



MIFIDPRU 8 DISCLOSURE – SEPTEMBER 2024

Issued by: Systematica Investments UK LLP (“SIUK LLP” or the “Firm”)

Financial Year Ended: 31 December 2023

Introduction

The United Kingdom's Financial Conduct Authority (the "FCA") sets its prudential expectations for firms in the specialist sourcebook within the FCA Handbook known as "MIFIDPRU".

As a non-small and non-interconnected MIFIDPRU investment firm ("Non-SNI MIFIDPRU Investment Firm"), SIUK LLP is required to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of this disclosure is to give stakeholders and market participants an insight into the Firm's culture and data on the Firm's own funds and own funds requirements, allowing potential investors to assess the Firm's financial strength.

This document has been prepared by SIUK LLP in accordance with the requirements of MIFIDPRU 8 and is verified by its Management Committee (as defined below). Unless otherwise stated, all figures are as at the Firm's 31 December financial year-end.

SIUK LLP was established on 20 September 2018 and is authorised and regulated by the FCA (since 8 February 2019) to provide regulated products and services to its sole client, the Investment Manager.

The Systematica group of entities (the "Systematica Group") is a technology-driven manager focused on a quantitative and systematic investment approach. Systematica Investments Limited (acting in its capacity as general partner of Systematica Investments LP (the "Investment Manager")) is appointed to act as investment manager for various fund clients (the "Funds") and managed account clients (the "Managed Accounts") (together, the "Clients"). SIUK LLP is appointed as a sub-investment manager to provide execution services for the Funds and/or to provide other related services in the Investment Manager's place, as an agent of the Funds. Underlying investors in the Funds are institutional investors, such as pension funds, insurance companies, and other professional investors. The Systematica Group grows revenues by increasing the underlying asset base on which it charges a management fee. This is achieved through growth of the Firm's client's assets through capital inflows and value creation.

Risk Management Objectives and Policies

This section describes SIUK LLP's risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds
- Concentration risk

- Liquidity

Own Funds Requirement

SIUK LLP is required to maintain own funds that are at least equal to its own funds requirement. The own funds requirement is the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR"):** The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the SIUK LLP currently has permission to undertake, this is set at £75,000;
- **Fixed overhead requirement ("FOR"):** This is equal to one quarter of the Firm's relevant expenditure, based on the prior year audited financial statements;
- **ICARA and Wind-Down:** The minimum amount of capital and liquidity that SIUK LLP would need to have to absorb losses or costs to maintain its ongoing activities and also address the risks faced in the case of an orderly wind down in circumstances where it has cause to wind down and exit the market; and
- **K-factor requirement ("KFR"):** The KFR is intended to calculate a minimum amount of capital that SIUK LLP would need for the ongoing operation of its business. The K-factor that applies to the Firm's business is solely K-AUM (calculated on the basis of the Firm's assets under management ("AUM")).

SIUK LLP's own funds requirement is currently set by its FOR as this is the highest of the metrics. The potential for harm associated with SIUK LLP business strategy, is deemed to be low. This is due to the relatively consistent and stable growth in SIUK LLP's revenues and asset base.

SIUK LLP maintains a healthy own funds surplus above the own funds requirement to mitigate the risk that it falls below that threshold. In the event that the SIUK LLP's own funds drop to an amount equal to 110% of its own funds threshold requirement, the FCA will be notified by the Legal and Compliance function of the Systematica Group as soon as is practicable.

Concentration Risk

Concentration risk arises from the strength or extent of a firm's relationships with, or direct exposure to, a single client or group of connected clients. Where relevant, firms should also consider concentration risk related to, inter alia, the location of client assets and money, cash deposits, on- and off-balance sheet exposures, and sources of earnings. SIUK LLP considers that it has a reliable revenue stream including during stressed market conditions. Investors into the Funds are institutional professional investors that invest for the long term. SIUK LLP, therefore, considers that its balance sheet is not prone to substantial fluctuations, including during stressed market conditions.

The potential for harm associated with concentration risk, is considered to be low.

Liquidity

SIUK LLP is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and, further, to ensure that it has appropriate, liquid resources in the event of a stressed scenario (as tested during SIUK LLP's ICARA process).

The potential for harm associated with SIUK LLP's business strategy, based on its basic liquid assets requirement, is low. SIUK LLP retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. The Systematica Group's corporate accounting function monitors SIUK LLP's cash balances.

Risk Management Structure

The Systematica Group has established a risk committee that is independent of the firm's Governing Body and meets at least quarterly. The risk committee includes the CRO, the CEO, the CIO and Product Managers. The purpose of the risk committee is to provide an appropriate level of oversight (including escalating as may be required to the Executive Committee) on the status of market, liquidity, and counterparty risks.

Governance Arrangements

Overview

SIUK LLP believes that effective governance arrangements help it to achieve its strategic objectives whilst also ensuring that the risks to the Firm, its stakeholders, and the wider market are identified, managed, and mitigated.

The Executive Committee of the Investment Manager (the "Executive Committee") has overall responsibility for the Systematica Group and is therefore responsible for defining and overseeing the governance arrangements at SIUK LLP.

In order to fulfil its responsibilities, the Executive Committee meets on a monthly basis. Amongst other things, the Executive Committee approves and oversees the implementation of the Systematica Group's strategic objectives and risk appetite and provides oversight of the Systematica Group's senior management, which includes members of the Firm's management committee (as detailed below).

SIUK LLP's management body is its management committee, which consists of all limited partners of the Firm (the "Management Committee"), and which meets quarterly to consider the business of SIUK LLP and its affairs. The below table provides the number of directorships held by each member of the Management Committee:

Management Body Member (as at year ending 31 December 2023)	Position within the Systematica Group	Number of Directorships Held	
		Executive	Non-Executive
David Kitson	Chief Investment Officer		
Amine Benamer	Execution Trader		1
John Arscott	Chief Risk Officer	1 ¹	
Thomas Richards	Execution Trader		
Samuel Simkin	Execution Trader		
Ben Maxmin	Head of Sales		
Adam Knowles	Deputy COO	1 ²	

Policy on Diversity and Inclusion

Policies on diversity and inclusion are in place at group level. Whilst SIUK LLP understands the advantages that a diverse team can offer, it does not consciously look to equalise gender or minority ratios and does not set any diversity goals for hiring. Instead, when hiring, we look to recruit the most suitable candidate in each case.

¹ Director of Systematica Investments Services Limited, the sole member of SIUK LLP

² *Ibid*

Own Funds

The below disclosure uses the template set out in Annex 1R of MIFIDPRU 8 and provides a breakdown of the Firm's own funds held as at 31 December 2023:

Composition of Regulatory Own Funds			
	Item	Amount (GBP Thousands)	Source Based on Reference Numbers/Letters of the Balance Sheet in the Audited Financial Statements
1	OWN FUNDS	11,513	
2	TIER 1 CAPITAL	11,513	
3	COMMON EQUITY TIER 1 CAPITAL	11,513	
4	Fully paid-up capital instruments	2,326	
5	Share premium	-	
6	Retained earnings	-	
7	Accumulated other comprehensive income	-	
8	Other reserves	14,524	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	

11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	5.337	
19	CET1: Other capital elements, deductions and adjustments	-	
20	ADDITIONAL TIER 1 CAPITAL	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	TIER 2 CAPITAL	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Own Funds: Main Features of Own Instruments Issued by the Firm

SIUK LLP's own funds consist of common equity tier 1 capital.

Own Funds Requirements

SIUK LLP is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR and FOR.

The below illustrates the core components of SIUK LLP's own funds requirements:

Requirement	£'000
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	2,901
(C) K-Factor Requirements ("KFR") (solely K-AUM)	2,223
(D) Own Funds Requirement (Max. [A, B, C])	2,901

SIUK LLP is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation on SIUK LLP to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- it is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

SIUK LLP determines that the FOR is sufficient to mitigate the risk of a disorderly wind-down and has therefore identified that it is not required to hold 'additional own funds required for winding down', above the FOR.

SIUK LLP's own funds threshold requirement is the sum of its FOR and its additional own funds required for winding down (as calculated in its ICARA as 'o'). This is the amount of own funds that SIUK LLP is required to maintain at any given time to comply with the OFAR.

This process is documented in the ICARA and presented to, and ratified by, the Management Committee at least annually.

Remuneration Policy and Practices

Overview

The objective of the Systematica Group's remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, SIUK LLP and the Systematica Group generally recognises that remuneration is a key component in how it attracts, motivates, and retains quality staff and is key to encourage consistently high levels of performance, productivity, and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage.

Characteristics of the Firm's Remuneration Policy and Practices and Governance

Remuneration at SIUK LLP can be made up of fixed and variable components. Fixed salary is paid at a level commensurate with the role, experience and qualifications. Variable remuneration is paid on a discretionary basis.

The Systematica Group's remuneration policy and practices are reviewed annually by the Executive Committee and by each relevant board of directors.

Material Risk Takers

SIUK LLP is required to identify its material risk takers - those members of staff whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). The types of staff that have been identified as material risk takers at SIUK LLP are:

- Members of the management body in its management function;
- Members of the senior management team;
- Those with managerial responsibility for a client-facing or client-dealing business unit of the SIUK LLP;
- Those with managerial responsibilities for the activities of a control function³;
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;
- Those that are responsible for managing information technology, information security, and/or outsourcing arrangements of critical or important functions; and

³ A control function is defined as a function (including, but not limited to, a risk management function, compliance function and internal audit function) that is independent from the business units it controls and that is responsible for providing an objective assessment of the Firm's risks, and for reviewing and reporting on those risks.

SIUK LLP's total number of material risk takers as at the date of publication is six.

Quantitative Remuneration Disclosure

The total amount of remuneration (fixed and variable) paid to all staff (including Partners, employees, secondees) in financial year 1 January to 31 December 2023 was £6,456,363.98, which consists of £3,175,716.59 fixed and £3,280,647.39 variable.

MIFIDPRU investment firms are typically required to split the quantitative data, where relevant, into categories for senior management and other material risk takers and into fixed and variable remuneration categories. However, if the Firm was to disaggregate such information in the disclosure it is of the opinion that it would lead to the disclosure of sensitive information about only one or two individuals.

Investment Policy and Practices

The Firm does not hold any investments on its balance sheet and does not engage proxy voting services on behalf of its clients.