

RAVEL ASSOCIATES LIMITED (FRN: 842443)

Pillar 3 Disclosures 1 November 2019

1. Background

Ravel Associates Limited (the "Company") is authorised and regulated in the UK by the Financial Conduct Authority (the "FCA") and is classified as a Collective Portfolio Management Investment Firm ("CPMI") and a BIPRU firm.

The Pillar 3 disclosure requirement stems from the UK's implementation of the Capital Requirements Directive ("CRD") which represents the European Union's application of the Basel Capital Accord. The CRD introduced consistent capital adequacy standards and an associated supervisory framework in the EU. The CRD is implemented in the UK by the FCA and consists of three 'pillars':

- Pillar 1 - This specifies the minimum capital requirements which the Company is required to hold to cover business (credit, market and operational) risks;
- Pillar 2 - This sets out the supervisory review process to be used to assess whether additional capital should be held against risks not covered by Pillar 1.
- Pillar 3 - This specifies the disclosure requirements which the Company is required to make and is designed to promote market discipline by providing market participants with key information on a company's risk exposures and risk management processes.

The Company is a Full Scope UK Alternative Investment Fund Manager ("AIFM") pursuant to the Alternative Investment Fund Managers Directive ("AIFMD") and the FCA's adopting legislation. The Company also undertakes additional activities which result in the Company being a BIPRU firm. The Company is also required to meet AIFMD capital requirements and disclosure obligations. The disclosures below are the required Pillar 3 disclosures for the Company. The disclosures do not apply to the Funds managed by the Company, which are exposed to different risks. This disclosure is prepared on the basis that the Company is a BIPRU firm subject to the FCA regulations for the disclosures required under Pillar 3 contained in the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

Further information on BIPRU can be found on the FCA website (www.fca.gov.uk). These rules allow each firm to exclude disclosures where the information is regarded as immaterial, proprietary or confidential. Disclosures have been made in this document in compliance with BIPRU 11 unless that disclosure has been regarded by the Company as being immaterial, proprietary or confidential.

2. Risk management objectives and policies

The Company's general risk management objective is to develop systems and controls that mitigate risk to a level that does not require the allocation of Pillar 2 capital. The Company's 2019 Internal Capital Adequacy Assessment Process ("ICAAP") did not identify any internal or external risks that resulted in the Company having to increase its capital levels. Accordingly, the Company's business and operational risks are limited in scope and the Company believes that it has a minimal risk profile.

Operational Risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other factors. The risk is managed by the directors who have responsibility for putting in place appropriate controls for the business. The Company makes use of outside consultants where necessary to monitor the effectiveness of the controls.

Business Risk

Business risk is the risk that the Company may not be able to carry out its business plan and could therefore suffer losses if income falls. This is a risk that all businesses face. The directors continually monitor income and expenditure levels and adjust their plans accordingly.

Market Risk

Market risk is the risk that the value of, or income arising from, the Company's assets and liabilities varies as a result of changes in the market price of financial assets, changes exchange rates or changes in interest rates. The Company does not take proprietary trading risk. The firm's risk management activities are on behalf of its clients (the funds it manages) as the Company's own money is not at risk. The only market risk that the firm faces is currency risk, and the directors do not consider this to be significant as very little income and expenditure is denominated in currencies other than sterling

Credit Risk

The Company's exposure to credit risk is principally the risk that investment management fees cannot be collected and the exposure to banks where collected fees are deposited. Fees are usually received promptly after the calculation of the relevant Net Asset Value ('NAV'). The Company also has credit exposure to its bankers but considers this risk to be minimal.

Concentration Risk

Concentration risk is the risk that the Company is overly dependent upon any one customer or any group of connected customers either in terms of income dependency or in terms of credit risk. The directors actively monitor and seek to diversify concentration risk.

Residual Risk

The Company does not consider there are any residual risks, or any other material risks mentioned above, would require the Company to increase its capital levels.

3. Capital resources

As a Collective Portfolio Management Investment Firm, the Company's minimum capital requirement under Pillar 1 and BIPRU is the greatest of:

- the base capital requirement of €50,000;
- the sum of its market and credit risk requirements; and
- its fixed overhead requirement.

However, the Company is also required to meet AIFMD capital requirements and disclosure obligations as applicable to an AIFM under IPRU (INV) of the FCA Handbook of Rules and Guidance ("the FCA Handbook"). As the AIFMD capital requirements are greater than the BIPRU requirements, these are the capital requirements which the Company must adhere to.

The basic requirement is that as an AIFM the Company must have an initial capital of the higher of:

- (i) €125,000 plus 0.02 per cent of the portfolio of relevant AIFs under management over €250m (subject to a cap of €10 million) and;
- (ii) one quarter of the company's relevant fixed expenditure.

AIFMs must further either have professional indemnity insurance or have additional own funds appropriate to cover risks arising from professional negligence.

The Company assessed its capital requirement at authorisation as being £115,510¹ and the Company holding Tier 1 capital of £120,000.

The Company assesses the adequacy of its capital through its ICAAP. As part of this process, the Company assesses all known risks, including operational and business risks, to determine whether the level of capital that the Company holds is adequate to support its current and future activities.

Following this analysis, it is the Company's opinion that no additional capital is currently required. The Company does not hold any equities, does not have a trading book and does not undertake any form of securitisation. The Company's capital resources requirement consists of its funds under management plus professional negligence requirement and not the total of the credit risk and market risk requirements. Therefore, disclosures relating to credit and market risk are considered to be immaterial.

4. Remuneration Policy

The Company has a remuneration policy that has been prepared in accordance with SYSC 19B of the FCA Handbook. The Remuneration Policy appropriately addresses potential conflicts of interest and that aims to ensure that firm staff are not rewarded for taking inappropriate levels of risk. Under the Remuneration Code, the firm is classified as a Tier Three firm, which allows it to disapply many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing the Company's policy. The Company is satisfied that the policies in place are appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities.

The Decision-Making Process

The Company's Remuneration Policy is set by the directors. The Company has assessed its staff and concludes that only two directors qualify as Code Staff. Each year the Company assesses the amount of capital it considers necessary to run its business and if necessary, uses some or all of the profits available to increase its capital resources. If sufficient profits are available, a percentage of profits is paid into a bonus pool which covers directors and staff which is allocated based on the individual's contribution to the Company.

The link between pay and performance

Remuneration is based on competitive market-based wages that fairly compensate employees in view of skills provided, work performed, and responsibility undertaken. Overall remuneration includes an annual incentive compensation reflecting individual performance and responsibility, both short-term and long-term, as well as the Company's overall performance.

Incentive Compensation

The award of incentive compensation is a qualitative decision where employee and supervisory input are significant components and is currently not used.

¹ Figures are those submitted to the FCA during the authorisation process.

Code Staff

Due to the size and complexity of the Company's business the executive directors are the only Code Staff.

Quantitative Remuneration Data

The Company chooses not to disclose the aggregate remuneration of Code Staff on the grounds of confidentiality, there being only two Code staff.