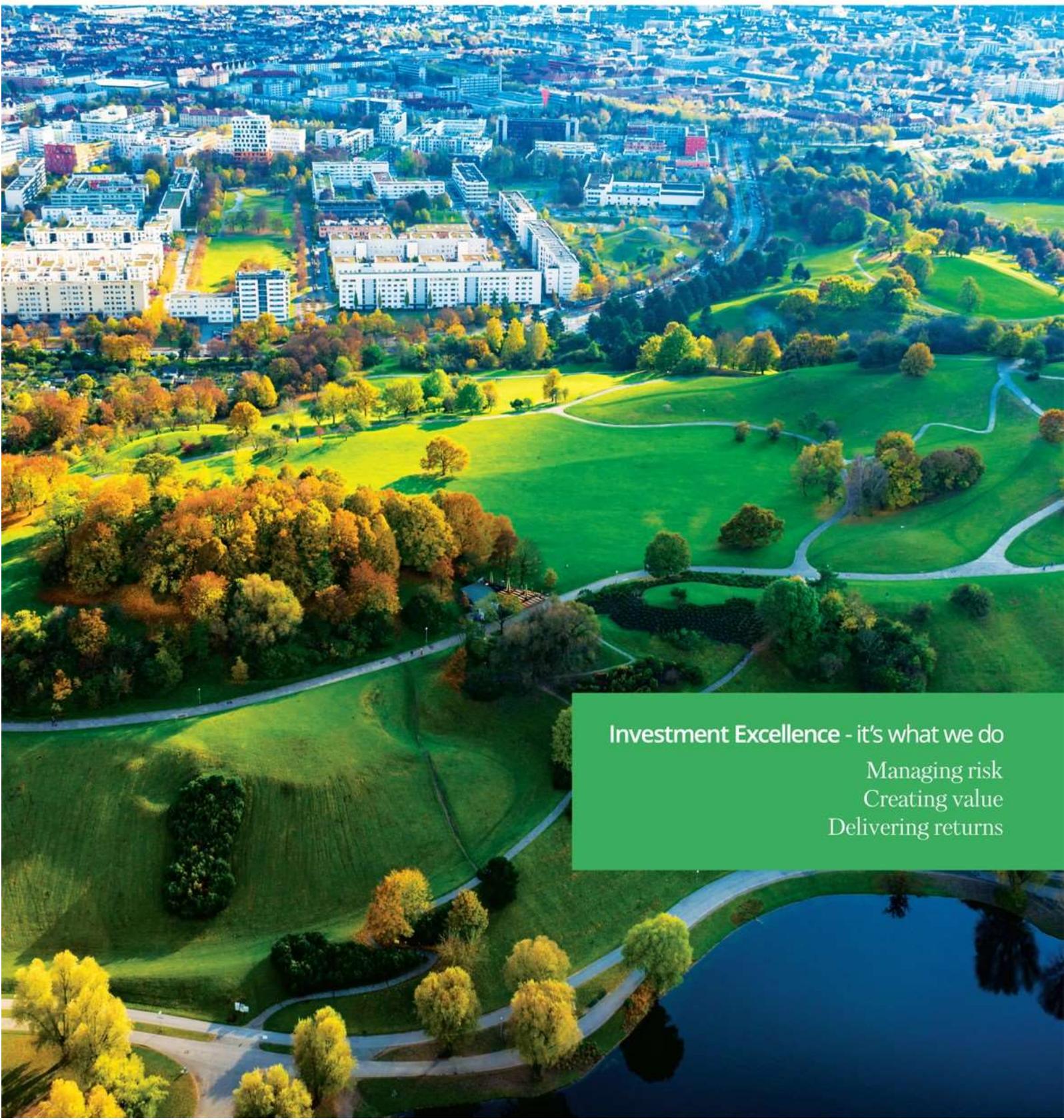




Tatton
Investment Management

Tatton Investment Management Limited Regulatory Disclosures



Investment Excellence - it's what we do

Managing risk
Creating value
Delivering returns



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Regulatory Disclosures

Tatton Investment Management Limited (Tatton) is authorised & regulated by the Financial Conduct Authority. Firm Reference Number 733471. The company is incorporated in England & Wales Company Number 08219008. This document describes Tatton's responsibilities for, and approach to:

1. Treating Customers Fairly
2. Handling Complaints
3. Best Execution Policy
4. Conflicts of Interest
5. Gifts & Benefits Policy
6. Financial Resource Requirements – Pillar 3 Disclosure
7. Remuneration Policy

1. Treating Customers Fairly (“TCF”)

Treating our clients fairly is at the heart of our business. We always aim to put our clients' interests above our own and this message is directed and endorsed by the Tatton Board.

Our regulator, the Financial Conduct Authority (FCA), sets down principles for the businesses it regulates. Tatton fully supports the FCA principle that firms 'must pay due regard to the interests of their customers and treat them fairly'. We do this by making sure that:

1. Our clients clearly understand the nature of the services we provide. All clients at the onboarding stage are given and asked to sign a Discretionary Management Agreement which sets out the terms and conditions of the Tatton service and the responsibilities of Tatton as well as those of their appointed Financial Adviser and selected Platform.
2. We communicate with our clients in an open, transparent and easily understandable manner.
3. We ensure that the portfolio/s we manage for our clients have been chosen by the client in conjunction with their Adviser
4. We will only provide those services which we are able and equipped to deliver.
5. The Tatton Board leads by example, setting a 'tone from the top' that the fair treatment of clients is central to our corporate culture.
6. All Tatton staff are competent to fulfil their roles. We provide them with training and supervise them properly.
7. We have a transparent, impartial and accessible complaint-handling process.
8. We monitor and measure how well we treat our clients and, if things go wrong, we put them right.

2. Handling Complaints

We hope you won't have cause to complain, but if you are unhappy with something we have, or haven't done then please tell us. By letting us know you are unhappy you give us the opportunity to put matters right for you and to improve our services for all our clients.

You can contact us by:

Letter – please address it to:

The Compliance Officer, Tatton Investment Management Limited
17 St Swithin's Lane, London EC4N 8AL

Telephone: 020 7139 1470

Email: enquiries@tattonim.com

Or in person at our offices.

Whichever way you choose to contact us please be assured that we will:

1. Provide you with a summary of our internal complaints process when we write to acknowledge your complaint or if you request one from us;
2. Contact you promptly to let you know that we are looking into your concerns and give you an indication of when you can expect to hear from us again;
3. Keep you regularly updated and, if it looks like our investigation may take more than eight weeks from when you first contacted us, we will write to you with an update;
4. Consider your complaint thoroughly and, once our investigations are complete, we will send you a final written response setting out what we have found and what our decision is / what we propose to do; and,
5. Inform you of your right to refer the matter to the Financial Ombudsman Service.

Sometimes a concern may not be about our service. If this is the case, we will pass it on to the correct party and give you full details.

Please contact us if you would like a copy of our complaints handling procedures.

3. Best Execution Policy

It is in the interests of both our clients and Tatton that we obtain the best possible result when we are managing clients' investments. Under MiFID II the FCA requires firms to take all sufficient steps to obtain best execution when carrying out transactions. This section sets out Tatton's policy for achieving best execution when acting for our clients. We will provide our clients with a copy of this policy, if they request one from us.

We will regularly monitor best execution and publish information as required by Regulatory Technical Standards (RTS 28) on our website.

Tatton - Model Portfolio Service

In its role as a discretionary investment portfolio manager offering a portfolio management service exclusively to clients who hold their investments through a UK adviser investment (wrap) platform, Tatton invests in Collective Investment Schemes (CIS). Here trades for the portfolios are in open-ended funds, where issues of best execution do not arise and hence the best execution policy does not apply.

The CIS is the only venue in which to transact orders. An individual CIS will state in its prospectus the way subscriptions and / or redemptions can be purchased / made. This information will include how frequently liquidity will be provided, the time frames for the calculation of the net asset value and receiving orders. All orders will be executed directly with the CIS in question. All activities are undertaken per the requirements set out in the FCA Collective Investment Schemes (COLL) handbook.

All portfolios managed by us are held on UK adviser investment (wrap) platforms. In most instances, Tatton places its trading instruction(s) at the model portfolio level using the platform portfolio trading capability. Consequently, trade execution and custody of assets is entirely under the control of the respective platform. Tatton is not permitted to hold or control client monies or assets.

Tatton – Fund Manager

In its role as a fund manager of UK mutual funds, regulated by the FCA under the UK's Non-UCITS Retail Scheme (NURS) rules, the FCA best execution requirements do apply.

There are several factors that need to be considered; namely:

- Client classification
- Characteristics of the financial instrument concerned and of the order
- Where such orders can be carried out i.e. the 'execution venues'

All our clients are classified as retail clients for achieving best execution.

Tatton will ensure that it maintains the Financial Conduct Authority regulatory permissions required to permit trading as a Discretionary Fund Manager and will actively monitor compliance with its Best Execution Policy. We will regularly, and at a minimum, annually review the policy and notify you of any material changes.

Tatton – AIM portfolio

Tatton also offers an Alternative Investment Market (AIM) portfolio service to retail clients. Again, the portfolios are held on UK adviser investment (wrap) platforms where trading takes place using the platforms preferred broker. Custody of assets is also arranged through the platform.

In most instances, Tatton places its trading instruction(s) at the model portfolio level using the platform portfolio trading capability. The platform will then send the aggregated instructions to its preferred broker who will action them according to the agreed and contractual (between platform and broker) Best Execution Policy. Consequently, Tatton is not directly responsible for the trading execution on client portfolios as it must adhere to, the platforms 'Best Execution Policy' for all the AIM

trades. This responsibility is carried out by the relevant platform dealing desk from orders placed by Tatton.

Tatton will, during normal trading, give guidance pertaining to prices to the platform's dealing desk in the form of limit orders and direct discussions with the dealing desk.

Tatton views best execution in a holistic way in the context of the whole portfolio and not purely on a single trade by trade basis. Best execution, in this context, can only be achieved through single bulk orders that are directed by Tatton due to the nature of certain trades, such as illiquidity. Single bulk orders will ensure the fair and equal treatment of all clients across all portfolios and platforms as well as limit unnecessary disruption across client portfolios.

Where Tatton, as the discretionary manager, initiates and sources a transaction and directs the trade to the relevant dealing desk then the best execution duties will be transferred to Tatton and the best execution factors will be adhered to as set out below.

All clients will be classified as retail clients for the purposes of achieving best execution. When orders are placed, the following are considered:

- Price
- Cost
- Speed of execution
- Likelihood of execution and settlement
- Size of deal
- Nature of order, and
- Any other relevant considerations.

Tatton will generally give price a higher relative importance but will also consider the other execution factors noted above to obtain Best Execution which may not result in the best available price. Other considerations may include the liquidity of the market which may make it difficult to execute an order. Tatton cannot be held responsible for any failures in third parties or messaging infrastructure during the execution of orders.

Market abuse e.g. Front-Running is explicitly prohibited, and Tatton has a Personal Account Dealing policy in place to mitigate the risk of this activity occurring.

The AIM Investment Market is the only execution venue available for AIM stocks.

Tatton will actively monitor compliance with its Best Execution Policy which will be reviewed at least annually.

4. Conflicts of Interest

Background

The European Securities and Markets Authority considers that since the introduction of MiFID the expanding range of investment activity has increased the potential for conflicts of interest (COI)

between those different activities and the interests of their clients. Therefore, under MIFID II the steps firms need to take to prevent or manage COI and disclose appropriately has been enhanced. COI is covered in detail in FCA Handbook SYSC Chapter 10.

What is a conflict of interest?

Broadly, a COI will entail “a risk of damage to the interests of a client”. In identifying a COI, firms must consider whether the firm or a person directly or indirectly linked by control to the firm:

- (1) is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- (2) has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client’s interest in that outcome;
- (3) has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- (4) carries on the same business as the client; or
- (5) receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

Examples of a COI are when the business model of one firm has the potential to influence the actions taken by another individual or firm, for example, as the result of a direct or indirect financial interest or when a staff member has a business interest which is in direct competition with Tatton.

Regulatory requirements

Tatton will:

1. Maintain a comprehensive COI policy available to all on its website at www.tattoninvestments.com as part of its Regulatory Disclosures Document.
2. This document will be reviewed at least annually
3. Maintain a detailed record of all COI and update the Tatton Board accordingly
4. Take all appropriate steps to identify and to prevent or manage COI between:
 - a) The firm, including its managers and employees or any person directly or indirectly linked to them by control, and a client of the firm; or
 - b) One client of the firm and another client that arise or may arise when the firm provides its service. This includes COI caused by the receipt of inducements from third parties or by the firm’s own remuneration and other incentive structures which may adversely affect the interests of its clients.
5. If these arrangements are insufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, Tatton will clearly disclose in detail the COI to the client in the Discretionary Management Agreement before any service is provided including,
 - a) A specific description of the conflicts of interest that arise in the provision of investment services or ancillary services;



- b) A statement confirming that the organisational and administrative arrangements Tatton has in place to prevent or manage that conflict are insufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented;
 - c) An explanation of the risks to the client that arise because of the COI; to enable the client to take an informed decision with respect to the service in the context of which the COI arises.
6. Have effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a COI where the exchange of that information may harm the interests of one or more clients;
 7. Ensure that its remuneration policy does not have a direct link between the remuneration of staff engaged in an activity on behalf of clients and the remuneration of staff engaged in another activity where a COI may arise in relation of those activities.
 8. Ensure that procedures are in place to manage effectively where any staff member is sequentially involved in services where this may affect the proper management of COI.
 9. Ensure that measures are in place which will prevent or limit any person from exercising inappropriate influence over the way in which a member of staff carries out their role.

Procedure for disclosing and managing conflicts of interests

Tatton recognises that all staff are entitled to manage their own affairs in privacy. However, work must also be carried out in an environment that is free from any suggestion of improper influence.

All employees are required to disclose any other business interests they may have when they join the firm. These will be recorded on the firm's application form. (All staff registered with FCA (Approved Persons) are subject to an annual "fit and proper" check which includes a review of other business interests).

It is the responsibility of each member of staff to bring potential or actual conflicts of interest to the attention of the Compliance Manager as soon as they become aware of them.

Tatton will ensure that if any Approved Person, or any other of its employees who has a material interest in a transaction to be arranged, Tatton will not arrange or enter into the arrangement unless it can be demonstrated that the firm has dealt with the Customer fairly.

All staff must adhere to the following procedure in cases where a potential COI exists:

- The staff member must advise the Compliance Manager of the potential COI in writing;
- Tatton will advise the Customer, in writing, of the potential COI;
- The Customer must provide Tatton with their consent to proceed, in writing;
- A copy of both letters will be retained by the Compliance Manager who will authorise the transaction to proceed, and
- Copies of both letters, together with the Compliance Managers written authorisation to proceed must be retained as part of the audit trail.

The firm's senior management will maintain a COI register which will be kept under regular review and discussed at the Tatton Board meeting.

Personal Account Dealing Rules

The market abuse regime was introduced in December 2001 and has been updated to take account of the requirements of the Market Abuse Directive. The main provisions of the regime are set out in the Financial Services and Markets Act 2000 (FSMA). FCA have set out in more detail the sorts of behaviour that may amount to market abuse in the Code of Market Conduct, which forms chapter 1 of the Market Conduct Sourcebook (MAR 1).

Please find the handbook here: <https://www.handbook.fca.org.uk/handbook/MAR/1/?view=chapter>.

One of the categories of market abuse defined in FSMA is the misuse of information where that information is relevant and not generally available. It is an offence to both deal on the basis of such information and to require or encourage someone else to deal. One factor to be considered when assessing whether behaviour amounts to market abuse is whether the person concerned has acted in accordance with the standards expected of them given their position in relation to the market. Tatton expects all staff to observe the highest standards in relation to their personal dealings. The market abuse regime is a civil regime and, in cases where market abuse has occurred, the FCA can impose an unlimited financial penalty.

The UK also has a criminal insider dealing regime, which is set out in the Criminal Justice Act 1993 (the Act). This makes it a criminal offence for an individual who has information as an insider to deal in securities (including shares, debentures, warrants and options) on a regulated market. FCA may decide, in concluding investigations into a potential misuse of information or insider dealing case, that the behaviour is sufficiently serious to justify a criminal prosecution. An offence under the Act is punishable by a custodial sentence and/or a fine.

It is important that proper arrangements are in place, which allow Tatton and you to show that individual investment decisions have not been influenced by information made available to you, confidentially, in the course of our business.

Under the FCA “personal account dealing rules”, firms are required to monitor staff dealings in securities, derivatives and shares. The rules exclude units in collective investment schemes, life policies, endowments, pensions and some exchange traded funds which can be regarded as collectives. It is Tatton’s policy that any business conducted by a member of staff on their own account (excluding pensions and life policies) should be recorded on the firm’s personal account dealing register. Accordingly, all relevant staff dealings need to be notified to the Compliance Manager.

NB all dealings in AIM listed shares must be approved by CIO or Head of AIM Investment in his absence

5. Gifts & Benefits Policy

Scope

Tatton requires that all staff are aware of our policy in respect of gifts and inducements which may constitute an offence under the Bribery Act.

The Money Laundering Reporting Officer (“**MLRO**”) is responsible for Anti Money laundering, Bribery and Corruption within Tatton, overseen jointly by the firm’s Directors.

The MLRO for Tatton is the Compliance Manager.

Procedure

The FCA Rules on inducements, updated for MiFID II, set out three categories of benefits which may be paid or accepted from any party if paid or accepted in accordance with the FCA Rules. The three categories are as follows:

1. Payments necessary for the provision of investment services;
2. Third party research received in accordance with the FCA rules; and
3. Fee, commission or non-monetary benefit.

Payments necessary for the provision of investment services

Any payment or benefit which enables or is necessary for the provision of investment services by Tatton, such as custody costs, settlement and exchange fees, regulatory levies or legal fees and which, by its nature, cannot give rise to conflicts with Tatton’s duty to act in the client’s best interests, shall not be considered an inducement under the FCA Rules.

Third party research

Any third-party research received by Tatton will be paid out of the firm’s own resources and therefore will not be considered an inducement under the FCA Rules.

Fee, commission or non-monetary benefits

This Policy deals specifically with fees, commissions or non-monetary benefits. It is Tatton’s policy not to pay or accept any: (a) fees or commissions; and (b) non-monetary benefits, unless the exclusion applies as per the below.

Tatton may pay or accept the benefit where it is:

1. an acceptable minor non-monetary benefit (further explained below); or
2. a fee or commission paid to or accepted, or non-monetary benefit provided to or received from the client or a person on behalf of the client in connection with the provision of the Tatton service.

At no time must a member of staff either accept or offer a gift, benefit or inducement to expedite work or to give or take advantage of a situation.

Notwithstanding the above, at no time must a member of staff pay or accept any fee, commission or non-monetary benefit without first considering the section below titled 'Items requiring authorisation prior to acceptance'.

Acceptable minor non-monetary benefits

Acceptable minor non-monetary benefits may be paid or received by Tatton as long as they are clearly disclosed, capable of enhancing the quality of service provided to a client, are of a scale and nature such that they could not be judged to impair compliance with Tatton's duty to act in the best interest of the client, and reasonable, proportionate and of a scale that is unlikely to influence Tatton's behaviour in any way that is detrimental to the interests of the client.

Therefore, where Tatton pays, provides, or accepts a minor non-monetary benefit in accordance with the FCA Rules, Tatton will inform the client, prior to the provision of the relevant service:

1. Of the existence and nature of the minor non-monetary benefit (which Tatton may describe in a generic way);
2. Where applicable, the mechanisms for transferring to the client the minor non-monetary benefit received in relation to the provision of the relevant service; and
3. The amount of the minor non-monetary benefit or, where the amount cannot be ascertained, the method for calculating that amount. Where Tatton provides the method for calculating the amount, the client will be informed of the exact amount of the minor non-monetary benefit on an ex-post basis.

Where the minor non-monetary benefit is received by Tatton on an on-going basis in relation to an investment service provided to the client, Tatton will inform the client, at least annually, about the actual amount of minor non-monetary benefits received.

Tatton will provide the client with periodic reporting statements to inform the client regarding any minor non-monetary benefits transferred to the client.

Definition of a minor non-monetary benefit

An acceptable minor non-monetary benefit is one which:

1. Is capable of enhancing the quality of service provided to the client;
2. Is of a scale and nature that it could not be judged to impair Tatton's compliance with its duty to act honestly, fairly and professionally in the best interests of the client; and
3. Consists of:
4. Information or documentation relating to a financial instrument or an investment services that is generic in nature or personalised to reflect the circumstances of an individual client;
5. Written material from a third party that is commissioned and paid for by a corporate issuer or a potential issuer to promote a new issuance by the company, or where the third-party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any firms wishing to receive it or to the general public;



6. Participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or investment services;
7. Hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference, seminar or other training events mentioned above;
8. Research relating to an issue of shares, debentures, warrants or certificates representing certain securities by an issuer which is produced prior to the issue being completed and by a person that is providing underwriting or placing services to the issue on that issue and is made available to prospective investors in the issue; or
9. Research that is received so that tatton may evaluate the research provider's research services provided that:
 - a. It is received during a trial period that lasts no longer than 3 months;
 - b. No monetary or non-monetary consideration is due (whether during the trial period, before or after) to the research provider for providing the research during the trial period;
 - c. The trial period is not commenced with the research provider within 12 months from the termination of an arrangement for the provision of research (including any previous trial period) with the research provider; and
 - d. The firm makes and retains a record of the dates of any trial period accepted under this rule, as well as a record of how the conditions in (i) to (iii) were satisfied for each such trial period.

Capable of enhancing the quality of the service means that the minor non-monetary benefit is:

1. Justified by the provision of an additional or higher level of service to the client and is proportional to the level of inducements received;
2. It does not directly benefit Tatton, its shareholders or employees without tangible benefit to the client;
3. It is justified by the provision of an ongoing benefit to the client in relation to an ongoing inducement; and
4. The provision of the service by Tatton to the client is not biased or distorted as a result of the minor non-monetary benefit.

Benefits paid to or received from the client or a person on behalf of the client

Fees, commission or non-monetary benefits are acceptable if paid to or accepted by the client or provided by a person on behalf of the client. In this instance, they are only acceptable if that person is aware that such payments have been made on that client's behalf and the amount and frequency of any payment is agreed between Tatton and the client and not determined by a third party. For example, this could be the case where:

1. The client pays Tatton's invoice directly or it is paid by an independent third party who has no connection with Tatton regarding the investment service provided to the client and is acting only on the instructions of the client; or
2. Cases where the client negotiates a fee for a service provided by Tatton and pays that fee.

This could be the case for accountants or lawyers acting under a clear payment instruction from the client or where a person is acting as a mere conduit for the payment.

Items not requiring authorisation prior to acceptance

The following instances are considered to be of a minor nature and therefore Tatton staff do not require authorisation from a Tatton Director to:

1. Either provide or accept, where the minor non-monetary benefit is no more than £40 in value; and
2. Received in the course of business.

Additionally, subsistence received during a one-day training course, conference or hospitality given to/by Providers/Introducers/clients with no overnight stay, do not require authorisation from a Tatton Director.

However, any such minor non-monetary benefits received in relation to the provision of a service to the client, must be disclosed to the client.

Items requiring authorisation prior to acceptance

The following instances require authorisation from a Tatton Director:

3. minor non-monetary benefit in excess of £40 received in the course of business;
4. subsistence and accommodation received during a training course, conference or hospitality given to/by Providers/Introducers/clients which includes overnight accommodation;
5. any minor non-monetary benefit that includes an overseas element including trips to continental Europe;
6. any minor non-monetary benefit offered to a potential or existing client; and
7. any fee or commission paid, or non-monetary benefit provided from the client or a person on behalf of the client.

Record keeping

Any fee, commission, or non-monetary benefit paid to, accepted from, provided to or received from the client or a person on behalf of the client and any minor non-monetary benefits either provided by Tatton or received by Tatton, must be notified to the Compliance Manager and will be recorded on Tatton's Gifts and Hospitality Register.

For further information about this Policy, please refer to the Compliance Manager or a Tatton Director.

6. Financial Resource Requirements – Pillar 3 disclosure

Introduction and Regulatory Context

This document sets out Tatton's 'Pillar 3 disclosure' made in accordance with the UK's Financial Conduct Authority (FCA) Prudential Sourcebook for Banks, Building Societies and Investment Firms

(‘BIPRU’). BIPRU 11 sets out the required disclosures, the aim of which is to improve market discipline through additional transparency.

The European Capital Requirements Directive (CRD) created a revised regulatory capital framework based on the provisions of the Basel 2 Capital Accord. The new framework consists of three ‘pillars’: Pillar 1 sets out the minimum capital requirements that firms are required to meet;

Pillar 2 requires firms to consider whether additional capital should be held against capital risks not covered by Pillar 1; and

Pillar 3 requires firms to publish certain details of its risk management, and information on its risk exposures and capital resources.

Accordingly, Tatton has developed and published this document setting out material information for market participants to assess key information about Tatton’s risk management objectives and controls, its remuneration policies and its capital position.

Background to the Firm

Tatton provides discretionary investment portfolio and fund management services to retail clients. It is an on-platform (WRAP) only investment manager. All administration and custody of assets is done on platform. Tatton does not hold or manage client monies or assets.

Tatton is registered in England (company number 08219008) and is authorised and regulated by the Financial Conduct Authority (FCA). Firm Reference number 733471. The London office is at 17 St Swithin’s Lane, London EC4N 8AL.

Frequency and Verification

Tatton’s Pillar 3 disclosures are reviewed at least annually. The disclosures are published as soon as is practical following the Board’s approval of the firm’s Internal Capital Adequacy Assessment Process (ICAAP) and the publication of its Annual Reports and Accounts.

The information contained in this disclosure has not been audited by our external auditor and does not constitute any form of financial statement.

Disclosure and Materiality

The rules in BIPRU 11 provide that Pillar 3 disclosures are only required where the information would be considered material to a user relying on that information to make economic decisions. Additionally, the rules provide that firms may omit information where the information is regarded as proprietary or confidential.

Risk Management Objectives and Framework

The Tatton Board adopts a ‘3 lines of defence’ model. Heads of Department and their staff have primary responsibility for managing and mitigating the risks specific to their area. The risk management practices and processes in place at this level constitute the ‘1st line of defence’. The ‘2nd line of defence’ is held by Tatton’s Compliance function with the Board responsible for oversight

and monitoring of the key risks facing the Firm. The '3rd line of defence' is provided by the independent, risk-based audits performed by the Firm's externally appointed Auditors. For the mutual funds (CIS) managed by Tatton, the Firm's chosen Authorised Corporate Director (ACD) also performs a regular risk-based audit of the Funds' governance. These provide independent assurance on the effectiveness of the Firm's risk management, control and governance processes.

The Board is responsible for determining the risk appetite for Tatton. The Firm has established a risk management framework to identify, measure, monitor, manage and mitigate risks. Risks are identified and assessed as part of the Firm's ICAAP and Pillar 2 processes these include:

Liquidity risk

The FCA defines liquidity risk as the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.

Liquidity risk for Tatton is limited. Most of our Net Assets are maintained in liquid form with any inter-company debtor with related parties being immediately accessible.

Tatton has minimal fixed assets and net third party debtors. Tatton has no borrowings, does not trade on its own account, and does not hold client money. Liquidity risk for Tatton is therefore no more than cash and working capital management and can be demonstrated by our compliance with FCA Capital Adequacy requirements.

Tatton is a BIPRU EUR50K firm and is required to maintain the greater of 50,000 Euros or 13/52 of fixed annual expenditure known as Fixed Overhead Requirement (FOR). Further details are given below.

The firm's cashflows are reasonably predictable, coming from discretionary management fees and income on funds, both received monthly. Overheads are stable and predictable and as such there are no major concerns relating to intra-day liquidity management.

The primary risk is the fact that all liquid funds are held with Santander UK Plc and our parent company. Tatton is thus potentially exposed to the risk of either party becoming insolvent.

Santander has a published credit rating of 'A' with S&P and Fitch agencies and is covered by the FSCS. Our parent company, Tatton Capital Limited has substantial net assets. Tatton also has access to an overdraft facility via a sister company. Tatton considers this risk to be minimal.

Pricing of Liquidity Risk is not considered relevant to Tatton.

Tatton Capital Limited and Tatton Capital Group Limited are the Corporate Controllers of Tatton. In the event of events happening that have not been foreseen, the corporate controller can inject capital into the company.

Liquidity Risk Tolerance - Tatton Directors are not prepared to accept significant Liquidity Risk. Hence Tatton has minimal non-liquid assets and all cash balances are held with a reputable bank with a good long-term credit rating (see above).

There are no anticipated business model changes and we expect all income streams to continue to grow and cashflow is expected to remain relatively stable.

The following controls exist:

1. Regular board meetings where the firm's Financial Resources and their adequacy are discussed.
2. Regular review of Counterparty risk, our exposure to Santander UK Plc and any other banking institutions used.
3. Monthly management accounts
4. Daily cash management by the Accounts department
5. Two signatures are required on bank payments, via BACS or cheque.
6. Annual budgeting is completed to forecast the firm's capital and liquidity position. The budget is reviewed quarterly to ensure that it remains relevant.
7. Tatton Capital Limited, in conjunction with the firm, retain overall responsibility for overseeing the firm's liquidity and cash position.
8. Tatton Capital Limited reviews its liquidity and cash position monthly to ensure all liabilities can comfortably be met when they fall due.
9. Quarterly assessment of adequacy of capital resources and completion of Gabriel returns by the Company, which are then reviewed by the firm's Directors prior to submission.

Stress Testing - adequate stress testing is completed via the ICAAP, therefore no separate liquidity stress tests completed.

Operational risk

Operational risk is defined as the potential risk of financial loss or reputational risk resulting from inadequate or failed internal processes and systems, from the actions of people or from external events. Major sources of operational risk include:

- Outsourcing of operations,
- IT security,
- internal and external fraud,
- implementation of strategic change and regulatory non-compliance.

Tatton does not outsource any of its core operations. Operational risks such as those resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk have been considered and assessed as being of a low probability. The Directors of Tatton have assessed the controls in place and concluded that the processes are well defined for key operational roles and functions and that appropriate checks and balances are in place to prevent and capture any material issues.

Tatton recognises its vulnerability to external operational risks (e.g. back office and IT systems) which are provided by third party suppliers or contractors. Tatton operates a due diligence process to ensure

its suppliers do not present undue risk to the firm. Furthermore, a robust Business Continuity/Disaster Recovery plan is in place.

Poor investment performance could result in the reduction in the fees earned. This is a fundamental risk to the business, which is actively managed by the recruitment and retention of highly talented portfolio managers and the establishment of a robust investment process. The performance is constantly monitored, and appropriate action could and would be taken well in advance of any material financial issues. Tatton accepts that despite such mitigating action, capital market volatility can result in a proportional volatility of the Firm's ongoing revenue receipts. The Tatton Board is aware of this inevitable financial risk of an investment management operation and mitigates this revenue variability through its prudent budgeting approach.

Insurance risk

Tatton employs a specialist broker to ensure that its Professional Indemnity cover is provided by a reputable and secure provider.

Other risks

Other risks, such as strategic, reputational, regulatory and human resources risks are addressed through the firm's governance framework.

Tatton's governance arrangements are headed by the Board which is ultimately responsible for the running and oversight of the firm including the firm's financial information (such as monthly accounts, regulatory returns, and audited year end accounts), HR matters, IT, the ICAAP, Authorised Corporate Director (ACD) and compliance reports and status reports from team heads.

Internal Capital Adequacy Assessment Process ("ICAAP")

Tatton's ICAAP includes an assessment of the design and performance of the internal controls in place to mitigate risks, the probability of the risk occurring, the potential financial and reputational impact, and the adequacy of Tatton's capital base. The Board formally review and approve a finalised ICAAP document on at least an annual basis. (The Board, as part of its review of the ICAAP, sets Tatton's risk appetite and validates that the key material risks have been considered and assessed.

As a BIPRU firm, and in accordance with GENPRU 2.1.45R, Tatton is required to calculate its variable regulatory capital requirements as the higher of:

1. The sum of the market and credit risk requirement, and
2. The Fixed Overhead Requirement ("FOR").

Tatton has calculated its FOR in accordance with the rules and guidance set out in GENPRU 2.1.53R to GENPRU 2.1.59G, which amounts to £742,000 as at September 2018. The credit and market risk capital requirements of Tatton amount to less than the FOR. Therefore, the overall Pillar 1 capital requirement is the FOR of £742,000

7. Remuneration Policy

Tatton's long-term success depends on its ability to attract, and retain, top talent.

The Board considers a range of information including financial performance, employment matters and market conditions when determining its remuneration strategy to ensure that the policy remains aligned and supportive of Tatton's longer terms strategic objectives without driving the wrong behaviours which may lead to a conflict of interest and potential client detriment.

For example, it considers:

- Commercial interests are balanced appropriately against the need to attract, incentivise, retain and develop top talent;
- High performance is rewarded in the context of appropriate risk management;
- All employees are rewarded fairly for their contribution to the continuing success of the Company; and,
- Pay decisions are considered across all employees and considers the different nature of the roles and the level of seniority of staff.

The Tatton discretionary bonus scheme is mainly based on the company's performance, though a further discretionary element of it is based on individual performance or contribution during the preceding year.



Tatton
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The information provided must not be considered as financial advice. Always seek financial advice before making any financial decisions.

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