 1-3 years the Northill Capital Group aims to acquire and hold a suitably diversified portfolio of 8 to 10 high-quality, profitable asset management businesses selected by the Firm.

Specific risks identified relate to business and operational risks. Whilst the Firm is also exposed to credit, market and liquidity risk, these are not considered material to the Firm.

The Firm has assessed business risk in its ICAAP and set out appropriate actions to manage them. The main risks faced by the business and the processes for their mitigation and control are detailed below:

Business risk

Business risk is the risk of loss inherent in a firm's operating, business and industry environment and can arise from either external sources such as changes to the economic environment/cycle and one-off economic shocks or internal sources such as poor investment performance.

The Firm's senior management keep all areas of its business under review and looks to enhance existing controls and develop appropriate processes on a continuous basis. If for any reason the Firm were to become unviable at any point, senior management would take appropriate management action to reduce costs and possibly cease activities and, thereafter, consider whether the Firm should be closed down.

The Firm is managed so that it has sufficient capital to adequately withstand adverse changes in the business environment.

Operational risk

Operational risk is defined by the Firm as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.

The more significant operational risks facing the Firm include negligent or fraudulent actions leading to legal claims against the Firm, key person risk, risk of unavailability of business premises, and breaches of regulatory requirements leading to public censure, fines and redemptions.

Credit risks

The Firm has a low appetite for credit risk. The Firm does not incur any credit risk other than fees receivable and exposure to counterparties where the Firm's deposits are held.

Counterparty risk is low as the Firm has a conservative approach to cash management and holds the majority of surplus liquidity and cash required for working capital with large international institutions with good credit ratings.

Liquidity risks

The Firm maintains sufficient surplus cash to meet its working capital requirements and other immediate requirements that can reasonably be foreseen. Potential liquidity requirements are reviewed on a monthly basis.

Market risks

Under Pillar 1, the Firm's market risk is limited to its exposure to foreign exchange fluctuations, due to some assets and liabilities being denominated in currencies other than sterling.

The Firm believes the risk management framework is appropriate for the size and complexity of its business, and that its capital is adequate to meet the risks assessed.

Background

The Firm is incorporated in the UK and is authorised and regulated by the FCA as an Investment Management Firm. The Firm is categorised as a 'BIPRU EUR 50K Limited Licence Firm' by the FCA for capital purposes. The Firm is not authorised to hold client money or to take proprietary trading positions and does not provide services to retail clients.

The Firm is regulated as a standalone entity and the ICAAP is prepared for the Firm alone.

The Firm is a BIPRU Investment Firm without an Investment Firm Consolidation Waiver deducting Material Holdings under (GENPRU 2 Annex 4).

BIPRU 11.5.1
Disclosure: Risk Management Objectives and Policies

Risk management objective and framework

The Firm has established a risk management framework to identify, measure, monitor, report and where appropriate, mitigate risks. The risk management framework covers risks which impact the Firm (typically business risks). Risks identified through the operation of the risk management framework are assessed as part of the Firm's ICAAP and Pillar 2 processes.

Governance framework

The Firm is a UK Limited Liability Partnership. The members of the Firm have established a Partnership Committee, and as part of their regulatory duty to apportion key responsibilities have delegated oversight of certain governance, risk management, and control responsibilities to the Management Committee which is responsible for the day-to-day running of the Firm. The Firm's Partnership Committee reviews, amongst other things, the Firm's financial information (such as accounts, regulatory returns, and audited year-end accounts), risk and compliance reports.

In addition to the Firm's Partnership and Management Committees, the Audit, Risk and Compliance Committee ("ARCCO") of the Firm's managing member, Northill UK Management Holdings Limited, meets on quarterly basis to review the Firm's overall risk appetite, current risk exposures and future risk strategy. The ARCCO also seeks to ensure that forthcoming global regulatory developments to which the Firm and the managing member may be exposed are identified and monitored to ensure that systems, processes and policies are updated in a timely manner to ensure compliance with any new requirements.

The Remuneration Committee ("REMCO") of the Firm's managing member, Northill UK Management Holdings Limited, meets at least twice a year to review the Firm's remuneration and human resource matters.

Internal Capital Adequacy Assessment Process ("ICAAP")

The Firm's ICAAP includes an assessment of the design and performance of the internal controls in place to mitigate risks, the probability of the risk occurring, the potential financial and reputational impact, and the adequacy of the Firm's capital base.

The Partnership formally reviews and approves a finalised ICAAP on at least an annual basis or more frequently where there are material changes to the Firm's business model and risk exposures or external events which have the potential to significantly impact the Firm's business. The Partnership, as part of its review of the ICAAP, sets the Firm's risk appetite statement, validates that the Firm's key material risks have been considered and assessed, and validates the stress testing scenarios.

Risk identification, reporting and monitoring

The risk management framework sets out the responsibilities and escalation procedures for the identification, monitoring, and management of risks.

Specific personnel are assigned responsibility for the risks across the Firm's business units. The Head of Risk and Governance takes overall responsibility for identifying material risks to the Firm and implementing appropriate mitigating controls.

Risks and mitigating controls are periodically reassessed, taking into account the Firm's risk appetite. Actions are taken to improve the control framework when risks are identified which fall outside of the Firm's risk appetite, or when weaknesses are identified in the Firm's mitigating controls. The Partnership Committee is responsible for approving the risk framework on an annual basis and the ARCCO has oversight responsibility for monitoring the quality of the risk control framework.

BIPRU 11.5.4R
Disclosure: Compliance with BIPRU 3, BIPRU 4, BIPRU 6, BIPRU 7, BIPRU 10 and the overall Pillar 2 rule

BIPRU 3 (Pillar 1 Credit Risk): The Firm has a limited number of credit exposures and, in accordance with the provisions of **BIPRU 3**, has adopted for its Pillar 1 regulatory capital calculation of Credit Risk the standardised approach (**BIPRU 3.4**) and the simplified method for calculating risk weights (**BIPRU 3.5**).

Credit Risk capital requirement as at 31 March 2018

	Exposure £'000	Risk Weight	Risk weighted exposure £'000
Capital requirement for credit risk	5,241	1.6% for Cash 8% for other assets	174

BIPRU 4
The Firm does not adopt the Internal Ratings Based approach and hence this is not applicable.

BIPRU 6
The Firm, being a Limited Licence Firm is not subject to the Pillar 1 Operational Risk Requirement and, therefore, this is not applicable.

BIPRU 7
The Firm has Non-Trading Book potential exposure only (BIPRU 7.4, 7.5).

BIPRU 11.5.8R
Disclosure: Credit Risk and Dilution Risk

Credit risk is not considered to be material for the purposes of this disclosure.

Counterparty risk is low as the Firm has a conservative approach to cash management and holds the majority of surplus liquidity and cash required for working capital with large international institutions with good credit ratings.

There are no third party borrowings so the Firm's exposure to interest rate risk is limited to reduced income on its deposits should interest rates fall. The Firm does not and is not allowed to take proprietary trading positions for speculative purposes.

BIPRU 11.5.12R
Disclosure: Market Risk

Where the Firm holds cash balances in currencies other than British Pound Sterling, the Firm may be exposed to foreign exchange risk. The Firm calculates its foreign exchange risk by reference to the provisions of BIPRU 7.5. Foreign exchange risk is not considered to be material for the purposes of this disclosure.

Market Risk calculation as at 31 March 2018

	Exposure £'000	Risk Weight	Risk weighted exposure £'000
Capital requirement for market risk	36	8%	3

BIPRU 11.5.3R
Disclosure: Capital Resources

The Firm takes a prudent approach to the management of its capital base and ensures that at all times it has sufficient capital to meet its obligations.

The Firm has concluded, as part of its ICAAP, that it has adequate capital to face its key risks, that its capital resources are sufficient to support its operations over the next year, and that no additional injections of capital are necessary.

The capital position as at 31st March 2018 is summarised in the following table:

CAPITAL RESOURCES		Group £'000
Tier One Capital	Eligible LLP capital	1,600
	Audited reserves	(0)
	Current year losses	(0)
Less: Deductions from Tier One Capital		(1,017)
Total Capital		**583**

Unaudited

BIPRU 11.5.5R

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 11.5.6R

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 11.5.7R

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

BIPRU 11.5.9R

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 11.5.10R
Disclosure: Firms calculating Risk Weighted Exposure amounts using the IRB Approach

This disclosure is not required as the Firm uses the simplified method of calculating Risk Weights (BIPRU 3.5).

BIPRU 11.5.11R
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 and therefore is not affected by BIPRU 11.5.4R (3). BIPRU

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 calculation of Market Risk Capital Requirement.

BIPRU 11.5.14R
Disclosure: Operational Risk

The Firm's Fixed Overhead Requirement ("**FOR**") is disclosed as the proxy for the Pillar 1 operational risk capital calculation. The Firm's Pillar 1 capital requirement is calculated in accordance with GENPRU 2.1.53-59 for a BIPRU €50,000 limited licence firm as the higher of the Fixed Overhead Requirement, the sum of market and credit risk requirements, and the base capital requirement of €50,000. As at 31 March 2087 the Firm's Pillar 1 requirement was £1,017 thousand.

Fixed Overhead Requirement as at 31 March 2017

	£'000	Risk Weight	FOR £'000
Non-variable annual expenses	4,066	25%	1,017

The Fixed Overhead Requirement of £1,017 thousand equates to one quarter of the Firm's annual expenses excluding variable costs.

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
Disclosure: Exposures to Interest Rate Risk in the Non-Trading Book

Although the Firm has cash balances on its Balance Sheet there is currently no material exposure to Interest Rate fluctuations.

BIPRU 11.5.17R
Disclosure: Securitisation

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

BIPRU 11.5.18
Disclosure: Remuneration

The Firm has adopted a remuneration policy that complies with the requirements of chapter 19C of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook (SYSC), as interpreted in accordance with the FCA's guidance publication entitled "General Guidance on Proportionality: The Remuneration Code (SYSC 19C) & Pillar 3 Disclosures on Remuneration (BIPRU 11)" and subsequent items of guidance issued by the FCA, including its document entitled "Frequently Asked Questions on the Remuneration Code".

Northill Capital LLP falls within proportionality Level 3 (previously Tier 4) for remuneration code purposes. As a result, the disclosure below is considered to be appropriate, given the Firm's size and the nature of its activities.

The Firm has established remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management. The REMCO of the Firm's managing member reviews and approves the Firm's remuneration policies. The Remuneration Policy Statement is reviewed by the REMCO on annual basis, or more frequently if material changes are made.

The Firm's remuneration and incentive policy framework aims to provide recognition for efforts of staff and members, rewarding the alignment of values, behaviours and performance with the long term strategy of the Firm. It is the Firm's policy to promote sound and effective risk management in making awards and discourage risk-taking that exceeds the level of tolerated risk to the Firm. Discretionary compensation is aimed at rewarding employees based on the Firm's overall performance and is as such based on the Firm's profitability and the individual's contribution.

The aggregate profits allocated to members of the LLP are disclosed in the report and accounts.