

AlbaCore Capital LLP

MIFIDPRU 8 Disclosure

September 2024

Introduction

The Financial Conduct Authority (“FCA” or “regulator”) in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook (“MIFIDPRU”) sets out the detailed prudential requirements that apply to AlbaCore Capital LLP (“AlbaCore” or the “Firm”). Chapter 8 of MIFIDPRU (“MIFIDPRU 8”) sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements.

AlbaCore is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm (“Non-SNI MIFIDPRU Investment Firm”). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm’s culture and data on the Firm’s own funds and own funds requirements allows potential investors to assess the Firm’s financial strength.

This document has been prepared by AlbaCore in accordance with the requirements of MIFIDPRU 8 and is verified by the Executive Committee. Unless otherwise stated, all figures are as at the Firm’s 31 December 2023 financial year-end.

Risk Management Objectives and Policies

This section describes AlbaCore’s risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds.
- Concentration risk.
- Liquidity.

Business Strategy

AlbaCore is an investment management firm focused on sub-investment grade credit markets in Europe. As at 31st December 2023, the Firm manages funds, including AIFs, parallel funds, co-investment vehicles and separately managed accounts, with approximately \$9.4 bn assets under management (“AUM”).

The Firm does not manage any funds on behalf of retail clients, has no trading book exposures and does not have regulatory permissions to manage or hold client money or assets.

AlbaCore primarily seeks to grow its revenues by growing the underlying asset base on which it charges a management fee. This is achieved by the prudent growth of the Firm’s client’s assets and by seeking additional asset inflows from prospective clients and investors.

In November 2023, AlbaCore became part of the First Sentier Investors Group, a global asset management business which is ultimately owned by Mitsubishi UFJ Financial Group.

Costs are controlled carefully to ensure long-term profitability. The business seeks to make investments to expand its business and product lines and to continuously improve its control environment.

Given the Firm’s business model, controls, and controls assessment, it is the conclusion of the Firm that its overall potential for harm is low.

Own Funds Requirement

AlbaCore is required to maintain own funds that are at least equal to the Firm’s own funds requirement. The own funds requirement is the higher of the Firm’s:

- **Permanent minimum capital requirement (“PMR”)**: The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the Firm currently has permission to undertake this is set at £75,000;
- **Fixed overhead requirement (“FOR”)**: The minimum amount of capital that AlbaCore would need to have to absorb losses if the Firm has cause to wind down exit the market. This is equal to one quarter of the Firm’s relevant expenditure; and
- **K-factor requirement (“KFR”)**: The KFR is intended to calculate a minimum amount of capital that AlbaCore would need for the ongoing operation of its business. The K-factors that apply to the Firm’s business are K-AUM (calculated on the basis of the Firm’s assets under management (“AUM”)) and K-COH (calculated on the basis of the client orders handled by the Firm).

AlbaCore’s own funds requirement is currently set by its FOR as this is the highest of the three metrics. The potential for harm associated with AlbaCore’s business strategy, based on the Firm’s

own funds requirement, is low. This is due to the relatively consistent and stable growth in the Firm's revenues and asset base.

A method adopted by the Firm to manage the risk of breach of the Firm's own funds requirement is the maintenance of a healthy own funds surplus above the own funds requirement. In the event that the Firm's own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify its Governing Body, as well as the regulator. The Governing Body will consider the necessary steps required in order to increase the own funds buffer; this may include injecting more own funds into the Firm.

Concentration Risk

The Firm does not conduct any trading on own account and does not have regulatory permissions for dealing as principal. The Firm therefore does not have any material trading concentration risks on or off-balance sheet and does not operate a trading book. The Firm separately considers and manages its counterparty risk with regard to its holding of cash and cash equivalents.

The potential for harm associated with AlbaCore's business strategy, based on the Firm's concentration risk, is low.

The Firm currently manages 'closed-ended' funds with the underlying investors typically being institutional investors, such as pension funds, insurance companies and other professional investors. In addition, the Firm manages co-investment vehicles and separately managed accounts. The Firm therefore considers that its asset base is 'sticky' and not prone to substantial fluctuations, including during stressed market conditions.

The Firm deposits its cash with multiple well-established multinational institutions.

Liquidity

Liquidity risk is the risk that the Firm does not have sufficient financial resources to meet its obligations as they fall due. The Firm does not provide any client guarantees and therefore its liquidity requirement is driven by the timing of its expenses and the receipt of management and performance fees. The cash position of the Firm is monitored by the Head of Finance on a regular basis, and the Firm would be able to call on its parent undertaking for further capital as required.

Risk Management Structure

The Firm's Governing Body (or "Executive Committee") has overall responsibility for the strategic management and governance of the Firm. This includes instilling an appropriate risk culture within the Firm, aligning with the Firm's strategy and defining the Firm's risk appetite.

AlbaCore has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the Deputy Chief Operating Officer with the Governing

Body taking overall responsibility for this process and the fundamental risk appetite of the Firm. The Compliance Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

The Governing Body meets on a regular basis and discusses current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Governing Body engages in AlbaCore's risks through a framework of policy and procedures having regard to the relevant laws, standards, principles, and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Firm periodically reviews its risks, controls, and other risk mitigation arrangements and assesses their effectiveness; the conclusions to this review inform the overall risk appetite of the Firm.

A formal update on operational matters is provided to the Governing Body on a quarterly basis. Management accounts demonstrating the continued adequacy of AlbaCore's regulatory capital are reviewed on a regular basis.

Appropriate action is taken where risks are identified that fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in AlbaCore's mitigating controls.

Governance Arrangements

Overview

AlbaCore believes that effective governance arrangements help the Firm to achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders, and the wider market are identified, managed, and mitigated.

The Governing Body has overall responsibility for AlbaCore and is therefore responsible for defining and overseeing the governance arrangements at the Firm.

In order to fulfil its responsibilities, the Governing Body meets on a quarterly basis. Amongst other things, the Governing Body approves and oversees the implementation of the Firm's strategic objectives and risk appetite, ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls, ensures compliance with the requirements of the regulatory system, assesses the adequacy of policies relating to the provision of services to clients, and provides oversight of the Firm's senior management.

A key document that is reviewed, discussed, and ratified by the Governing Body at least annually is the Senior Management Systems and Controls Document ("SYSC Document"), as this demonstrates how the Firm has met its obligations with regard to its governance arrangements.

The SYSC Document provides the Governing Body with information on the functioning and performance of all aspects of the Firm, including the following areas:

- General organisational requirements, including steps taken by the Firm to ensure continuity and regularity in the performance of its regulated activities, and the Firm's accounting policies.
- Employees, including steps taken by the Firm to ensure that employees have the necessary skills, knowledge, and expertise for the discharge of the responsibilities allocated to them, and to ensure that they are fit and proper persons.
- Policies, procedures, and controls for meeting its compliance and financial crime requirements.
- Internal capital adequacy and risk assessment process.
- Outsourcing of critical or material operating functions or activities.
- Record-keeping controls and arrangements.
- Conflicts of interest management.
- Remuneration policies and practices; and
- Whistleblowing controls.

The Firm has procedures in place to ensure that members of the Governing Body are selected based primarily on the following criteria:

- Reputation within the market;
- The possession of the necessary knowledge, skills and experience to perform the relevant duties;
- Whether the addition will complement the Executive Committee's collective knowledge, skills and experience in relation to the Firm's activities, including the main risks it faces; and
- Diversity of viewpoints, backgrounds, experiences and other demographics.

The Executive Committee has delegated day-to-day management of AlbaCore's business to its executive management team and the governance and oversight of its operations to various sub-committees.

All members of the Executive Committee are required to commit sufficient time to ensure that they can perform their functions within the Firm and to act with honesty, integrity and independence of mind to effectively assess and challenge decisions where necessary and to effectively oversee and monitor management decision-making.

Certain individuals within AlbaCore are also approved as Senior Managers by the FCA under the Senior Managers and Certification Regime (SMCR). These individuals perform key roles within AlbaCore's framework.

The Management Body

The Firm has detailed below the number of external appointments, both as executive and non-executive roles of its Executive Committee members. The table below does not include, in respect of each members of the Executive Committee:

- Directorships held in organisations which do not pursue a predominantly commercial objective (for example, a charitable organisation or a company that has been established to own the freehold to a building where the member lives); or
- Directorships held within the same group as the Firm.

Management Body Member	Number of Directorships Held	
	Executive	Non-Executive
Management body member 1	1	-
Management body member 2	-	-
Management body member 3	1	-
Management body member 4	2	-
Management body member 5	-	-
Management body member 6	-	-

Diversity of the Management Body

The Firm is committed to advancing diversity, equity and inclusion. In relation to the Executive Committee, its composition is considered on the basis of the benefits of having a broad range of views, experiences, skills, backgrounds and values represented. The Firm believes that a workforce of diverse backgrounds, perspectives, and experiences will help us to attract, develop and retain top talent.

Own Funds

As at 31st December 2023, AlbaCore maintained own funds of £19,388,000. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

Composition of Regulatory Own Funds

	Item	Amount (GBP Thousands)	Source Based on Reference Numbers/Letters of the Balance Sheet in the Audited Financial Statements
1	OWN FUNDS	19,388	
2	TIER 1 CAPITAL	19,388	
3	COMMON EQUITY TIER 1 CAPITAL	19,388	
4	Fully paid up capital instruments	24,009	Financial Statements Note 18
5	Share premium		
6	Retained earnings		
7	Accumulated other comprehensive income		
8	Other reserves		
9	Accumulated other comprehensive income		
10	Accumulated other comprehensive income		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(4,621)	

19	CET1: Other capital elements, deductions and adjustments		
20	ADDITIONAL TIER 1 CAPITAL		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	TIER 2 CAPITAL		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

	Balance Sheet as in Published/Audited Financial Statements	Under Regulatory Scope of Consolidation	Cross-Reference to Above Template
	As at 31 December 2023	As at 31 December 2023	

Assets - Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)

1	Investments	824	824	
2	Property, plant and equipment	4,902	4,902	
3	Other receivables: amounts falling due within one year	20,424	20,381	
4	Cash and cash equivalents	20,426	20,469	
5	Amounts due from members	3,005	-	
	Total Assets	49,581	46,576	

Liabilities - Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)

1	Trade and other payables	25,564	25,601	
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2	Derivative financial liabilities	8	8	
3	Corporation tax payable	-	2,196	
	Total Liabilities	25,572	27,805	
Members' Capital / Shareholders' Equity (in £'000)				
1	Members' capital classified as equity	24,009		
2	Called up share capital		23,199	
3	Share premium		479	
4	Other reserves		(9,581)	
5	Profit and loss account		4,674	
	Total Members' Capital / Shareholders' Equity	24,009	18,771	

Own Funds: Main Features of Own Instruments Issued by the Firm

The Firm's own funds are predominantly made up of eligible and ordinary partnership capital. Its value reflects the amount paid in by the relevant member. Under the terms of the Firm's LLP Agreement, the partnership capital is non-convertible and perpetual (it does not have a maturity date), carries no right to dividends, coupons or other forms of income (instead, LLP members may be awarded a share in the profits of the Firm at the end of the financial year) and is subject to restrictions on withdrawal in accordance with the requirements of MIFIDPRU 3.3.17R.

Own Funds Requirements

AlbaCore is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR and FOR.

The below illustrates the core components of AlbaCore's own funds requirements:

Requirement	£'000
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	5,131
(C) K-Factor Requirements ("KFR")	467
- K-AUM – <i>Risk arising from managing and advising on investments</i>	455
- K-COH – <i>Risk arising from order execution and reception and transmission of orders</i>	9
- Additional own funds for risks from ongoing activities not captured	3
(D) Own Funds Requirement (Max. [A, B, C])	5,131

AlbaCore is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation on AlbaCore to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where AlbaCore determines that the FOR is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain 'additional own funds required for winding down', above the FOR, that are deemed necessary to mitigate the risks of a disorderly wind-down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an amount of 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm's own funds threshold requirement is the higher of:

- The Firm's PMR;
- The sum of the Firm's FOR and its additional own funds required for winding down; and
- The sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that AlbaCore is required to maintain at any given time to comply with the OFAR.

To determine the Firm's own funds threshold requirement, AlbaCore identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduces the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by, the Governing Body on at least an annual basis.

Remuneration Policy and Practices

Overview

As a Non-SNI MIFIDPRU Investment Firm, AlbaCore is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook ("SYSC")). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of AlbaCore's remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, AlbaCore recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and sustains consistently high levels of performance, productivity, and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage.

AlbaCore is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is

determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

Characteristics of the Firm’s Remuneration Policy and Practices

Remuneration at AlbaCore is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm’s financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm’s success. All staff members are eligible to receive variable remuneration.

The below table summarises the financial and non-financial criteria of performance used across the Firm in assessing the level of variable remuneration to be paid:

	Financial Performance Criteria	Non-Financial Performance Criteria
Firm	Financial performance	Firm values
	Market data	Alignment of outcomes for our clients
	Long term business planning	
Individual	Performance	Performance
		Reliability and conduct
		Effectiveness of controls
		Adherence to Firm’s policies and procedures
		Ongoing compliance
		Business development
		Contribution to the Firm

AlbaCore's policy includes a framework for assessing the level of remuneration to be paid to staff members. The framework applies both ex-ante and ex-post risk adjustment criteria to the level of remuneration paid. Factors considered include:

- The Firm will not award, pay or provide a guaranteed variable remuneration unless it occurs in the context of hiring a new Material Risk Taker, is limited to the first year of service and the Firm has a strong capital base.
- Severance pay will only be made at the Firm's absolute discretion.
- Determination of the bonus pool includes adjustments for all types of current and future risks and the cost of the capital and liquidity required.
- Malus and clawback will apply to Material Risk Takers where the individual participated in or was responsible for conduct which resulted in significant losses to the Firm or relevant business unit, they failed to meet appropriate standards of fitness and propriety or where the individual participated or was responsible for conduct which resulted in material failure of risk management at the level of the Firm or relevant business unit/significant losses to firm.

AlbaCore has set a ratio between the variable and fixed components of the total remuneration, by way of ensuring that the components are appropriately balanced and that the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability performance is particularly constrained, or where there is a risk that the Firm may not be able to meet its capital or liquidity regulatory requirements.

Governance and Oversight

The Executive Committee is responsible for setting and overseeing the implementation of AlbaCore's remuneration policy and practices. In order to fulfil its responsibilities, the Executive Committee:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.
- Ensures that the Firm's remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors, and other stakeholders in the Firm.
- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values, and interests of the Firm and of its clients.

AlbaCore's remuneration policy and practices are reviewed annually by the Executive Committee.

Material Risk Takers

AlbaCore is required to identify its material risk takers - those members of staff whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). The types of staff that have been identified as material risk takers at AlbaCore are:

- Members of the management body in its management function;
- Members of the senior management team;
- Those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;
- Those with managerial responsibilities for the activities of a control function¹;
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;
- Those that are responsible for managing information technology, information security, and/or outsourcing arrangements of critical or important functions; and
- Those with authority to take decisions approving or vetoing the introduction of new products.

Quantitative Remuneration Disclosure

The below table quantifies the remuneration awarded to staff for work performed in the financial year 1 January 2023 to 31 December 2023. For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself, partners, employees of other entities in the group, employees of joint service companies, and secondees:

		Senior Management and other Material Risk Takers	Other Staff
Total Number of Senior Management and other Material Risk Takers		10	
Remuneration Awarded	Fixed (£)	3,345,000	6,124,000
	Variable (£)	6,072,000	13,219,000
	Total (£)	9,417,000	19,343,000
	Amount (£)	0	

¹ A control function is defined as a function (including, but not limited to, a risk management function, compliance function and internal audit function) that is independent from the business units it controls and that is responsible for providing an objective assessment of the Firm's risks, and for reviewing and reporting on those risks.

Guaranteed Variable Remuneration	# Staff Awarded		0	
Severance Payments	Amount (£)		0	
	# Staff Awarded		0	
Highest Severance Payment Awarded to an Individual (£)				