



CHAWTON

GLOBAL INVESTORS

Capital Adequacy Pillar 3 Disclosures

November 2023

Introduction

Chawton Global Investors LLP (CGI) is required to make a Pillar 3 disclosure by regulations set out in the FCA's BIPRU sourcebook. It is intended to encourage good risk management practice within financial services firms and to promote market discipline by making information about companies publicly available. CGI acts as the Investment Manager for a sub-fund of a UCITS OEIC; The TB Chawton Global Equity Income Fund. A long only equity strategy is followed. CGI does not deal on its own account but acts as an Investment Manager to an authorised fund operated by a third party.

Risk Management Objectives and Policies

Risk management is focused on maintaining sufficient capital to allow an adequate buffer against risks identified in the firm's Internal Capital Adequacy Risk Assessment (ICARA). Risk management is the responsibility of the Partners and is led by CGI's Compliance Officer.

Risks identified in the firm's ICARA include the following:

- Concentration risk
- Liquidity risk
- Risk of Insufficient Capital

In order to effectively manage Concentration risk and Liquidity risk, the firm has established internal monitoring procedures. Such procedures are contained in the firm's user manual and the members' adherence to such procedures is monitored. Additionally, the firm's members and employees receive training on the firm's internal risk management procedures. The firm employs independent compliance consultants who regularly review the firm's activities. It also actively engages with professional bodies and the wider industry in order to maintain best practice.

The firm undertakes a yearly Internal Capital Adequacy Risk Assessment in order to ensure that appropriate measures are taken to minimize the risk of the firm having insufficient capital to meet its contractual obligations. In 2022, the firm's Management Committee approved the firm's latest ICARA, noting that it fulfilled its role as a principal tool for identifying and managing risk. The capital management process is also an integral part of the quarterly management accounts review by the Managing Partner. He reports to the Management Committee at bimonthly meetings. Capital adequacy is an item on the agenda at each meeting.

Statement of Risk Appetite

CGI's primary objective is to deliver an investment management service that will generate a superior return from holding equities over the long term for customers whilst keeping risk as low as possible.

Risk is therefore defined as whether an investor in a fund managed by CGI receives an adequate return on his investment over his prospective holding period. This is defined as maintaining the purchasing power of the sum invested and delivering a modest return on top of this. The main risks the firm is prepared to take are in the evaluation of the long-term economic characteristics of quoted companies and assessing that in relation to the purchase price of the related equity. This is addressed through careful selection of potential investments followed by extensive due diligence prior to purchase. This is followed by ongoing engagement with company management and detailed monitoring analysis annually.

CGI is a small, closely held organisation where senior management have a significant stake in the business and the majority of their personal wealth invested in the business's managed fund. In the event that there is a need to raise additional capital, the founding partners would consider the position and alter the distribution policy and input such further capital that is required. Taking all this into account, the partners determine CGI has a low-risk appetite.

Members of the firm are responsible for identifying and reporting risks that arise during the course of business. CGI has formed a Management Committee currently comprising the Partners and appointed a Chairman. The Committee is responsible for the risk management process, as well as the design and the improvement of the ICARA process.

The firm is not required to have a risk committee, but the Managing Partner acts as risk manager and manages the day-to-day risk exposures of the business with input from the Committee. The latter also takes assurance from services provided by CGI's auditors, legal advisors, and compliance consultants who have input into the risk assessments made.

CGI maintains both a User Manual and a Compliance Procedures Manual along with this ICARA document which set out procedures to manage and monitor these risks in accordance with its stated risk appetite.

Own Funds

As an SNI Firm, Chawton Global Investors is required to hold sufficient own funds and liquid assets to remain viable throughout the economic cycle and to ensure that business operations may be wound down in an orderly way. As part of its Internal Capital Adequacy and Risk Assessment the firm has carried out financial calculations and has determined as a result that the value of own funds and liquid assets it holds satisfies the Overall Financial Adequacy Requirements. The firm's own funds levels are presented below.

	Available on date of review (31st March 2022)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Own Fund Requirement	£79,693	Total Members' Interests – on page 7 of the firm's Annual Report & Financial Statement

Common Equity Tier 1 Capital	£63,754	Total Members' Interests – on page 7 of the firm's Annual Report & Financial Statement.
Partners' Capital	£79,623	Total Members' Interests – on page 7 of the firm's Annual Report & Financial Statement.

Remuneration Policy

CGI is required to disclose the key policies used in determining remuneration for staff whose professional activities have a material impact on the firm's risk profile along with key quantitative information. These staff members are defined by the firm as authorised individuals who are in significant management, control or risk functions. Remuneration policy is the responsibility of the Partners and Management Committee.

CGI distinguishes its approach to remuneration between the founding Partners, new Partners, other Remuneration Code Staff and other employees of the firm.

All of the Partners are paid a proportion of CGI net profits subject to the amount of capital provided. They do not receive any other form of remuneration. As the long-term profitability and sustainability of CGI is dependent to the management fees generated from managing the funds, it is in the Partners interests for the funds to perform a well. There is therefore full alignment with the fund investors interests, the interests of CGI and the interests of the Partners.

Other Remuneration Code Staff and other employees will receive a basic salary, benefits such as personal pension contributions and are eligible for an award of an annual discretionary bonus. The salaries of the staff will be set at a sufficient level to allow for a fully flexible approach to be taken of awarding (or not awarding) an annual bonus. In the year to 31 March 2023 there was no remuneration provided to Partners or staff deemed in 'significant influence functions'.