Pillar 3 disclosure policy

1 Overview

1.1 Regulatory context

The European Union Capital Requirements Directive came into effect on 1 January 2007. It introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II rules agreed by the G-10.

The Directive was implemented in the UK by rules introduced by the Financial Conduct Authority (FCA). The disclosure requirements, applicable to investment firms, which are known as Pillar 3 are set out in the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU). These are designed to promote market discipline by providing market participants with key information on a firm's risk exposures and risk management processes.

1.2 Frequency

Stafford Capital Partners Limited will be making Pillar 3 disclosures annually, as at the Accounting Reference Date of 31st December. The appropriateness of the disclosures will be assessed by the Board of Directors and will be informed by the Internal Capital Adequacy Assessment Process (ICAAP) which is revised annually following the preparation of the financial statements.

1.3 Media and location

The information will be published on our website.

1.4 Verification

The accuracy of the Pillar 3 disclosure is the responsibility of the Board of Directors; the information contained in this document has not been audited by the firm's external auditors and does not constitute any form of financial statement.

2 Risk Management Objectives and Policies

2.1 Background to the firm

Stafford Capital Partners Limited is incorporated in the UK and is authorized and regulated by the FCA as an Investment Management firm. It is categorized as a "Limited Licence BIPRU €50,000 firm".

2.2 Risk management objective

The board of directors have assessed the key risks with the objective of ensuring that it has sufficient capital in respect of the risks faced now and / or in the next three years. This has been achieved by identifying the major potential risks faced by the business and assessing its ability to control and mitigate where possible.

2.3 Risk appetite

Stafford Capital Partners is risk averse and the firm takes reasonable steps to manage its risks. Risks to income generating capability are mitigated wherever possible and measures against actual and potential operating risks are taken where the Board judges the benefit or the potential of the mitigation to exceed the costs of the mitigating controls**.** The same low tolerance to risk is reflected on the costs side of the business with minimal long term cost commitments. All risks of any significance are identified, assessed and controlled on an on-going basis.

2.4 Identification and mitigation of material risks

The firm is small with a simple operational infrastructure. The Directors have identified the material risks associated with its business as:

- Reputational risk; and
- Operational risk.

Reputational risk relates to damage to the firm through loss of its reputation or standing. This could include a variety of factors such as failure to properly oversee its employees, major unforeseen negative market moves, and failure to provide appropriate risk oversight over the Funds.

Operational risk relates to risks to the firm when running the business – e.g. the risk of loss resulting from inadequate of failed internal processes, people and systems or from external events, including legal risk. This would also include the firm's Disaster Recovery solutions and risks to the firm's IT.

The Firm has taken various steps to mitigate these risks including:

- Implementing robust risk controls;
- Operating with a flat organisational structure where the Directors are the key executives and are intimately involved in all the Firm's activities;
- Combining in-house and outsourced compliance expertise;
- Implementing a Business Continuity Plan;
- Offsite storage of key documents and electronic back up of data and e-mails; and
- Conservative management of assets & liabilities and balance sheet.

The Directors also considered business risks, liquidity risks and market risks but these are not material. Business risk is not significant as the firm's income from existing funds is fixed for at least the next three years and liquidity risk is not significant as income is received quarterly in advance and the firm has healthy cash balances. Market risk is limited to foreign exchange risk on its accounts receivable in a foreign currency.

3 Capital Resources

The capital of Stafford Capital Partners Limited is all considered to be Tier 1 capital – which comprises issued share capital and retained profits. As a limited licence firm capital requirements are the greater of:

- Base capital requirement of €50,000;
- The sum of market and credit risk requirements; and

- Fixed overhead requirement.

It is the firm's experience that the Fixed Overhead Requirement establishes its capital requirements and hence market and credit risks are considered not to be material.

Stafford Capital Partners Limited has always complied with the FCA's capital requirements; the board of directors are confident that the firm will continue to comply with such requirements.