Cadence Investment Partners LLP: Pillar Three

Cadence Investment Partners LLP ("Cadence") maintains a capital reserve requirement to ensure continuity in its operations. Cadence is a Prudential category/BIRPU €50K firm. Pillar 3 is one element of our capital program.

Pillar 1 sets minimum capital requirements that are required to meet credit, market and operational risk.

Pillar 2 requires Cadence Investment Partners to hold additional capital if required against risks not covered by Pillar 1.

Pillar 3 requires Cadence Investment Partners to publish certain details of our risks, capital and risk management process.

Chapter 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIRPU) provides full details of disclosure requirements for Pillar 3 required by Cadence Investment Partners. Cadence Investment Partners has adhered to our disclosure requirements on risk management objectives and policies and capital resources as detailed below. As permitted by the rules within section 11.3.5 and 11.3.6 these disclosures take account of the materiality and confidential nature of the disclosures to the reader of the statement.

Risk Management Objective

The Firm's partners are committed to ensuring that its affairs are organized and controlled responsibly and effectively. From a prudential perspective, the Firm's risk management objective is to maintain, at all times, overall financial resources to ensure that there is no significant risk that its liabilities cannot be met as they fall due. The partners are responsible for considering the adequacy of capital resources in context of the risks faced by the business. Whilst the risk of poor investment decisions is accepted as inherent to the business, the Firm's appetite for other forms of risk is low.

As an owner-managed business there is clear alignment of partners' interest with those of the Firm and all partners are committed to ensuring that risks are identified and managed on a basis proportionate to the nature and scale of the Firm's business.

Risk Categories

Operational Risk

Cadence conducts, and regularly reassesses, a complete review of all areas of our operations to ensure that operational risks have been identified, recorded, and that our compliance procedures limit those risks where possible. The business does not hold client assets or client cash. These are held by third-party custodians of the various UCITS and US Private Funds that the Firm acts as advisor to. The business carries out no investment dealing. It acts as investment advisor. Compliance error is mitigated by robust compliance awareness, policies and procedures enhanced by use of a third-party compliance consultant for annual health checks. Cadence maintains a Regulatory Risk Matrix to monitor all aspects of regulatory risk in the business.

Business Risk

This risk represents a fall in assets under management or a loss of key staff which may reduce fee income for the business and hinder its ability to finance its operations. The risk of loss of key staff is mitigated by the size and experience of the investment team. All the partners are committed to growing the business and are incentivised through their ownership interests and, in the case of the Firm's founding partners, their significant personal investments in the CompAM Cadence Strategic Asia UCITS fund.

The firm is also exposed to business risk through regulatory change. Changes out with the firms control may impact significantly on the firms ability to continue some or all of its existing business obligations. The firm monitors regulatory change closely, obtains external advice on the regulatory landscape and aims to diversify the client base over time to reduce this risk.

Concentration Risk

As a result of the Firm's relatively early stage of development and with 3 open ended funds as clients, the Firm does have exposure to concentration risk. The Firms ability to withstand a reduction in Funds Under Management is regularly stress tested.

Market risk

Cadence Investment Partners does not trade on its own account and has no direct investment in markets therefore market risk is limited. However, a sharp fall in the equity markets the business is invested in will result in a loss of assets under management and a reduced revenue. Cadence manage liquid, equity only portfolios focussed on a single area of business expertise. Portfolios are not geared and no derivatives are employed. Investment management of this nature is considered by the partners to be relatively low risk in terms of exposure to market risk and volatility, fluctuation of AUM or the impact of outsize losses through market movement or poor performance. Exposure to foreign exchange fluctuations could see the value of assets under management fall. Clients may pay fees in currencies other than pounds sterling resulting in a small increase in the firms exposure to exchange rate fluctuations. Cash balances may be held in foreign currencies although these balances are reviewed regularly and are partly hedged by the firm typically having expenses to pay within these currencies. The impact of a sharp fall in equity markets has been tested as part of the Internal Capital Adequacy Assessment Process. Market risk is intrinsic to the business of fund management. Disclosure as regard to market risk is regarded as immaterial under Pillar 1.

Credit Risk

Credit risk is the risk of financial loss to the group if a client, or counterparty is unable to pay in full amounts when due. Firm liquid assets are held entirely in cash on deposit. The Firm is satisfied with the credit rating of its banker and the partners consider that the likelihood of default on unpaid fees is very low.

Capital Resources

Pillar 1 for Cadence is its fixed overhead requirement, and it is our policy to retain additional capital on top of the minimum requirement. Pillar 1 takes no account of operational risk. Pillar 2 includes a review of risks that are not covered in Pillar 1.

Cadence assesses the adequacy of its capital through its Internal Capital Adequacy Assessment Process. As part of this process Cadence assesses all known risks, including operational and business risks and performs stress tests to determine the minimum level of capital required to support current and future operations. Following this work, it is in the partners of Cadence's opinion that no additional capital is currently required. Indeed, Cadence has been intentionally over capitalized by the founder partners to allow investment for future growth. The ICAAP is formally approved by the Partners on an annual basis.

Cadence's capital resources consist of core tier 1 capital only. Tier 1 capital is the highest ranking in terms of quality from a regulatory perspective. The regulatory capital as at 31 December 2020 consists of the following

Capital item	£'000
Tier 1 capital	465

No tier 2 or tier 3 capital is held.

Cadence's capital resource requirement consists of its fixed overhead requirement and not the total of credit risk and market risk requirements. Cadence has no market risk and credit risk is considered to be immaterial. Wind-up costs have been estimated when considering the Firm's capital requirements.

The partners have concluded that the current capital of the firm is more than sufficient for the ongoing operations and to fund future growth.

Minimum Capital Resource Requirements

Cadence is a BIRPU €50,000 firm meaning we require a minimum of £45,000.

As at 31st December 2020 the Firm's fixed annual overhead requirement was £82,000. This equates to one quarter of the firm's relevant annual expenditure excluding certain variable or discretionary costs.

The cost of winding the company up is estimated at £89,000.

Remuneration, governance and policy

Partner's compensation is determined by the profitability of the Firm. It is therefore wholly variable in nature. The Firm has a remuneration policy which is in compliance with the FCA Remuneration Code's proportionality requirements for firms such as Cadence, which is classed in the lowest tier as a Level 3 Firm. Staff remuneration as appropriate is captured within fixed annual overheads and wind up costs. Partners remuneration is paid firstly as base profit share and then according to partner's interest in the Firm. Individual shares are agreed in the Partners Agreement. Equity Partners of Cadence have significant personal investments in the investment strategy offered to clients. This ensures that partner's interests are aligned with those of our clients. It is the Firm's policy to grow this alignment over time with a significant percentage of distributable profits being reinvested by Partners into the investment strategy (see 3 below).

Remuneration is determined by the profitability of the Firm and agreed by the executive committee. The strategy adopted is to grow a sustainable business first and remunerate the partners second. Remuneration has 3 legs

1. When the business can afford it, a base profit share will be paid to all Partners.
2. When the business can afford it, a discretionary bonus of up to 100% of base profit share may be paid to non-equity partners. There are currently no non-equity partners.
3. When the business is sufficiently profitable, after the payment of an agreed minimum base profit share, the Equity Partners will receive their share of the profits as detailed in the Partnership Agreement. Equity Partners are committed to reinvesting 25% of their partners non-base profit share, after tax, into the investment strategy on an annual basis. This ensures strong and growing alignment of interest between the Firm and its clients.

All Partners are invested in and committed to the long term growth of the business.

Signed on behalf of the Partners

Signature

Name

Title

Date