MIFIDPRU 8 DISCLOSURE

(BASED ON FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2023)

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 2023, 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.

SIGNIFICANT CHANGES SINCE LAST DISCLOSURE

There are no significant changes which the managing Board consider should be notified here.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Firm's Statement of Risk Appetite

The Governing Body is committed to managing all of the Firm's risks. The Governing Body has decided that the Firm's overall appetite for risk in business operations is conservative and it encourages all staff to identify, escalate and minimise risks as much as possible. The Firm has a conservative approach to tax and regulatory compliance risk and employs reputable external advisors that are specialised in those areas.

The Firm defines "risk appetite" as the level of risk that the Governing Body considers is acceptable for a given risk or group of risks. The assessment of risk takes into account the risk's impact and probability and the perceived or actual effectiveness of existing mitigating controls.

The Managing Board reviews the risk appetite of the Firm each year as part of its review and signs off its ICARA and the financial budget for the next year.

The Firm has developed four statements which collectively make up its Risk Appetite Statement as follows:

Credit risk

> The Firm's exposure to credit risk is the risk that investment management and performance fees cannot be collected and the exposure to banks where cash deposits are held.
>
> The Funds' Administrator is responsible for calculating the Net Asset Value of the AKO Funds and therefore for calculating and instructing payment of the management (and, if necessary, performance fees) due. Management fees are paid monthly, rather than any longer period, thereby reducing potential credit risk in this area. Historically the management and performance fees have typically been paid within 2 weeks of month end.
>
> The Firm holds all cash with Svenska Handelsbanken, a commercial bank which is currently AA- rated (no change to last year's rating).

Market risk

> As an investment management firm, the Firm does not have a trading book. Our potential exposures are non-trading book exposures to foreign currency assets or liabilities held on our balance sheet.
>
> We do not hold foreign currency assets or liabilities. Whilst the Firm earns fees in US$, Euro and NOK, these are converted to £sterling before they are paid to AKO Capital LLP thus ensuring we are not exposed to any currency risk on the balance sheet of the LLP.

Operational risk

This incorporates the portfolio management, trading, valuation and risk management processes undertaken with respect to managing the AKO Funds as well as the regulatory and contingency planning done at the Firm level. Our operational risk appetite is conservative and, as a result, we invest to mitigate such risks:

Our approach to portfolio management is designed to include a degree of redundancy – for example, we try, where possible, to ensure company meetings are attended by two or more AKO investment professionals.

Our staffing levels also provide a level of contingency cover in all critical business areas such as investment management, trading and operations.

The Firm has documented contingency planning and disaster recovery procedures and these are regularly reviewed and tested.

We also aim to keep all aspects of our operations as simple as possible.

Business and liquidity risk

By its nature a hedge fund manager has a higher business risk than some other types of businesses. However, within this context the Firm, again, has a conservative business risk appetite.

As stated above, the Firm has a simple investment strategy and the main business risk is that the Board of Directors of one or more of the AKO Funds terminates the investment management agreement with the Firm, or, whilst the mandates are not terminated, investors choose to redeem and there is a fall in the assets managed. This could arise as a result of poor investment performance or if one or more key staff members left the business.

We believe the risk that the Directors of the Funds terminate the investment management agreements is largely theoretical in nature and unlikely. The Board of Directors of the European strategy Funds has over 15 years of track record to consider (for the European hedge fund) and based on historic performance we consider it unlikely the Board will seek to cancel the mandate. However, as noted below, we have analysed and ensured we have sufficient assets to wind-down the business should such a situation occur.

We have analysed the costs of winding down the business and ensure we hold assets to cover such an eventuality if this were required.

The Firm has considered whether there is any misalignment between its business strategy and its risk appetite. The Firm is comfortable that, in light of the comparatively stable and predictable levels of the Firm’s fee income and expenditure, the business strategy is aligned with its risk appetite.

GOVERNANCE ARRANGEMENTS

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

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 semi-annually, 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 diverse workforce. 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 '000)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**61,351**	
2	**TIER 1 CAPITAL**	**61,351**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**61,351**	
4	Fully paid-up capital instruments	1,493	Members' capital
5	Share premium		
6	Retained earnings	59,858	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 (GBP '000)*			
1	Investments	39,323	
2	Debtors	21,281	
3	Cash	44,494	
4			
5			
	Total Assets	105,098	
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*			
1	Creditors (due within 1 year)	2	
2	Loans due to members	4	
3			
4			
	Total Liabilities	6	
Shareholders' Equity			
1	Members' capital	1,493	Item 4
2	Audited Reserves	59,858	Item 6
3	Retained profit	41,464	
	Total Shareholders' equity	102,815	

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) – £3,463,683,000 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) £495,443, a breakdown of which is provided below.

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	457
k-DTF	39
Total K factor assessment	**496**

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.

The wind-down plan ensures there is a process of ceasing operation while ensuring minimal impact to clients.

AKO has determined that the level of Own Funds required to achieve an orderly wind down of the business is £3,771,490.

The Managing Board reviews and approves the ICARA on at least an annual basis.

REMUNERATION POLICY & PRACTICES

AKO Capital is obliged to comply with the Remuneration Code, set out in FCA Rules SYSC 19B & SYSC 19G and in accordance with ESMA's Guidelines on sound remuneration policies.

The fundamental objectives of the AIFMD and FCA MIFIDPRU Remuneration Rules are to ensure a firm has remuneration policies applicable to AIFM Remuneration Code Staff and Material Risk Takers that sustain market confidence and promote financial stability through removing the incentives for inappropriate risk-taking by firms and thereby to protect consumers.

As an LLP, the Firm is owned by the Partners who work in the partnership. Each Partner is obliged, on joining, to contribute capital to purchase their partnership interest.

Such interest gives them the right to share in the profits of the Firm, in accordance with the terms of the partnership deed, which provides, amongst other things, that their right to receive profits is subordinated to ensuring the Firm always meets its FCA financial requirements.

A key consideration of utilising the LLP structure was and still is, to seek to align all the interests of various key personnel of the Firm to the common goal of achieving the best performance over the long-term for the investors in the AKO Funds we manage. We achieve this alignment of interest, as a key driver to profits of the Firm is performance fees which are only paid each year assuming we exceed each Fund's previous year's high water mark, and in the case of the Long-only Funds, exceed the relevant benchmark as specified in each Fund's offering documents. Furthermore, a certain percentage of a Partner's remuneration is deferred for 3 years as further explained below and held and paid out, not only in cash, but also in shares of the AKO Funds we manage.

As the rolling average value (preceding four years) of our on- and off-balance-sheet assets is less than £300 million and we do not have a trading book or derivatives business, the shares, instruments and alternative arrangements, the retention policy, deferral and discretionary pension benefits provisions of the MIFIDPRU Remuneration Code do not apply.

AIFM Remuneration Code Staff & Material Risk Takers

AIFM Remuneration Code Staff are defined in SYSC 19B.1.3 as "senior management, risk takers, control functions and any personnel receiving total remuneration that takes them into the same remuneration bracket as senior managers and risk takers".

Material Risk takers are defined under the MIFIDPRU Remuneration Code in SYSC 19G.5.1 as "a staff member whose professional activities have a material impact on the risk profile of the firm or of the assets that the firm manages".

Based on the above definitions, AKO does not consider any salaried employee to fall within the above definitions. Such staff receive a base salary, pension and a discretionary bonus which is set by the CEO.

Whilst AKO could reduce the number of partners that fall within the definitions, in order to ensure consistency and fairness amongst the partners, AKO considers all Partners of AKO Capital LLP to fall within the above definition and, as such, AKO considers all partners as "Material Risk Takers".

In addition, Patrick Hargreaves as CEO, Andrew Dubin as COO and Peter Towler as CO are considered FCA "Senior Managers" and are registered with the FCA accordingly.

Categorising fixed and variable remuneration

Treatment of Partners' Profit Shares

All Partners have a fixed % ownership interest in AKO Capital LLP.

At the end of each quarter and at year-end, residual profits are distributed according to each individual partner's notional ownership % profit share interest. Therefore, as this profit distribution is not linked to the individuals work or performance, then in accordance with SYSC 19G.4.4, the FCA does not consider these payments to be remuneration.

Based on the above analysis, we believe that all AKO Capital's Partner income, except the fixed annual draw (paid monthly) is partnership profit share and therefore it can be argued that it is NOT Remuneration for the purposes of FCA Rules.

However, in view of the subjective nature of this decision and our wish to comply with the spirit of regulations as well as the detail we will look to treat all our Partners' profit shares as Remuneration and therefore subject to this policy.

We are therefore required to split the profit share remuneration as fixed vs. variable and to set an appropriate balance and ratio between the fixed and variable components of total remuneration. Our analysis here is that FCA guidance indicates it is discretionary bonus type payments and/or profit share granted when there is a degree of discretion as to the amount that are considered as variable remuneration. Accordingly, to the extent our profit share payments are simply a fixed % ownership interest in AKO Capital LLP and there is no discretionary element, then 100% of that part of a Partner's profit share should be considered fixed remuneration.

However, as we are keen to comply with the spirit of the regulations and see a strong commercial rationale for continuing to operate a Partner deferral plan, AKO Capital's policy is:

- Include in each partner's profit share a variable element, and
- Not disapply the Pay-out Process Rules.

AKO Capital treats a portion of a Partner's notional profit share due from both the management fee and any performance fees as variable and thus subject to individual performance considerations in the determination of the ultimate payment amount. Such considerations include a wide range of factors including the individual's contributions to the firm's financial performance; improvements in the firm's investment and/or operational processes; the individual's influence on the AKO's values and culture; and their adherence to compliance policies and procedures, among others. Of the amount ultimately determined to be owed the partner, a significant portion is deferred and paid out over three years in a combination of cash and shares in the AKO funds.

Deferred amounts are therefore subject to malus and clawback provisions.

Outgoing Members

The treatment of variable and deferred amounts of Outgoing Partners is at the discretion of the Managing Board of AKO Capital and will depend on the facts and circumstances of the individual situation.

Quantitative Remuneration Disclosures

The below table quantifies the remuneration paid to staff in the financial year to 31 March 2023.

		Senior Mgt	Other MRTs	Other staff
Personnel split		3	29	43
Remuneration Awarded	Fixed (£)	17,541,051	47,273,072	1,655,795
	Variable (£)	5,926,364	15,259,544	673,097
	Total (£)	23,467,415	62,532,616	2,328,892
Guaranteed variable remuneration	Amount (£)	0	0	0
	# Staff Awarded	0	0	0
Severance payments	Amount (£)	0	0	0
	# Staff Awarded	0	0	0
Highest severance payment awarded to an individual (£)		0	0	0