Introduction

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 capital requirement.

- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet Pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to.

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

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

The Pillar 3 disclosure document has been prepared by Global Systematic Investors LLP ("The Firm") in accordance with the requirements of BIPRU 11 and is verified by the Management Committee. Unless otherwise stated, all figures are as at the financial year-end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as practical with the annual accounts.

We (as the designated members of the Firm) are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the firm.

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

Global Systematic Investors LLP is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a "BIPRU Firm" by the FCA for capital purposes.

It is an investment management firm and as such has no trading book exposures.

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 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 Compliance Officer, with the Management Committee 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.

Senior Management meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. Senior Management engage in the Firm's risk management processes 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 Senior Management team has identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually the Senior Management team formally review the risks, controls and other risk mitigation arrangements and assess their effectiveness.

A formal update on operational matters is provided to the Management Committee on a regular basis. Management accounts demonstrate continued adequacy of the firm's regulatory capital are reviewed on a regular basis.

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

Business Risks

Specific risks applicable to the Firm come under the headings of business, operational, credit and market risks.

Business risk

The Firm's revenue is reliant on the performance of the existing funds under management and its ability to launch new funds/obtain new mandates. As such, the risk posed to the firm relates to underperformance resulting in a decline in revenue and adverse market conditions hindering the launch of new funds and ultimately the risk of redemptions from the funds managed by the firm. This risk is mitigated by ensuring that the firm maintains appropriate levels of capital which will continue to cover all the expenses of the business.

Operational risk

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm has identified a number of key operational risks to manage. These relate to e.g. systems failure, failure of a third-party provider, key man, potential for serious regulatory breaches, market abuse. Appropriate polices are in place to mitigate these risks.

Credit risk

The Firm is exposed to credit risk in respect of its debtors, commissions, investment management fees billed, and cash held on deposit.

The number of credit exposures relating to the Firm's investment management clients is limited. The Firm considers that there is little risk of default by its clients. All bank accounts are held with large international credit institutions.

Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The Firm uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk weighted exposures of 1.6% Cash in Bank) and 8% in respect of its other assets.

Credit risk summary

Credit risk exposure	Risk weighting	Credit Risk Capital Requirement
Cash in the bank	1.6% or 8% subject to institution and FCA rules	£1,360
Amount due from members	8%	£92,854
Prepayments and accrued income	8%	£2,565
Other assets	8%	£409

Market risk

The Firm takes no market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies other than GBP.

Since the Firm takes no trading book positions on its balance sheet, it has only indirect market risk exposure. The Firm's foreign exchange risk therefore would only arise in respect of its accounts receivable and cash balances held in currencies other than GBP.

No specific strategies are adopted in order to mitigate the risk of currency fluctuations.

Positions in foreign currencies are monitored on a regular basis and reported to senior management via the management accounts.

The Firm calculates its foreign exchange risk by reference to the rules in BIPRU 7.5.1 of the FCA Handbook and applies an 8% risk factor to its foreign exchange exposure.

Market risk summary

Market risk exposure	Risk weighting	Market Risk Capital requirement
Non-GBP assets and liabilities	8%	£5,510

Liquidity risk

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits its holds. The cash position of the firm is monitored by the Management Committee on a regular basis, and the Firm would be able to call on its partners for further capital as required.

Regulatory capital

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. Its capital is summarised as follows:

	31/12/2020 **£**
Members' capital classified as equity	1,241,013
Total capital	1,241,013

It comprises entirely of Tier 1 capital.

Our Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management fees receivable from the funds under its management. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk.

Limited Licence - The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk-based capital required.

As discussed above, the Firm is a limited licence firm and as such its capital requirements are the higher of:

- €50,000; and
- The higher of:
  - The sum of the market & credit risk requirements; or
  - The fixed overheads requirement ('FOR') which is essentially 25% of the Firm's fixed overheads in accordance with the FCA's General Prudential Sourcebook ("GENPRU") at GENPRU 2.1.45

The FOR is calculated, in accordance with FCA rules, based on the firm's most recent audited expenditure figures. The FOR is based on annual expenses net of variable costs, which include discretionary bonuses paid to staff, allowable commission and fees and other variable expenditure. The Firm monitors its expenditure on a quarterly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year.

The Firm has adopted the simplified standardised approach to credit and market risk and the above figures have been produced on that basis. The firm is not subject to an operational risk requirement.

The Firm's FOR of £63,100 represents 25% of the annual fixed expenditure as per the audited accounts for the year ended 31 December 2020. This is not expected to materially change in the future and the Firm has adequate resources as at 31 December 2020 to meet this requirement.

Capital requirement

The Firm's Pillar 1 capital requirement has been determined by reference to the sum of credit and market risk which totalled (£102,700). The requirement is based on the sum of market and credit risk as this exceeds the base capital requirement of £44,245 and the Fixed Overheads Requirement (FOR) of £63,100. As at 31 December 2020, the firm had a regulatory capital surplus of £1,112,097.

This is monitored by the Management Committee on a quarterly basis.

UK Financial Reporting Council's Stewardship Code

Under Rule 2.2 of the FCA's Conduct of Business Sourcebook (COBS), Global Systematic Investors LLP is required to include on this website a disclosure about the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where it does not commit to the Code, its alternative investment strategy.

The Firm has disclosed its compliance with the code at- https://gsillp.com/stewardship-code/

Remuneration Code disclosure

The Firm's Remuneration Policy complies with the Remuneration Code in relation to its size, nature, scope and complexity of its activities.

The Policy is aligned to the Firms' business strategy, objectives, values and long-term interests in respect of performance and effective risk management in line with the Firm's risk appetite.

The Management Committee is responsible for setting the Firm's Remuneration policy.

Employees receive basic and variable pay. Variable remuneration comprises bonuses and pension contributions and is based on long-term performance, the firm's overall results; and other financial and non-financial criteria.

In the period ended 31 December 2020, the Partners did not receive any remuneration from the company.