AKO Capital

MIFIDPRU 8 DISCLOSURE

INTRODUCTION

This disclosure is in relation to AKO Capital LLP (“AKO”, “the Firm”). AKO is a privately owned limited liability partnership, incorporated in the United Kingdom (“UK”), authorized and regulated by the Financial Conduct Authority (“FCA”) under firm reference number 431687.

AKO provides discretionary investment management services to a number of Cayman-domiciled Alternative Investment Funds (“AIFs”) and an Irish Regulated UCITS ICAV. The investment strategy is to invest long/short and long-only in listed large-cap equities globally.

This document sets out the public disclosure under MIFIDPRU 8 for AKO as of 31 March 2022, which represents the end of AKO’s most recent financial accounting period.

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“MIFID”), AKO is subject to the prudential requirements of the Investment Firms Prudential Regime (“IFPR”) contained in the MIFIDPRU Prudential sourcebook for MIFID Investment Firms of the FCA Handbook.

AKO is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 of the IFPR. These requirements are supplemented by the guidance set out in MIFIDPRU 8 published by the FCA. Under the IFPR’s firm categorisation, AKO is categorised as a non-small, non-interconnected (“non-SNI”) MIFIDPRU investment firm.

The disclosure for AKO is prepared annually on a solo entity (i.e. individual) basis. We believe the information provided is proportionate to AKO’s size and organisation, and to the nature, scope and complexity of AKO’s activities.

The annual audited accounts of AKO set out further information which complements the information in this disclosure. The audited accounts are freely available from UK Companies House.

This disclosure has been ratified and approved for disclosure by the Managing Board of AKO.

GOVERNANCE

AKO Capital LLP is proud to be a certified B corporation and is a signatory of the United Nations supported Principles for Responsible Investment (UNPRI).

A key element to these certifications is ensuring there is effective and prudent management of AKO Capital LLP.

AKO is operated by the Managing Board of AKO –

Managing Board Member	Position	Other directorships
Patrick Hargreaves	CEO	AKO Master Fund Limited AKO Fund Limited AKO European Long-only Master Fund Ltd AKO European Long-only Fund Limited AKO General Partner Ltd. AKO Global Master Fund Ltd Ako Global Fund Limited AKO Global Long-only Master Fund Ltd AKO Global Long-only Fund Ltd
Andrew Dubin	COO	AKO UCITS Fund ICAV
Peter Towler	CCO	None

The members of the Managing Board are all FCA approved Senior Managers. Their suitability, experience, knowledge and skills are assessed at least annually where they are reconsidered as fit, proper and competent to fulfil their roles.

The Managing Board is responsible for culture, philosophy, strategy and policy setting, risk strategy, conflicts of interest management and for all corporate management.

Due to the simple nature of AKO's business, this governance framework is considered sufficient. The Managing Board holds formal quarterly board meetings which have a standardised agenda and are minuted. In addition, the Managing Board meets as and when needed to make any decisions required for the running of AKO.

Board meetings have standardised agendas covering-

- Size of funds under management and performance
- Personnel & infrastructure update
- Financial position
- Business risks
- Compliance
- AOB including ad hoc items

Template

The only other formalised committee is the AKO Valuation Committee which comprises the COO and one of the AKO Cayman Fund Directors, Declan Quilligan. This committee meets six-monthly, or more often as needed, and is responsible for ensuring the valuation of the AKO Funds is undertaken in accordance with the Administrator's valuation policy & procedures.

There is no separate Risk Committee as this is not considered necessary within the Firm. However, AKO has a dedicated Risk & Reporting Officer, segregated from the Investment team, whose role is to report risk data to the portfolio managers and Managing Board for their consideration and action as they see fit.

The Firm has in place a Senior Management Arrangements Systems & Controls ("SYSC") roles and responsibilities matrix that identifies all key areas of AKO's business and operations. The matrix highlights those individuals responsible for each key area. This matrix is reviewed and ratified at least annually by the Managing Board. It evidences clear segregation of duties and redundancy arrangements withing the Firm.

As part of its B Corp and UNPRI responsibilities, the Managing Board has put in place a dedicated team responsible for Environmental Social & Governance ("ESG") matters. Part of these responsibilities include managing and monitoring the Firm's Diversity & Inclusion Policies & Procedures. AKO recognises the importance and value of having a workforce that is representative of all sections of society. AKO wants its workforce to feel valued and respected and to be able to voice their opinions at all times.

Over the last few years AKO has been building on its diversity, equality and inclusion strategy to increase gender balance across the organisation and to increase the number of female partners. At the time of writing, AKO has determined that due to the private partner ownership structure of AKO Capital LLP, the small size and stability of the Managing Board means that it does not seem appropriate or necessary to set diversity targets for the Managing Board; rather, AKO continues to set higher level aspirations at a Firm and Partner level.

AKO publishes its ESG values on its intranet site for all staff and the Managing Board reports on these values on a regular basis. These values include investors and companies and are at the heart of ensuring AKO does the very best job it can for its clients.

OWN FUNDS

Table 1 shows a break-down of AKO's regulatory Own Funds and confirms there are no regulatory deductions.

Our Own Funds is made up entirely of members' capital contributions and audited reserves.

Table 1. 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**	**48,308**	
2	**TIER 1 CAPITAL**	**48,308**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**48,308**	
4	Fully paid-up capital instruments	1,488	Members' capital
5	Share premium		
6	Retained earnings	46,820	Audited reserves
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**	0	
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**	0	
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		

Table 2 shows a reconciliation of AKO's regulatory Own Funds with its balance sheet from the audited accounts.

Table 2. Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
		a	c
		Balance sheet as in published/audited financial statements	**Cross-reference to template OF1**
		As at period end	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*			
1	Investments	51,186	
2	Debtors	25,356	
3	Cash	102,216	
4			
5			
	Total Assets	178,758	
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*			
1	Creditors (due within 1 year)	7	
2	Loans due to members	54	
3			
4			
	Total Liabilities	61	
Shareholders' Equity			
1	Members' capital	1,488	Item 4
2	Audited Reserves	46,820	Item 6
3	Retained profit	130,389	
	Total Shareholders' equity	178,697	

Template

OWN FUNDS REQUIREMENT

AKO's Own Funds Requirements are determined as the highest of the following three requirements under MIFIDPRU 4.3.2 R:

1. Permanent Minimum Capital Requirement (PMR) – £75,000 (MIFIDPRU 4.4.4R)
2. Fixed Overheads Requirement (FOR) – £3,066,000 one quarter of the Company's annual fixed overheads (MIFIDPRU 4.5.1.R), unless there is a material change expected to projected expenses during the year (MIFIDPRU 4.5.7R)
3. K-factor requirements – (k-AUM) + (k-DTF) £555,000, a breakdown of which is provided below.

AKO's Own Funds Requirements are therefore determined by the FOR, i.e. £3,066,000, which is the highest of these three.

The 'K-factor' approach is a new approach introduced by the IFPR to determine the minimum own funds requirements of an investment firm that is not an SNI. The aim of the K-factors is to provide a tailored and more appropriate method for setting a risk-based minimum own funds requirement for all types of investment firm compared to the CRR regime.

The K-factors relevant to AKO include the following:

- K-factor requirement calculated on the basis of Assets under Management (k-AUM).
- K-factor requirement calculated on the basis of the Daily Trading Flow (k-DTF). DTF is measured as a rolling average over the previous 9 months but excluding the 3 most recent months.

K-factor requirement: **(Sum of)**	**Amount** **(£,000)**
k-AuM	510
k-DTF	45
Total K factor assessment	**555**

The Company utilises a number of approaches to ensure that it remains compliant with the overall financial adequacy rule under MIFIDPRU7.4.7R, both in terms of own funds and liquidity resources.

Foremost is the annual assessment of own funds and liquidity adequacy conducted during the Internal Capital Adequacy and Risk Assessment ("ICARA") process, which considers the Company's resource requirements under 'business as usual' and a variety of severe yet plausible stress tests.

In the case of our Own Funds, these requirements are forecast over a three-year time horizon and test the key sensitivities of the Company's business which, in essence, is a severe drop in revenues caused by a drop in AuM. The Company then ensures that its current level of financial resources is adequate to remain a going concern during this period under all scenarios considered.

Included within the ICARA is also an assessment of the capital required to effect an orderly wind down of the business. This figure is compared to the Firm's Own Funds requirement as detailed above. As at the time of writing AKO's OFR is greater than its wind-down capital requirement.

The wind-down plan ensures there is a process of ceasing operation while ensuring minimal impact to clients. It is therefore worth pointing out that AKO's only clients are the AKO Funds we manage and these will be wound down first and will cease operating before AKO Capital LLP is wound up. Accordingly, once the AKO Funds are wound up and AKO ceases providing investment management services to those Funds then AKO will no longer be conducting any investment business and can seek resignation from the FCA. AKO's formal wind-up will therefore technically occur outside FCA requirements.