BELLEVUE ASSET MANAGEMENT (UK) LTD
PILLAR 3 DISCLOSURE
FOR THE YEAR ENDED 31 DECEMBER 2019

Scope and Application of Requirements

Bellevue Asset Management (UK) Ltd (the "Firm") is authorised and regulated by the Financial Conduct Authority (the "FCA"). The Firm is a UK domiciled discretionary investment manager. The Firm is a full scope Alternative Investment Fund Manager ("AIFM") and categorised as a collective portfolio management investment ("CPMI") firm and is also subject to BIPRU for regulatory capital purposes. The Firm is not a member of a UK consolidated group and as such is not required to prepare consolidated reporting for prudential purposes.

The Firm's Pillar 3 disclosure fulfils the Firm's obligation to disclose to market participants' key pieces of information on a firm's capital, risk exposures and risk assessment processes.

We are permitted to omit required disclosures if we believe that the information is immaterial such that the omission would not be likely to change or influence the decision of a reader relying on that information. In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have omitted from this disclosure our market and credit risk regulatory capital requirements on the basis that, given how the Firm is managed, the figures are not material to the Firm's overall regulatory capital position. We have made no other omissions on the grounds that they are immaterial, proprietary or confidential.

Risk management

The Firm is governed by its directors ("Principals") who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Principals determine how the risks our business faces may be mitigated and assess, on an ongoing basis, the arrangements to manage those risks. The Principals meet on a regular basis to discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Principals manage the Firm's business risks through a framework of policies and procedures having regard to 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 is small with a simple operational infrastructure. The Principals have identified that business, operational, market and credit risks are the main areas of risk to which the Firm may be exposed. Its market risk is limited to any foreign exchange risk on its accounts receivable in foreign currency and its credit risk arises from management fees receivable from the funds under its management and from fees receivable from its clients.

Annually the Principals formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Principals identify material risks they consider the financial impact of these risks as part of their business planning and capital management and conclude whether the amount of regulatory capital is adequate.

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Regulatory capital

The Firm is a Limited Company and its capital arrangements are established in its Articles. Its regulatory capital contains paid up share capital contributions and audited reserves.

As discussed above the Firm is a CPMI firm and as such is subject to both the regulatory capital regimes of the Alternative Investment Fund Managers Directive ("AIFMD") and relevant provisions in the Capital Requirements Directive ("CRD"), as amended.

The **CRD** framework consists of three pillars:

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires a firm to assess its risks and whether it has adequate controls in place to mitigate these risks or whether it should set aside additional capital to its Pillar 1 capital to meet these risks; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

Capital requirements arising from Pillar 1 and Pillar 2 of the CRD are compared to any higher requirements arising from the **AIFMD** calculation to derive the total regulatory capital required by the Firm.

Pillar 1 capital is the higher of:

1. the base capital requirement of €50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement ("FOR").

In addition, the Firm, on account of its classification as a full-scope AIFM, is subject to a parallel "**own funds**" requirement as follows:

The higher of:

1. the funds under management requirement, subject to a minimum of €125,000; and
2. the own funds based on fixed overheads requirement;

plus whichever is applicable of:

1. the professional negligence capital requirement; or
2. the PII capital requirement.

Pillar 2 capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP. The Firm's ICAAP assesses the adequacy of its internal capital to support current and future activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital mitigates those risks. The Firm also considers a wind down scenario to assess the capital required to cease regulated activities. The Firm has concluded that no additional capital is required in excess of its Pillar 1 capital requirement. The Firm's ICAAP is formally reviewed by the Principals annually, but will be revised should there be any material changes to the Firm's business or risk profile.

In conclusion, as the Firm's AIFMD capital requirement exceeds its CRD capital requirement, the former sets the level of regulatory capital required. The Firm currently holds funds in excess of its AIFMD capital requirement.

Based on the financial statements as of 31 December 2019 the Firm's regulatory capital resources amounted to £849,048, all of which is categorised as Tier 1 capital.