Pillar 3 minimum disclosure requirements

The Capital Requirements Directive ("the Directive") of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FCA 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 the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and

- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

We are permitted to omit required disclosures if we believe that the information is immaterial. Information is material if its omission would 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.

Scope and application of the requirements

Anavio Capital Partners LLP ("the Firm") is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a limited licence firm by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures.
The Firm is an independent hedge fund manager based in the UK. The Firm currently manages three separate funds.

The Firm is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Risk Management

The Firm has an Executive Committee that is responsible for the direction and strategy of the firm together with assessing the general well-being of the firm. The Executive Committee is made up of partners.

Effective Date: 10th January 2017

The Executive Committee oversees current projections for profitability, cash flow, regulatory capital management and business planning and risk management. The Executive Committee manages the firm's risks though a framework of policy 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, but
are reviewed at least annually.
The Executive Committee has identified the material risks of Anavio as the following:
1. Loss of key staff;
2. Loss of systems;
3. Poor investment performance/ failure to raise assets under management/fund closure; and
4. Damage to reputation.

In addition to these material risks, the Executive Committee has considered the following risks:

• Market risk – This risk relates to exposure to movements in foreign exchange on its assets receivable and liabilities payable in foreign currencies.
• Credit risk – This risk relates to exposure to the funds under its management for non-payment of management and performance fees and other counterparty exposures relating to assets on its balance sheet.
• Operational risk – This risk relates to a range of operational exposures such as trading or fund valuation errors and failure of systems or service providers.
• Business risk – This risk relates to potential loss of earnings and impact on the firm's ability to meet its obligations as a consequence of events including those falling into any of the above risk categories.

Annually the Executive Committee formally reviews the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where material risks are identified, it considers the financial impact of these risks as part of the Firm's business planning and capital management and determines whether the amount of regulatory capital is adequate.

Regulatory capital

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed.

The main features of the Firm's capital resources for regulatory purposes are as follows:

Capital item – 30^{th} November 2016	£
Tier 1 capital less innovative tier 1 capital	151,000
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	151,000

The Firm had 6 partners and 2 employees as at 10^{th} January 2017, and therefore it remains a small firm and has retained a simple operational infrastructure. The Firm continues to adhere to its policy of hiring highly talented and experienced investment professionals who have a good understanding of markets and operational obligations.