East Lodge Capital Partners LLP

Pillar 3 Disclosure

Disclosure Policy

The Capital Requirements Directive ("CRD") is the framework for implementing Basel II in the European Union. Basel II implements a risk sensitive framework for the calculation of regulatory capital. This was implemented in the United Kingdom through changes to the Financial Conduct Authority ("FCA") Handbook of Rules and Guidance, and specifically through the creation of the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), specifically BIPRU 11.

The framework consists of three pillars:

- Pillar 1 – sets out the minimum capital requirements for the investment manager;
- Pillar 2 – deals with the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by the Firm to assess the adequacy of capital held in relation to its material risks; and
- Pillar 3 – requires the Firm to publicly disclose its policies on risk management, capital resources and capital requirements.

The Pillar 3 disclosure of East Lodge Capital Partners LLP ("East Lodge" or the "Firm") is set out below. The regulatory aim of the disclosure is to improve market discipline.

East Lodge makes Pillar 3 disclosures annually, via its website. The information contained in this disclosure is accurate as at 31 March 2019. It has not been audited by East Lodge's external auditors and does not constitute any form of financial statement.

Certain information relating to BIPRU 11.5 has been omitted on the basis that it has been deemed to be immaterial or proprietary/confidential. The Firm regards information as material in the disclosure 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. The Firm regards information as proprietary/confidential if sharing that information with the public would undermine its competitive position. Proprietary/confidential information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality.

Background to the Firm

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a collective portfolio management investment ("CPMI") firm. It is an investment management firm and has no trading book exposures. The Firm is not required to prepare consolidated reporting for prudential purposes.

Capital Resources Requirement

Pillar 1 - Minimum Capital Requirements

As a CPMI firm, East Lodge has an initial capital requirement of €125k and an ongoing capital resource requirement which comprises the greater of:

i. sum of market risk and credit risk (for non-AIFM business); and

ii. the funds under management requirement (the sum of the Firm's base own funds requirements of €125k plus 0.02% of the amount by which the Firm's funds under management (related to the Funds) exceed €250m); and

iii. the own funds based on fixed overheads requirement; plus (for the latter two items)

Whichever is the applicable of:

i. the professional negligence capital requirement ("additional own funds requirement"); or

ii. the professional indemnity insurance ("PII") capital requirement.

East Lodge calculates the credit risk applicable to its non-AIFM activities under the simplified approach.

The Firm has deemed the FOR to be the higher of these values and this is therefore used for the purposes of the Pillar 1 calculation.

As East Lodge does not deal as a principal and holds no current assets other than cash, in sterling or foreign currency, the Firm's non-trading book market risk requirement is the Foreign Currency Position Risk Requirement for which the Firm multiplies the sum of the absolute values of its 'open currency position' by 8%.

Pillar 2 – 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 ICAAP is the process through which East Lodge determines that it is able to identify and manage its key risks on an on-going basis and ensure that it has sufficient capital in respect of such risks. The process is forward looking and is an integral part of the management of the Firm. The Chief Operating Officer ("COO") who is also the Chief Financial Officer ("CFO") is responsible for the ICAAP within East Lodge and consulted with other appropriate members of staff to ensure the accuracy of his findings.

The Firm's governing body (the "Management Committee") formally reviews and approves a finalised ICAAP document on at least an annual basis (or more frequently if there are material changes to the Firm's business model and risk exposures). The Management Committee, as part of its review of the ICAAP, sets the Firm's risk appetite, confirms that the Firm's key material risks have been considered and assessed, and validates the stress testing scenarios.

Capital Resources

The main features of the Firm's Capital Resources are as follows:

Capital Item	£'000s
Tier 1 capital less innovative tier 1 capital	1,281
Tier 2 capital	
Tier 3 capital	

Total capital resources, net of deductions	

Risk Management Objectives and Policies

The Management Committee is responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. Senior management report to the Firm's Management Committee on a frequent basis regarding the risks. East Lodge has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

East Lodge undertakes an ICAAP at least annually, which is the process through which East Lodge determines that it is able to identify and manage its key risks on an on-going basis and that it has sufficient capital in respect of such risks. The process is forward looking and is an integral part of the management of the Firm.

Following the completion of the ICAAP, the Firm has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements.

Remuneration

East Lodge must comply with the remuneration rules as set out in Article 14 of the Alternative Investment Fund Managers Directive ("AIFMD") and SYSC 19B of the FCA Handbook ("the AIFM Remuneration Code"), as well as SYSC 19C ("the BIPRU Remuneration Code"). The purpose of these Remuneration Codes is to ensure that firms have risk focused remuneration policies, which are consistent with and promote effective risk management and do not expose themselves to excessive risk. The Firm has reviewed all existing employment contracts to ensure they comply with the Codes.

Senior management are responsible for setting the Remuneration Policy Statement for all staff. No external consultants have been engaged on remuneration matters.

The Remuneration Codes can (subject to certain conditions being met) be applied in a proportionate way. As such, the Management Committee has determined that it is not proportionate for the Firm to apply the following detailed rules in setting the Firm's Remuneration Policy:

- SYSC 19B 1.17 – Retained units, shares and other instruments;
- SYSC 19B.1.18 – Deferral; and
- SYSC 19B.1.19, 19B 1.20 – Performance adjustment

Variable remuneration is not based solely on the financial performance of the individual. The Management Committee also considered the individuals overall (non-financial) performance to the whole team and the overall results of the fund/firm. The performance of the individual is assessed over the entire year.

The Firm only operates the one business unit, "Investment Management". Staff operating within this business unit received the following aggregate amount of remuneration for the performance year:

Quantitative Information

Investment Management	£5,314,770

Remuneration was split between senior management and risk takers as follows:

	Senior Management	**Risk Takers**
Total remuneration for the year	£1,758,146	£3,556,624