AMATI GLOBAL INVESTORS LIMITED (FCA Reference Number 198024)

Pillar 3 Disclosures

2021/2022

1. Executive Summary

The Basle II Accord has been implemented in the European Union through the Capital Requirements Directive (‘CRD’). The CRD details the standard regulatory capital framework for the financial services industry within the EU and consists of three pillars:

• **Pillar 1** specifies the minimum capital requirements of firms to cover credit, market and operational risk;

• **Pillar 2** requires firms to undertake an Internal Capital Adequacy process (“ICAAP”) and ensure that they constantly meet their regulatory capital requirements and manage risks beyond those captured in Pillar 1; and

• **Pillar 3** requires a set of disclosures to be made which enable market participants to assess information on firms’ capital, risk exposures and risk management procedures.

The Financial Conduct Authority (‘FCA’) has responsibility for implementing the CRD within the UK and has set out its minimum disclosure requirements in its Handbook under BIPRU 11.

1.1 Purpose

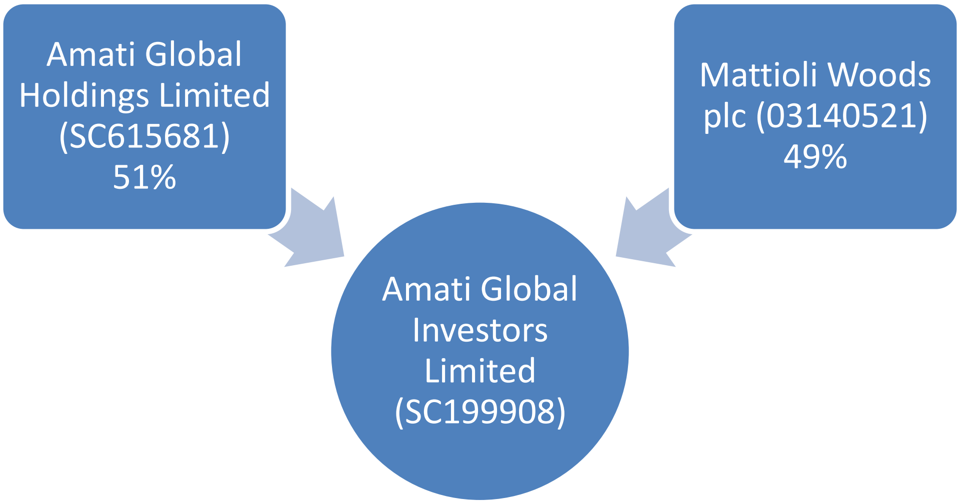
This document provides the features of the Internal Capital Adequacy Assessment Process (“ICAAP”) for Amati Global Investors Limited (“AGI”), a subsidiary of Amati Global Holdings Limited (“AGH”) which together form the “Group”. This document also includes an assessment of the level of capital that is considered adequate to mitigate the various risks to AGI.

The purpose of this report is to document the ongoing assessment of AGI’s risks, how the Group intends to mitigate those risks and how much current and future capital the Board considers necessary having considered other mitigating factors. The report sets out how AGI manages its risks, what the key risks are and how the Board has satisfied itself that it has sufficient capital in respect of the risks faced now and during the next three years. This report is available to the FCA on request. Given that capital management is embedded in AGI and the report summarises important information relating to AGI‘s risk management and capital position, it will also be used from time to time by the auditors and the Management Team of its holding company, AGH. The ICAAP report is reviewed at least on an annual basis irrespective of whether the FCA requests to see it.

This report is considered to be a key risk management tool by the Group. It allows the shareholders of AGH and the Directors of AGI to rigorously assess the risks to the business and the consequences of those risks. It is used in conjunction with the Amati Risk Register.

2. Background

2.1 Group Structure



AGH is the holding vehicle for AGI, a subsidiary which is in the business of fund management. AGI is an FCA regulated entity. It was formerly called Noble Fund Managers Limited whilst under the ownership of Noble Group, its former parent company. The name change followed the management buyout of Noble Fund Managers Limited by Paul Jourdan and Douglas Lawson in January 2010.

AGH was set up in December 2018 and from 18 January 2019 was owned 100% by Amati Global Partners LLP ("AGP"), the vehicle set up in 2010 to hold the investment in AGI. Following a re-organisation AGH took over the ownership of AGP's 51% holding in AGI, and AGP was dissolved. FCA approval for a change of control from AGP to AGH was sought and successfully granted on 24 May 2019.

AGI is the only regulated operating company within the Group. Up until 12 June 2019 AGP and AGI were, and from 13 June 2019 AGI and AGH are, fully consolidated for accounting and prudential purposes.

Johnson Carmichael (the Group's auditors) were brought in to advise on the accounting implications of the restructuring and the financial data and capital reporting in this document reflect their advice and have subsequently been audited by them at the year end 31 December 2019 and 31 December 2020.

AGH owns 51% of AGI. The remaining 49% is owned by Mattioli Woods plc ("MW") following an acquisition of share capital in February 2017. As a result of the acquisition the Board of AGI was restructured and three directors from MW were invited to join the board. Since November 2018 there have been two MW directors on the board who feel that is sufficient but the right remains in the shareholders' agreement for a third to be appointed at a time of their choosing.

AGI is an independent company, managed by its employee owners, with beneficial input from a significant, experienced investor through that investor's appointed directors to the AGI board.

3. Risk Management and Capital Adequacy Assessment

3.1 Risk Framework

The objective of creating a risk management framework is to identify, measure, monitor, manage and report risk in a consistent fashion on a timely basis. To achieve this, the Group has a number of risk management processes, which include:

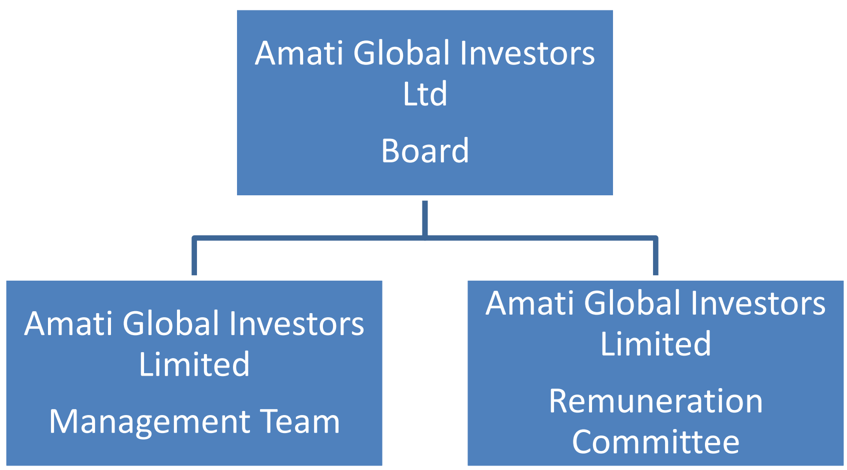
3.2 The Boards and its sub-committees

The Board of AGI meets quarterly and consists of the following:

- Dr Paul Jourdan (Executive CEO)
- Alison Clark (Executive Director and Company Secretary)
- David Stevenson (Executive Director)
- Ian Mattioli (Non-Executive Director)
- Simon Gibson (Non-Executive Director)

Separately, Paul Jourdan, Alison Clark and David Stevenson Directors of AGI, Andrew Lynn, Head of Risk and Compliance, Rachel le Derf, Head of Sales, and Wulf Rajek, Head of IT, hold a monthly Management Team meeting. All are also shareholders of AGH. The meeting has a standing agenda item to discuss any matters pertaining to AGH.

AGI has a remuneration committee that decides pay awards and bonuses and this committee is made up of Paul Jourdan, Alison Clark, Ian Mattioli and Simon Gibson.



AGI at the current time has two non-executive directors – Ian Mattioli (IM) and Simon Gibson (SG). Mattioli Woods plc have the right to appoint three non-executive directors in total.

Ian Mattioli is the founder and CEO of Mattioli Woods, which holds a 49% shareholding in AGI. Ian has over 30 years of experience in financial services and also currently serves as director of Custodian Capital, a property investment manager wholly-owned by Mattioli Woods and Custodian REIT, a real estate investment trust managed by Custodian Capital. Ian was awarded an MBE in 2017.

Simon Gibson is the Chief Investment Officer at Mattioli Woods. In 1998 he set up Thoroughbred Financial Services, a firm that merged with Atkinson Bolton Consulting (ABC) six years later to create an award-winning company. ABC became part of Mattioli Woods in 2013.

3.3 Definitive reporting lines and roles and responsibilities

The Group has a clear structure of reporting lines and each employee is aware of his or her role and responsibilities within the organisation (see Appendix 2).

The Group regularly reviews its compliance framework in order to ensure that it remains appropriate to the scale and complexity of the business. Andrew Lynn is Head of Risk and Compliance taking SMF16 Compliance Oversight and SMF17 Money Laundering Reporting roles. Paul Jourdan, AGI's CEO, has SMF1 and SMF3 roles. The Group is satisfied that there is appropriate segregation of the Compliance and executive functions.

3.4 Business Continuity Plan and Operational Resilience

The Group has its own Business Continuity Plan ('BCP') on the Amati Knowledge Base portal, an internal wiki for recording all things Amati. The BCP describes the logistical plan for how the organisation will recover and restore partially or completely interrupted critical functions within a predetermined time after a disaster or extended disruption.

The technical element of the BCP in relation to disaster recovery of systems was tested in March 2020. In 2021 Amati went through a Microsoft Office 365 implementation and the process for BCP disaster recovery testing on our systems is being reviewed. In the meantime, the 2021 renewal of the Cyber Essentials Plus certification has taken place.

At AGI's request, Ellis Wilson (AGI's external compliance consultants) conducted a review of the firm's arrangements for establishing and maintaining operational resilience. This exercise was benchmarked against the standards applicable to banks, building societies, Prudential Regulation Authority (PRA) designated investment firms and so-called 'enhanced' firms under the Senior Managers & Certification Regime (SM&CR). These standards are set out in an FCA consultation paper (CP19/32), and while they are not directly applicable to AGI (which is a 'core' firm under SM&CR), there is an expectation from the FCA (and best practice dictates) that firms should consider these guidelines in developing their approach to operational resilience, albeit that any arrangements put in place would be proportionate to the size of the firm and the scope of its activities. While it was concluded that AGI was meeting its formal responsibilities as set out in the Senior Management, Systems and Controls section of the FCA Handbook, Ellis Wilson made several recommendations, mostly relating to process and documentation, with a view to strengthening further the current arrangements in place. AGI accepted these recommendations in full and implemented them accordingly.

3.5 Environmental, Social & Governance (ESG) considerations

Amati recognises that managing investments on behalf of clients involves taking into account a wide set of responsibilities in addition to seeking to maximise financial returns for investors. Industry practice in this area has been evolving rapidly and Amati has been an active participant in seeking to define and strengthen its principles, as well as to identify the associated risks and opportunities accordingly. In order to integrate ESG considerations into our investment process we have reconfigured our CRM system, so that investment managers' consideration of these issues and any relevant engagement with prospective or current investee companies can be demonstrated, and with a clear audit trail. This is part of a series of enhancements to our systems to more fully integrate analysis, research, engagement, investment conclusions and reporting into our investment process, and which also feeds into our reporting under the Principles for Responsible Investment (PRI), of which Amati became a signatory in 2018. Amati is also a Tier 1 signatory to the UK Stewardship Code, which aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders.

Climate change is now actively considered as a significant investment risk in the due diligence conducted on potential investee companies, and we are working to enhance our investment process in order to capture those risks with more precision. More generally, Amati is increasingly investing in the new economy, and specifically in companies associated with the global energy transition from fossil fuels to cleaner, more sustainable and less carbon-intensive energy sources. Amati recently became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), whose aim is to improve and increase the reporting of climate-related financial information.

Amati's board of directors oversees the sound governance of the business, and the inclusion of two (up to a maximum of three) non-executive directors from Mattioli Woods provides external insight and challenge. The shareholder agreement further allows for the appointment of an independent non-executive director. To date such an appointment has not been made but it is envisaged that it may be in the future.

Amati has a remuneration committee. It is felt that the size of the company is such that further separate committees for audit or risk are not necessary and the board considers these matters as a whole.

As an entity regulated by the Financial Conduct Authority, Amati is required to apply principles of governance and capital adequacy and report on those.

The directors feel that the most impactful, people-related considerations on which to focus are social considerations. Amati is committed to recruiting good staff where diversity of race, gender, religion, disability or other particular characteristic is no barrier to being appointed to a role. The company provides pleasant working conditions and a range of benefits in addition to salary that the directors feel contribute to looking after the wellbeing of employees, in employment, sickness, retirement and if the worst should happen. Lifestyle, physical health and mental health support services are provided to all staff to access as they choose.

The company cares about its links with the wider community and helping others. Amati's shareholder agreement sets in stone the setting aside of 10% of profits after tax to be paid to charities chosen by shareholders in proportion to their shareholding. Close to £0.5m of donations have been made to over 250 UK charities since 2012.

3.6 Compliance Manual

The purpose of this manual is to provide guidance and set out certain principles, general practices, rules and procedures which provide the foundations for the proper conduct of business within the firm and, in some cases, reflect other applicable jurisdictions' legal and regulatory requirements. The manual is updated quarterly. All staff are required to read the quarterly updates and the entire manual annually.

3.7 Monthly consolidated management accounts

AGH, AGI and AGH consolidated management accounts are prepared each month. The consolidated management accounts are reviewed by Paul Jourdan and Alison Clark on a monthly basis. The AGI management accounts are submitted to the AGI Board quarterly for review and discussion. They are also used to assess the capital adequacy of each entity and of the Group.

3.8 Internal Risk Management Framework

The Group assesses its key risks in the ordinary course of business through the internal risk management framework which is comprised of the Risk Register, the Risk Management Policy and the Compliance Risk Assessment Matrix. The framework records risks across the business, together with the method of control for that risk, any actions that need to be taken and the resulting level of residual risk.

Consideration is also given to future macro and micro environmental changes affecting the risks of the business.

3.9 ICAAP

The main purpose of the ICAAP is to document the ongoing assessment of AGI's risks, how the Board intends to mitigate those risks and how much current and future capital the Group considers necessary having considered other mitigating factors. The ICAAP sets out how the Group manages its risks, what the key risks are and how the Group has satisfied itself that it has sufficient capital in respect of the risks faced now and during the next three years. The ICAAP is provided to the FCA on request. Given that capital management is embedded in the firm and the ICAAP summarises important information relating to the Group's risk management and capital position, it will also be used from time to time by the Group's Boards and its auditors. The ICAAP report is reviewed at least on an annual basis. In addition, however, the Group determines its overall capital requirement by reference not only to its regulatory capital requirements but to the budget approved by the Boards each year. This provides the expected operating performance of the business.

3.10 Risk Categories

The FCA rules in GENPRU consider various risks that the Group's ICAAP addresses, including: credit, market, liquidity, strategic, operational, insurance, concentration, residual, securitisation and business risk. The Board of AGI considers that the main risks for the Group are in the categories of market, operational, business and concentration risk.

3.10.1 Credit Risk (Pillar One risk)

Credit risk is defined as the risk of loss arising from a counterparty failing to meet its financial obligations.

The credit risk in AGI is limited as income is derived predominantly from its funds under management. Investment management fees are contractually payable quarterly in arrears for the VCT and monthly for TB Amati UK Smaller Companies and TB Amati Strategic Metals and AIM IHT.

The principal creditor of AGH is audit and tax fees.

Overall, credit risk is not material to the business.

3.10.2 Market Risk (Pillar One risk)

Market risk was thoroughly tested with the Covid-19 pandemic impact on stock markets. The FTSE All Share total return from 31 January 2020 to 31 March 2020 was -25.39%. The FTSE AIM All Share total return for the same period was -30.23%.

Currency risk arises from the change in price of one currency against another but the Group deals almost exclusively in Sterling so the risk of adverse currency movements is not currently material for the Group.

The long running saga of Britain leaving the European Union ("Brexit") has formed part of the future outlook for Amati for some time now as it has financial, economic and political implications which inevitably affect capital markets. The departure from the European Union may now have taken place but uncertainties still remain in what the future picture looks like for markets. The actions taken by the firm have been to position the portfolio appropriately in order to balance those companies more exposed to the domestic economy with those selling into international markets.

3.10.3 Finance - Liquidity Risk (Pillar Two risk)

Liquidity risk is the risk of a firm that, although solvent, runs out of cash and is only able to borrow at punitive interest rates to meet its obligations as they fall due. The relevant rules are outlined in BIPRU 12.3 and 12.4: https://www.handbook.fca.org.uk/handbook/BIPRU/12/

AGI is a profitable, cash generative fund management business. The fund management model offers good levels of visibility over income which allows the Directors of AGI to forecast revenues and manage costs accordingly.

Cash invested in AGI and generated through the company's profits is held in instant access deposit accounts and transferred into a current account periodically as and when required. All cash is currently held in Sterling accounts.

3.10.4 Strategic Risk (Pillar Two risk)

The strategic risk for the Group is that the strategy that the Group adopts is not able to be enacted for one reason or another. Given the most important asset of the business is its people, the strategy is impacted if there is a fundamental change in those people.

A fundamental change could be the loss of Paul Jourdan to the business, or the loss of the fund management team.

These risks are mitigated by the fact that Paul Jourdan and the other fund managers, and indeed all of the senior members of staff in the business, are shareholders in AGH. In addition as those senior managers run the business there would be less incentive for them to go elsewhere to do the same thing.

Key person insurance is also in place.

The Amati fund managers operate very much with a team approach, and decisions are made once all have considered and agreed relevant factors.

3.10.5 Operational Risk (Pillar One risk)

Operational risk is one of the Group's key risk areas. It has several elements ranging from high level strategic risks to risks stemming from administrative oversights. The Group's risk management framework allows consideration of the risks and mitigation factors and controls in place.

3.10.6 Insurance Risk (Pillar Two risk)

Insurance risk refers to the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. The Group does not underwrite insurance and this is not within its permitted activities. Given the nature of the Group's activities, this is not seen as a risk.

3.10.7 Concentration Risk (Pillar Two risk)

Concentration risk is one of the Group's risk areas.

This risk is reducing as AGI grows and adds funds under management.

3.10.8 Residual Risk (Pillar Two risk)

Residual risk is the risk that the credit mitigation techniques used by the firm prove less effective than expected. Amati does not use credit mitigation techniques so the risk does not apply to the business.

3.10.9 Securitisation Risk (Pillar Two risk)

Securitisation risk is the risk that the capital resources held by a firm in respect of assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transferred. This risk is not applicable for the Group's business as there are no securitised assets.

3.10.10 Business Risk (Pillar One risk)

Business risk is one of the Group's risk areas.

3.10.10.1 Shortfall in business revenue

Adverse market conditions could give rise to a shortfall in budgeted revenue as a result of a decrease in FUM and investors' appetite for additional investment in equities.

There are controls and procedures to monitor these risks, and management would take any necessary remedial action. Scenario modelling has been carried out.

3.10.10.2 Excess unbudgeted cost base

This risk relates to overspending on the budget for the current financial year. Management feel that this risk has been mitigated by monthly appraisal by Paul Jourdan and Alison Clark of actual results versus budget using monthly management accounts, and a quarterly discussion on trading and the financial health of AGI at Board meetings.

3.10.10.3 Fraud or unauthorised activity

This risk is mitigated by internal controls and procedures.

The firm has a Whistleblowing policy documented and available for all staff to see on the Amati Knowledge Base.

The firm provides training to all staff on financial crime and cyber security annually for all staff and as part of the induction process for new staff.

3.10.10.4 Loss of key people

Key person insurance is in place to help mitigate the effect on the Group and its clients of the loss of a key employee.

3.10.11 Interest Rate Risk (Pillar Two risk)

The Group is not exposed to interest rate risk.

3.10.12 Pension Obligation Risk (Pillar Two risk)

AGI's employer pension contributions since April 2019 are 4%. The company is therefore more than meeting the minimum government requirements for pension contributions.

4. Capital Planning

The principal source of capital to fund AGI's business is internally generated profits.

AGI is a profitable business and the objective of the shareholders of AGH is to operate the company at a breakeven level. Both income and costs have a relatively high degree of predictability and the fixed cost base has been maintained at a low level for many years with most costs contractually fixed.

If required, future investments into AGI will be made by the shareholders of AGH and MW. All future investments will be Tier 1 capital instruments (equity units) which will be injected into AGI.

Capital Requirement

AGI is a limited licence firm in accordance with GENPRU 2.1.45 R. Its variable capital requirement is its fixed overhead requirement as this is higher than the sum of its credit risk and market risk requirements.

The ICAAP capital assessment under the Pillar 2 requirement has been assessed as being greater than the Pillar 1 requirement and therefore this is the capital requirement against which we measure our capital resources.

Capital Resources

Amati Global Holdings Limited had the following capital resources on a consolidated basis at 31 December 2020 based on its audited statutory accounts:

Tier 1 Capital	**£'000**
Permanent share capital	100
Share premium	3,862
Equity reserve	(3,697)
Audited P&L Reserves	3,339
Total Tier 1 Capital	3,604
Tier 2 Capital	0
Tier 3 Capital	0
Group regulatory capital resources	3,604

Amati Global Holdings Ltd had the following capital resources on a consolidated basis at 30 June 2021 (unaudited):

Tier 1 Capital	**£'000**
Permanent share capital	100
P&L Reserves	1,894
Other reserves	165
Total Tier 1 Capital	2,159
Tier 2 Capital	0
Tier 3 Capital	0
Group regulatory capital resources	2,159

Neither AGH nor AGI had any Tier 2 or 3 capital resources at 31 December 2020 or at 30 June 2021.

No innovative tier one capital is held by the Group.

Monthly consolidated and entity-level management accounts are prepared and reviewed in detail by Paul Jourdan and Alison Clark. The management accounts for AGI are reviewed by the AGI Board at quarterly meetings. The Group's financial resources compared to its minimum capital requirements are also discussed at these meetings. Annual budgets are prepared and approved by the Boards and these are tracked monthly against the actual performances with significant deviations investigated. The conclusion of the Management Team of AGH and AGI and the Board of AGI is that AGH and AGI have sufficient capital to meet their regulatory resource requirements and also to support their current and foreseeable activities. There are no restrictions on management in regards to the transfer of capital in or out of businesses and in the jurisdictions in which the Group operates, apart from the need to hold the minimum regulatory capital in each entity.

5. Challenge and Adoption of the ICAAP

In preparing the ICAAP for the firm, senior members of AGI have been involved in identifying and quantifying risk events, mitigating controls and management actions that would be taken if a risk was to crystallise. The likelihood and potential impact of each risk event occurring given the mitigating controls are considered. The identification of these risks is based on the judgement of the management team and reflects their views of the scale of the potential impact of each risk. The risks are documented in the Group's Risk Register providing a comprehensive record of risks and controls for the ICAAP analysis.

The ICAAP has been presented to the Board for review and discussion with senior staff in conjunction with the Risk Register for the Group. AGI prepares the ICAAP at least on an annual basis. Further reviews are conducted as required in the event of any changes to the business or economic or market events requiring the Board to review plans and take action to mitigate risk to the business.

When the report is challenged, the Board considers whether the report is an accurate reflection of the risks faced by the business and the possible scenarios that could occur. A final version of the report is prepared incorporating comments from the Board which would then be formally signed off.

The information contained in this document has not been audited by the Group's external auditors, therefore it does not constitute financial statements and should not be relied upon in making judgements about the Group. These disclosures explain how the Boards have calculated certain capital requirements and information about risk management.

6. Use of the ICAAP in the Firm

Risk management is embedded within all of the day-to-day operations in the firm to ensure that risks are mitigated as far as is possible. The preparation of the firm's ICAAP is an extremely useful tool within this framework allowing senior management to consider scenarios which would have the greatest impact on the business, quantify material risks identified and plan capital requirements accordingly.

The Board takes a low risk approach to the management of capital in the firm, preferring to hold sums of capital in excess of requirement, and capital resources held in the Group are closely monitored on a monthly basis. This strategy provides time and resources to allow for remedial action to be taken in the event that the business was no longer profitable or, required to be wound-down. In practice the relatively small size of the business allows senior managers to implement changes to the firm's cost base quickly in the event of an economic downturn.