HIGHCLERE
INTERNATIONAL INVESTORS

MIFIDPRU Disclosure Statement
YE 31 March 2023

Highclere International Investors LLP ("Highclere") is authorized and regulated by the Financial Conduct Authority ("FCA") as an Alternative Investment Manager ("AIFM") and is subject to the rules and capital requirements adopted by the EU and FCA under the Alternative Investment Fund Manager Directive ("AIFMD"). Highclere is a full-scope UK AIFM.

The Firm is also subject to the Investment Firms Prudential Regime ("IFPR") and the implementing rules in the MiFID Prudential Sourcebook ("MIFIDPRU"). Highclere is categorised as a Collective Portfolio Management Investment firm ("CPMI") for prudential purposes and as such is subject to the rules in IFPRU(INV) 11 for its AIFMD business in parallel with the applicable rules in MIFIDPRU in respect of its MiFID business. Currently Highclere does not have any MiFID business since it does not operate a UCITS or any segregated accounts. Highclere is categorised as a SNI firm (small and non-interconnected) firm under IFPR.

The IFPR establishes the amount and nature of capital that MiFID investment firms must maintain.

The FCA regulations also require further disclosures set out in the MiFID Prudential Sourcebook ("MIFIDPRU"). These rules also permit a firm to exclude certain disclosures where the information is deemed to be confidential or proprietary.

Governance Arrangements (MIFIDPRU 8.3)
Highclere is a private limited liability partnership that is managed by its members. Highclere employees, contractors and members are collectively referred to as "Staff" in this statement. Highclere Investment Management Limited ("HIM Ltd") is a member of Highclere and holds a significant proportion of Highclere's capital. Highclere has one subsidiary, Highclere International Investors, Inc. ("HII Inc."). There are no current or foreseen material practical or legal impediments to transfers of intra-group capital between Highclere and HII Inc. Highclere's LLP agreement permits, but does not obligate, HIM Ltd to invest additional capital in Highclere where this is needed by Highclere.

Highclere's Executive Group is responsible for strategy and oversight. It is comprised of three senior founding partners and one non-executive member. The size of the firm, the nature of the client base and the flat organizational structure allows the Executive Group to work closely with staff and to avoid the need for numerous sub-groups. The compliance officer is a member of the Executive Group and reports directly to the Group members.

Risk Management (MIFIDPRU 8.2)
Highclere's Executive Group is responsible for determining Highclere's risk strategy, setting its risk appetite and ensuring that risk is monitored and controlled effectively. Highclere does not have a separate risk committee and is not required to establish one per MIFIDPRU 7.3.1. Highclere's risk management framework is updated, as necessary, to take into account material changes in Highclere's business, capital obligations, or resource requirements. Highclere's risk appetite is regularly reviewed. Highclere has developed a risk matrix that is broken down by business function and each underlying process within the business function. Each risk is then assessed to determine, for example, the type of risk exposure, its materiality, whether it is covered by insurance, and what mitigating procedures can be put in place to control the risk of error. Highclere's culture and error correction policy aims to ensure that each staff member is focused on improving procedures, minimising risk and establishing a robust risk, capital and performance structure.

Highclere's minimum capital requirement is the greater of (i) its permanent minimum capital requirement (ii) the sum of its risk-Factor requirements; and (iii) its fixed overhead requirement ("FOR"). From July 2014, Highclere also became subject to the capital requirements under AIFMD for which Highclere was required to calculate the sum of its core regulatory capital and its professional liability risks capital requirement. Highclere has £2.196m of permanent regulatory capital.

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Highclere's ICARA analysis highlights that Highclere had surplus capital as of 31 March 2023 compared to the capital resource requirements and will maintain surplus capital under AIFMD rules. This capital requirement will be recalculated in the event of material changes occur to Highclere's business.

Highclere's surplus capital will be impacted if (i) the FCA requires discretionary staff bonuses to be included in fixed overhead requirement computations, and (ii) the FCA requires monthly partner drawings to be included in fixed overhead requirement computations.

As required according to MIFIDPRU 7.4, Highclere is required to prepare and review an internal capital adequacy and risk assessment ("ICARA") on at least an annual basis. The ICARA document is prepared by the Chief Compliance Officer. However, the sufficiency of the ICARA is ultimately the responsibility of the Executive Group.

Highclere's ICARA analysis and stress tested scenarios highlights that Highclere had surplus capital as of 31 March 2023 compared to the capital resource requirements computed under applicable capital resource requirement rules – also known as IFPR and CPMI. All of Highclere's capital held is comprised of Common Equity Tier 1 capital ("CET 1").

(1) Composition of Own Funds:

	Item	Amount (£000's)	Page Ref in Highclere's audited Financial Statements
1	**OWN FUNDS**	**2,196**	
2	**TIER 1 CAPITAL**	**2,196**	
3	**COMMON EQUITY TIER 1 CAPITAL (CET1)**	**2,196**	
4	Fully paid-up capital instruments	2,196	P.11
5	Share premium	-	
6	Retained earnings	-	
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM CET 1	-	
12	CET1: Other capital elements, deductions and adjustments	-	
13	**ADDITIONAL TIER 1 CAPITAL**		
14	**Fully paid up, directly issued capital instruments**	**-**	
15	**Share premium**	**-**	
16	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
17	Additional Tier 1: Other capital elements, deductions and adjustments	-	
18	**TIER 2 CAPITAL**		
19	Fully paid up, directly issued capital instruments	-	
20	Share premium	-	
21	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
22	Tier 2: Other capital elements, deductions and adjustments	-	

Highclere's Own Funds consists of:

- Capital provided by shareholders which is permanent in nature and is not repayable except in extraordinary circumstances. It is included in Own Funds as provided by FCA rules. Capital contributed by individual members can be repaid and is shown as a liability.

Own Funds Threshold

Highclere is required to hold Own Funds in a sufficient quantity and of sufficient quality to absorb certain losses and meet certain regulatory requirements (the "Own Funds Threshold"). For regulatory purposes, Highclere's Own Funds Threshold is the largest of the following items:

- Permanent Minimum Capital established by FCA Rules. This is currently £75,000;
- Fixed Overhead Requirement. Broadly speaking, this is equal to 25% of annual overheads. Highclere's computed Fixed Overhead Requirement as of 31st March 2023 is £1.735m; and,
- Highclere's 'K' Factors. Given the structure of its business, the only relevant K-factor to Highclere is K-AUM. Broadly speaking, a firm's K-AUM requirement is equal to 0.02% of average AUM. This does not currently exceed the FOR calculation and is therefore not currently relevant.

The Own Funds Threshold is increased if amounts need to be retained to meet costs related to an orderly wind down. Using reasonable assumptions, Highclere has determined that the net cost of a wind down is less than Highclere's FOR. Therefore, Highclere's Own Funds Threshold is the same as its FOR of £1.735m.

Overall Financial Adequacy Rule

The Overall Financial Adequacy Rule states that Highclere must, at all times, hold Own Funds and liquid assets which are adequate, both in their amount and quality, to ensure Highclere is able to (i) remain financially viable through the economic cycle, (ii) address any material risks arising from its ongoing activities and (iii) be wound up in an orderly manner. Highclere has Own Funds that are above its Own Funds Requirement and liquid assets that are above its liquid asset threshold. As a result, Highclere complies with the Overall Financial Adequacy Rule.

ICARA Process Document

Highclere has prepared an Internal Capital and Risk Assessment document ("**ICARA**"). Highclere manages four US-domiciled AIFs. Highclere specializes in small and mid-cap listed equities in developed markets. Each fund is set up as a pooled vehicle with clients being allocated units. Each fund represents one of the four strategies offered by Highclere. Highclere does not typically manage separate accounts or client mandates. Highclere is a long-only manager; it is not permitted to go short or use leverage. This simple structure allows Highclere to employ the same attitude to risk throughout the Firm. Highclere is principally exposed to operational risk. There is, however, some small exposure to business risk and credit risk. These are typical for an asset management business. The ICARA process involves various stress tests. The ICARA is updated on an annual basis and periodically if a material change occurs in the risk or business profile of the firm. Based around the Firm's size, nature and characteristics, risk profile and risk tolerance, the Executive Group has concluded that its risk management processes are appropriate, proportionate and effective.

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Remuneration Code Provisions MIFIPRN 8.6

For the purposes of these disclosures, Highclere International Investors LLP and Highclere International Investors Inc are referred to as "**Highclere**". Highclere is a full scope AIFM SNI firm subject to the remuneration rules per the Systems and Controls handbook ("SYSC."). Market regulators impose a variety of requirements on asset management firms with respect to remuneration. The general thrust of the FCA remuneration Code's objective is to ensure that all regulated firms and their related parties have (i) robust governance arrangements in place, (ii) established remuneration controls for employees whose professional activities could have a material impact on the risk profile of their firms, and (iii) prepared qualitative and quantitative disclosures of their remuneration policies.

The FCA expects Highclere to apply the Remuneration Code in a proportionate manner based on the size, nature and complexity of its business. Highclere is required to assess its own members and staff characteristics and to develop and implement policies and practices that appropriately align with the risks faced by its business and investors. Highclere must also ensure that adequate and effective incentives are given to all members of Staff.

Remuneration Policy

- Link between pay and performance: Highclere's governing documents specifies the ratio by which profits less direct costs before any remuneration (profits before remuneration and tax or "PBRT") is to be shared. The PBRT sharing model has governed Highclere's business since its establishment. These ratios ensure that employees and members are focused on growing the business in a profitable and efficient manner. While PBRT is distributed to employees as remuneration and to working members as drawings, the split is determined by the Remuneration Group. Highclere do not deem it appropriate to disclose the split of remuneration between staff as, given the size of the firm, this would involve disclosing information that Highclere deems private and confidential.

- Decision-making process for determining remuneration: Responsibility for determining remuneration rests with the Remuneration Committee which seeks to obtain feedback on the performance and contribution of each individual employee or member. Remuneration is not based on the profitability of any specific investment recommendation, the implementation of a given trade(s), the growth/retention of any particular investor, or the age, religion, gender, sexual orientation, ethnicity, or disability of any member of staff. Broad parameters have been established to reward individuals having regard to contribution and ownership of responsibility, reliability and total remuneration. Market levels are also taken into account. Variable remuneration payments are primarily made in the form of cash bonuses. Discretionary bonuses are only paid after Highclere confirms that FCA capital and liquidity requirements are satisfied.

- Policy on Alignment and Co-Investment: All Staff are required to invest 15% of their gross bonus in a financial year into either Highclere equity (if available) or the investment programme. Employees may, in extenuating circumstances, submit a request to the Executive Group to defer either the amount or the timing of the investment. This is a temporary deferral, and it is expected that over the course of future bonuses the required investments are made.

Identification of Code Staff

All Highclere permanent employees and working members are considered Code Staff

Disapplication of Remuneration Code Provisions

Given the limited size, scope and nature of Highclere's activities and consistent with the explicit guidance given by the FCA, Highclere has disapplied provisions or proportionately applied provisions related to (i) leverage for fixed and variable components of remuneration, (ii) retained shares and other financial instruments, (iii) deferral and (iv) performance adjustments.