Shackleton Finance Limited
14-15 Jewry Street
Winchester
Hampshire
SO23 8RZ

+44 (0) 1962 842621
+44 (0) 8703-836615 fax

www.shackletonventures.com

Shackleton Finance Limited
Pillar 3 Disclosure
As at 31 December 2016

Background

Shackleton Finance Limited (the "Company"), is authorised and regulated by the Financial Conduct Authority (the "FCA"). The Company acts as an investment manager and adviser to five limited partnership funds (together the "Funds").

The Company is categorised as a limited license firm by the FCA for capital purposes.

Pillar 3 disclosure fulfils the Company's obligation to disclose to market participants key pieces of information on a firm's capital, risk exposures and risk assessment process.

Risk Management Objectives and Policies

The directors of the Company ("Directors") determine its business strategy and its risk appetite. The Managing Partner is responsible for the overall systems and controls with the Company ("SYSC") to ensure governance and oversight of the business and that the levels of risk are consistent with the risk appetite of the Company. The Managing Partner allocates responsibilities to other staff within the SYSC framework of the Company. The Directors and Compliance Officer

- Have designed and implemented a risk management framework that recognises the risks the business faces;
- Have approved the risk management framework;
- Have determined how those risks may be mitigated; and
- Assess on an ongoing basis the controls and procedures necessary to manage those risks.

The Directors meet on a regular basis and discuss projections for profitability, liquidity, regulatory capital, business planning and risk management.

As an investment manager, the Company considers the following as key risks to its business:

- Business risk – this risk represents a fall in assets under management, as a result of realisations or liquidation, which may reduce the fee income earned by the Company and reduce its ability to finance its operations and pay its expenses. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process ("ICAAP");

- Operational risk – this risk covers a range of operational exposures from risk of trading errors to risk of breach of a Fund's investment objectives. Legal and reputational risks are also included within the category of operational risk. Operational risks and mitigants are assessed as part of the ICAAP;
- Credit risk – this risk relates to the exposure to the Funds for non-payment of management and performance fees and counterparty exposure relating to the Company's bank balances and any other debtors. Management fees are generally drawn in advance and other balances are monitored monthly by Directors; and
- Market risk – the risk is the exposure to foreign exchange fluctuations, which represent negligible influence as all fee income and expenses are sterling denominated.

Capital Resources

The consolidated capital resources of the business comprise Tier 1 capital with no deductions. As a limited license firm the consolidated capital resources requirement is calculated as a total of:

Pillar 1 and Pillar 2 capital, where Pillar 1 capital is the greatest of:

- A base capital requirement of €50,000;
- The sum of market and credit risk requirements; and
- The fixed overhead requirement ("FOR")

Pillar 2 capital is calculated by the Company as representing any additional capital to be maintained against any risks not adequately covered under the requirements in Pillar 1 as part of its ICAAP. It is the Company's experience that its capital requirement normally is the market and credit risks requirements, although FOR risks are reviewed annually. The Company applies the standardised approach to credit risk, applying 8% to the Company's risk weighted exposure amounts, consisting mainly of investment management fees due but not paid and cash at bank. 20% is applied to the credit risk on board fees due but not yet paid.

The Company's ICAAP concluded that no additional capital is required in excess of its Pillar 1 capital requirement.

Shackleton's Pillar 1 requirement
Defined above as the greater of a base capital requirement of €50k and FOR £45k is therefore €50k.

Shackleton's Pillar 2 requirement
The Company's ICAAP concluded that no additional capital is required in excess of its Pillar 1 capital requirement.

The Company's consolidated regulatory capital position is:

Capital item	£000
Tier 1 capital: share capital and audited reserves at 31 December 2015	£498

Liquidity Policy

The Company maintains a surplus of liquid resources sufficient at all times to meet any immediate requirements it could prudently foresee. The Company holds its working capital requirements in cash and daily liquidity funds.

Management of the ICAAP

The approach of the Company to assessing the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to the Company and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital. The Company also performs a review of the costs to close, should it be unable to generate sufficient revenue to meet its liabilities as they fall due, which would enable it to be closed in an orderly manner.

The Company's ICAAP is formally reviewed by the Directors every 12 months, but will be revised should there be any material change to the Company's business or risk profile.