GEMCORP

GEMCORP CAPITAL MANAGEMENT LIMITED - year ended 31 Dec 21

Unaudited Pillar 3 disclosure

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the Financial Conduct Authority ("**FCA**") Gemcorp Capital Management Limtied ("GCML") will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis. This disclosure also satisfies the remuneration requirements under both MiFID and AIFMD.

GCML may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly, where GCML has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then GCML may take the decision to exclude it from the disclosure. In GCML'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 GCML to confidentiality with our customers, suppliers or counterparties. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

Introduction

GCML is a CPMI BIPRU firm authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. GCML is not required to prepare consolidated reporting for prudential purposes.

The FCA's current prudential regime can be split into three "pillars":

- Pillar 1 – prescribes the minimum capital requirements that authorised GCMLs need to hold. This is the higher of €125k, quarter of GCML's annual adjusted expenditure (the Fixed Overheads Requirement), or the sum of GCML's prescribed Credit risk + Market risk.

- Pillar 2 – requires GCML to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. If GCML feels that the risks are not adequately mitigated then they should allocate capital against those risks. Stress and scenario tests are conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.

- Pillar 3 - requires GCML to develop a set of disclosures which will allow market participants to assess key information about GCML's underlying risks, risk management controls, and capital position.

Risk Management

Senior management at GCML is exercised through the Executive Committee. The Executive Committee determines the business strategy and risk appetite along with the design and implementation of defined and transparent risk management policies and procedures. Risk Management is viewed as a core part of the investment process and GCML has a Risk Officer who heads the Risk Committee and sits outside the investment team but is a member of the Executive Committee, the Unrestricted Investment Committee and the Valuation Committee.

The Executive Committee meets on a regular basis to discuss all key business issues including: current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. An identification of risks to GCML are considered and GCML's resultant exposure is assessed after management and mitigation of these risks. Furthermore, GCML then conducts a series of stress tests and scenario analyses on these risks to determine the effect they would have on GCML. As new risks arise, the relevant policies and procedures are updated where necessary. If necessary, GCML would allocate extra capital to the relevant risk. In 2021 GCML has reviewed its Risk Policy and its Compliance Manual and considered necessary updates.

The Executive Committee and the Risk Committee have identified the main risks to GCML as follows:

Operational Risk

GCML has identified a number of key operational risks to manage. These relate to risk of loss of key staff, systems failure, failure of a third party provider, serious regulatory breaches, market abuse, fraud, financial promotions, trading error, or failure in administrative tasks. GCML places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

Operational risk is managed by a number of means, including the establishment of robust internal policies and controls, as well as taking out comprehensive insurance.

Business Risk

Together with Operational Risk GCML has identified Business Risk as the most significant risks faced by GCML. The main Business Risk is that of a substantial and sustained reduction in funds under management or decrease in executed transactions, caused by adverse market conditions or investor redemptions, resulting in a loss of fee income. The main mitigant in this respect is that the main accounts of GCML operate with a rolling lock-up of several years, limiting the risk of redemption.
Regular stress and scenario testing is conducted in order to assess and evaluate the ongoing potential impact of the various key business risks.

Market Risk

GCML has limited exposure to market risk as it does not have a trading book. Market risk is limited to exposure to foreign exchange fluctuations of the income fee, denominated in US dollars. Management fee income is normally converted from US dollars into sterling on a regular basis and US dollar management fee income is retained to the extent that it is required to match US dollar denominated liabilities.

Credit Risk

As a Limited Licence BIPRU Investment Firm, GCML neither holds client money nor assets, nor lends money and does not deal on its own account, and is, therefore, not exposed to credit risk in its traditional sense. GCML is exposed to limited credit risk in respect of its debtors, investment management fees billed and cash held on deposit.

The number of credit exposures relating to GCML's investment management clients is limited. Management fees are drawn promptly when due from the funds managed and GCML frequently monitors the credit worthiness of its banking counterparty.

GCML has concluded that its regulatory capital (discussed below) is sufficient to cover its Pillar 1 and Pillar 2 requirements.

The Risk Committee meets at least on a monthly basis to assess market risk and credit risk.

The Operational Risk Committee meets on a quarterly basis to report, monitor and assess operational related processes and issues including best execution, trade errors, NAV errors, booking issues and leverage limits.

Regulatory Capital

As a CPMI firm, GCML is treated as a BIPRU firm (but only subject to the Pillar 1 minimum capital requirements of BIPRU in relation to the investment business undertaken) as well as a firm subject to AIFMD capital requirements via IPRU: INV 11. This means that GCML will be required to meet both the "own funds" requirements under BIPRU (and GENPRU) together with the initial capital and "own funds "requirements set out in respect of CPMI GCMLs in IPRU: INV. Both calculations are shown below.

As a CPMI firm, GCML is required to hold liquid capital in excess of the following rules in IPRU: INV: The higher of:

a)

i. the Funds under management requirement (of its AIFs), i.e., €125,000 plus 0.02% of the amount by which GCML's funds under management exceeds €250,000,000, (subject to a maximum of €10,000,000); and

ii. the fixed overheads requirement ("**FOR**"), i.e., one quarter of GCML's annual fixed overheads.

b) Plus, to cover professional liability risks, either:

i. additional own funds equal to 0.01% of the value of the AIFs managed by GCML ("**Own Funds**") or;

ii. professional indemnity insurance cover meeting certain criteria (and for which the agreed excess is in addition to the own funds requirement).

GCML has decided to cover professional liability risks by holding sufficient Own Funds. However, GCML has also taken out appropriate professional indemnity insurance cover.

As a CPMI firm, under BIPRU (and GENPRU) GCML is required to hold regulatory capital which will be the higher of:

a) the fixed overheads requirement; and

b) the sum of the credit risk and market risk capital requirement.

Calculations for a CPMI firm under IPRU: INV 11

	£'000s
a) Funds under management requirement	1,093
b) Fixed overheads requirement	3,783
Higher of a) and b) above	3,783
Agreed excess under Professional indemnity insurance	504
Total capital requirement	**4,287**

Calculations for a CPMI 'BIPRU' firm under BIPRU/GENRU

	£'000s
Pillar 1:	
Credit Risk	628
Market Risk	50
Total	**678**
Fixed overhead requirement	3,783
Pillar 1 requirement	3,783
Pillar 2 additional requirement	-
Total Capital Requirement	**3,783**
Current total capital	5,625
Surplus/(deficit)	**1,842**
Solvency ratio	148.68%

Unaudited remuneration code disclosure

Governance

The purpose of the Remuneration Code is to ensure firms establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management.

The Remuneration Code applies to "Remuneration Code Staff" ("**Code Staff**"). This includes members of the Executive Committee, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as the members of the Executive Committee and risk takers, whose professional activities have a material impact on the firm's risk profile.

Gemcorp Capital Management Limited ("**GCML**") has considered the contribution that can be made by a Compensation Committee. In order to take a proportionate approach given the size and non-complex nature of both the activities undertaken and the organisation, GCML has decided that a Compensation Committee will be responsible for setting GCML's policy on remuneration. This is in line with guidance provided by the FCA for Level 3 firms under the Remuneration Code.

GCML's Remuneration Policy will be reviewed, at least, annually by the Compensation Committee to ensure that it remains consistent with the Remuneration Code Principles and GCML's objectives. The Compensation Committee will use all information available to it in order to carry out its responsibilities under the code; for example, information on risk and financial performance. In addition, the Chief Compliance Officer, as part of GCML's regulatory monitoring, will include a review of the implementation of this Policy by GCML.

Link between pay and performance

Employees of GCML are employed by Gemcorp Capital (Services) Limited ("**ServiceCo**"). All expenses of ServiceCo are reimbursed by GCML. The Compensation Committee of GCML is responsible for determining the compensation of all employees of the ServiceCo and GCML.

The remuneration is made up of fixed component (a salary for employees *plus* a variable discretionary bonus component. Salary is set in line with the market at a level to retain, and when necessary attract, skilled staff.

Any bonus paid is designed to both reflect the performance of a person in contributing to the success of GCML and their success in meeting, or exceeding, targets that have been set by GCML on an individual basis.

Where remuneration is performance-related, then in addition to the performance of the individual the Compensation Committee will also take into account the performance of the business area/strategy concerned and the overall results of GCML. Performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations and adherence to effective risk management.

The measurement of financial performance will be based on profits and not on revenue or turnover.

Awards will reflect the financial performance of GCML and as such variable remuneration may be contracted where subdued or negative financial performance occurs. GCML will not ordinarily make any variable remuneration awards should GCML make a loss. In exceptional circumstances such payments may need to be considered. In such cases the Compensation Committee, in conjunction with the Chief Compliance Officer, will consider and document whether such an award would be in keeping with the Remuneration Code. GCML's full Remuneration Policy is available at the request of investors.

Quantitative remuneration information

GCML is required to disclose aggregate information on remuneration in respect of its Code Staff, broken down by business area; and by senior management and other Code Staff. The relatively small size and lack of complexity of GCML's business is such that GCML only has the one business area (investment management) and does not regard itself as operating, or needing to operate, separate "business areas" and the following aggregate remuneration data should be read in that context.

During the year, Gemcorp underwent a corporate reorganisation. The business of Gemcorp Capital LLP was transferred to Gemcorp Capital Management Limited, on 23 December 2021.

Aggregate quantitative information on remuneration from 23 December 2021, for the firm's staff whose actions have a material impact on the risk profile of the firm/of those staff of GCML who are fully or partly involved in the activities of the AIFs.

Code Staff	**Aggregate compensation expense in 2021**
Senior Management:	£383,441
Others/Staff whose actions have a material impact on any AIF (if applicable)	£256,877

Amounts of remuneration for the financial year of those staff of GCML and ServiceCo who are fully or partly involved in the activities of the AIF and the number of beneficiaries (Level 3 only).

Code Staff (Number)	23

Code Staff	**Total amounts of remuneration**
Fixed Remuneration	£103,916
Variable Remuneration	£536,403
Carried interest paid by AIF	Zero

Unaudited UK Stewardship Code disclosure

Commitment to the UK Stewardship Code

Under COBS 2.2 of the FCA Handbook, all FCA authorised firms are required to make a public disclosure in relation to the nature of their commitment to the above Code (the "**Code**") which was published by the Financial Reporting Council ("**FRC**") in July 2010.

The Code aims to enhance the quality of engagement between institutional investors and the companies they invest in with the intention of improving long term returns for shareholders and the efficient exercise of governance responsibilities. The FRC recognises that not all parts of the Code will be relevant to all institutional investors and that smaller institutions may judge some of the principles and guidance to be disproportionate. Firms may either comply with the Code or choose not to comply with certain aspects of the Code; in the latter case an explanation of non-compliance is required. If the firm does not commit to the Code, it must state in general terms its alternative investment strategy.

Gemcorp Capital Management Limited ("**GCML**") does not at this stage consider it appropriate to comply with the Code given that GCML's investment strategy focuses on emerging markets credit opportunities and generally does not envisage investing in public equities. Although GCML supports the Code's objectives, GCML has taken the decision not to commit to the principles of the code. Should there be any material changes to the investment strategy of GCML, which would render the Code relevant, this disclosure will be revised.