Umbra Capital Partners LLP
10 Lower James Street
London W1F 9EL United Kingdom

+44 (0) 207 460 1030
info@umbracapital.com
umbracapital.com

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Pillar 3 Disclosure

Background

Umbra Capital Partners LLP ("UCP") is authorised and regulated by the Financial Conduct Authority and is categorised as a BIPRU €50,000 Limited Licence Firm for regulatory purposes. The Firm is not part of a group or subject to consolidated reporting. This statement has been prepared by the Firm in accordance with BIPRU 11 and summarises the material disclosures the firm is required to make under Pillar 3 of the Capital Requirements Directive.

Frequency

Pillar 3 disclosures will be issued annually after the firm's audited accounts have been prepared. The disclosures are made at the Firm's accounting reference date which is 31 March.

Materiality

The Firm regards the information in these disclosures as material if its omission or misstatement could change or influence the assessment or decision of a user relying on this information to make an economic decision. If UCP deems a certain disclosure to be immaterial, it may be omitted from this statement.

Risk Management

The Firm is formally governed by its Management Committee.

The Management Committee, apart from being the primary body to consider and approve general business matters (such as strategy, finance, people and operational matters), oversees the stewardship of the firm's reputation and stature with clients, counterparts and regulators. In order to discharge this responsibility, the Management Committee meets at least annually to consider and approve, amongst other things: internal policies; compliance matters; financial results and budgets; capital adequacy; investment performance; terms of engagement with clients and investors. The Firm also runs an Investment Committee to consider client recommendations and commitments in relation to private capital transactions, portfolio risk management, investment research and portfolio construction matters; and a Risk Committee to consider portfolio risk, private capital syndication risk, client acceptance, conflicts of interest, and operational risks.

The Firm has commissioned independent compliance support from Newgate Compliance Limited and accounting/auditing services from Oakford Advisors Ltd. Monthly management accounts are used to monitor and project its capital resources and a compliance manual, a compliance monitoring programme and an ICAAP process have been adopted to facilitate risk management in the Firm.

ICAAP

The FCA requires adoption of the Internal Capital Adequacy Assessment Process (ICAAP) (GENPRU 1.2 and BIPRU 2.2) to ensure that UCP and its senior management are appropriately involved in the on-going assessment of the Firm's risks.

The main purpose of the report is to summarise UCP's risk management and capital position. It sets out what UCP's key risks are, how it manages those risks, and how the Firm has satisfied itself that it has sufficient capital in respect of the risks faced now and/or in the next three years. To ensure that this has been carried out diligently and completely, stress tests and scenario analyses have been conducted to ensure that the processes, strategies and systems are comprehensive and robust. The analysis aims to show how much and what composition of internal capital the Firm considers it should hold as compared with the Capital Resource Requirement (CRR) 'Pillar I' capital requirements calculation (GENPRU 2.1.45).

The ICAAP was reviewed by UCP's Compliance Officer and Management Committee and will be used by its senior management and auditors and reviewed and updated as part of the business planning cycle, unless its senior management become aware of a major event before then requiring a complete review of the Firm's risks and capital position. This report is available to the FCA on request.

Risks

Given the nature and activities of the Firm, its risk appetite is low. It does not securitize assets or deal as principal and therefore does it does not have a trading book. The key risks are as follows:

Market Risk

UCP has limited exposure to market risk, given the Firm's revenue originates not only from Wealth business but also Advisory fees and investment into Private Deals. However, UCP itself holds no investments other than Advisory fees paid in kind. In the wider sense another economic downturn may lead to lower than average business activity overall but UCP has a diversified investor base who, we believe, seek long term investment of their money.

For the Wealth Management business, UCP has a clearly defined approach to investing which includes defining the risk appetite and investment restrictions for each Wealth client which will mitigate concentration and correlation risk as needed. The investment managers monitor the volatility of client holdings against relevant indices and model portfolios. Regular reviews by the Investment Committee will be conducted to review the impact of market movements on client portfolios.

For the Private Capital business, the team carries out extensive qualitative and quantitative research and due diligence on investment opportunities prior to executing deals.

Interest Rate Risk

The Firm is not exposed to interest rate risk as it does not rely on borrowings to meet operating expenditure and does not make loans to clients.

Credit Risk

The main credit risk of UCP is a defaulting debtor, although the Firm does not extend credit to its clients. The key credit exposures that the Firm has are cash balances maintained with its UK clearer, management fees receivable from the funds it manages and fees owed from partner banks. Cash balances are held in overnight deposit accounts and are readily available. Arrangement and Management fees are payable within 30 days of their calculation.

Under Pillar 1, cash balances are risk weighted at 1.6% and fees receivable at 8%. The Members believe that the Pillar 1 risk weight is adequate and that a Pillar 2 adjustment is not required.

Liquidity Risk

The liquidity risk that UCP faces is the inability to settle its liabilities as they fall due. The risk management process includes frequent monitoring of the liquidity position of the Firm. Bank reconciliations and cash flows are prepared on a regular basis to ensure that all liabilities are identified promptly and can be settled as they fall due.

Cash resources of the Firm are maintained in bank accounts with instant access.

Operational Risk

As a BIPRU €50,000 Limited Licence Firm, the Firm is not subject to an operational risk requirement under Pillar 1. However, UCP is aware of the reputational damage that could result from a failure in operating procedures. The Firm's key policies and procedures are documented in the compliance manual and their effectiveness kept under review via the compliance monitoring programme. In addition, the Management Committee will oversee operational risk at their regular Meetings. They will consider and approve internal policies, compliance, external and internal systems controls, BCP, financial results and budgets, capital adequacy, fund performance and terms of engagement with funds and investors.

Changes to procedures are communicated to Members and staff as they occur, and personnel provide a written confirmation of their understanding and acknowledgement of any significant changes.

Members and staff remain aware of the policies and procedures and periodically confirm their compliance via a bi-annual compliance declaration.

Key Person Risk

The Firm derives its income solely from the origination and execution efforts of the management team, the loss of which could materially impair the business. UCP adopts a number of key initiatives to ensure

that key staff remain with the Firm and are motivated. While the loss of key personnel would have a short-term negative impact on the business, UCP has a number of high-quality staff who can assume that individual's responsibilities for the short term while a suitable replacement is recruited or promoted from within the Firm.

UCP will seek to ensure that there is always more than one owner of information of each of the key roles so that there is immediate cover if necessary. All personnel have notice periods in their contracts which will facilitate a handover of duties if required. The Firm has more than one member of the investment committee and more than one relationship manager so immediate cover is available in the event of loss of staff or other unforeseen circumstance.

Remuneration Risk

UCP considers its Remuneration Policy to determine any risk that may arise in relation to the Firm's capital resources. UCP does not have any individuals that are remunerated with guaranteed variable remuneration. The Firm structures its remuneration policy so that it minimises the employee's appetite from diverging from that of UCP. The discretionary variable elements of the remuneration packages are structured so allow for a reduction if necessary.

Reputational Risk

Reputational risk is defined as the risk of damage to the Firm's reputation that could lead to negative publicity, costly litigation, a decline in the customer base or the exit of key employees and therefore directly or indirectly to a loss of revenue. The Firm has strong systems and controls in place including a robust due diligence process. The existing experience of the partners and relationship managers ensure effective private capital investment management, Wealth portfolio management, professional client handling and thorough legal documentation, minimising risks of reputational damage.

Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of a firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The Management Committee has responsibility to formulate and implement strategic decisions for the Firm. UCP has strategic plans in place to steer the direction of the company together with a governance structure whereby the directors of UCP meet at Management Committee meetings to discuss strategic progress and make amendments to the direction of the company as necessary.

Remuneration

The Firm is authorised and regulated by the Financial Conduct Authority as a Limited Licence Firm and as such is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code ("the RemCode") covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

1. are consistent with and promotes sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest; and
4. are in line with the Firm's business strategy, objectives, values and long-term interests.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by categorising firms into three levels. The Firm falls within the FCA's proportionality level three and as such this disclosure is made in line with the requirements for a Level three.

Application of the Requirements

The Firm is required to disclose certain information on at least an annual basis regarding their Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the Firm. The disclosure is made in accordance with UCP's size, internal organisation and the nature, scope and complexity of the Firm's activities.

1. Summary of information on the decision-making process used for determining the Firm's remuneration policy.
   - The Firm's policy has been agreed by the Remuneration Committee in line with the RemCode principles laid down by the FCA.
   - Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee.
   - The Firm's policy will be reviewed as part of annual process and procedures or following a significant change to the business requiring an update to its internal capital adequacy assessment.
   - BIPRU Investment Management Firm - The Firm's ability to pay bonuses is based on the overall performance of the Firm overall once its fees from acting as a distributor and introducer have been calculated and profits earned from its portfolio management activities determined.
2. Summary of how UCP links between pay and performance (See RemCode).
   - Individuals are rewarded based on their contribution to the overall strategy of the business.
     a. Investment Generation
     b. Investment Trading
     c. Sales & Marketing
     d. Operations
   - Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the Firm.
3. Aggregate quantitative information on remuneration for staff whose actions have a material impact on the risk profile of the Firm

For the 2020/2021 fiscal year aggregate compensation to Code Staff is outlined in the Firm's financial statements.

UCP may omit required disclosures where it believes that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

The Firm has made no omissions on the grounds of data protection.

Capital Resources & Requirement

Capital Resources

As UCP is a BIPRU €50,000 Limited Licence Firm, it has calculated its capital resources in accordance with GENPRU 2.2. The Firm's capital resources are detailed in the below.

	Pillar I Capital 31st March 2021 000's
Base Capital Requirement *	€50 / £43
Credit Risk Capital Requirement (CRCR)	£55
Market Risk Capital Requirement (MRCR)	£2
CRCR + MRCR Total	£57
Fixed Overhead Requirement (FOR)	£150
Pillar I total	£730
Pillar II total	£0
ICAAP capital	£0
Current total capital	£730
Surplus	£580

* Euro exchange rate of 1 GBP=1.17373 EUR

	Total Capital Resources 31st March 2021 000's
Tier One Capital Resources *	£730
Tier Two Capital Resources	£0
Deductions from Total Capital (e.g., illiquid assets)	£(0)
Total Capital Resources	£730

*Tier 1 capital is not subject to any deductions and does not include any hybrid capital or capital instruments.

Capital Resource Requirements

Pillar 1 capital is the minimum capital requirement that firms are required to meet for credit, market and operational risk. The Firm's Pillar I requirement is made up of the higher of the base capital requirement (€50,000); the Fixed Overhead Requirement (FOR); or the sum of Credit plus Market Risk Capital Requirements (CRCR + MRCR). The Credit Risk represents an 8% requirement calculated on the Firm's fixed assets, investments and receivables together with 1.6% (20% of 8%) of cash balances at bank and the Market Risk and 8% on foreign exchange balances. The FOR is based on 13 weeks' worth of fixed expenditures.

The regulatory capital requirement for UCP as of 31st March 2021 is £150,000 which gives a surplus of £580,000.

It is the opinion of the Management Committee that the highest of these three will continue to be the Fixed Overheads Requirement while the Firm's current activity level is maintained. However the Members will evaluate whether the Base Capital Requirement, Credit Risk Capital

Requirement or the Market Risk Capital Requirement should determine the Firm's capital requirement instead if business activity changes in the future.

Pillar 1 and Pillar 2

As at the date of this report UCP has a surplus of capital resources over its Pillar 1 capital resources requirement.

Pillar 2 capital is additional capital against risks not adequately covered in Pillar 1. The Firm has undertaken an Internal Capital Adequacy Assessment Process (ICAAP) to determine whether it needs any further regulatory capital due to the risks it faces as set out above. As a result of this review the Firm has concluded that its regulatory capital requirement is nil under Pillar 2.