# GCM Investments UK LLP

# MIFIDPRU 8 Disclosures

# 31.12.2024

# 1. Contents

# Introduction

**<u>Business Background</u>**

GCM Investments UK LLP (the "Firm") (CHN: OC325803) is a Limited Liability Partnership ("LLP"). The Firm was incorporated on 7th February 2007 and authorised on 5th October 2011 (FRN: 534461) and is now regulated by the Financial Conduct Authority ("FCA"). The Firm is authorised as a full scope Alternative Investment Fund Manager ("AIFM") and categorised as a Collective Portfolio Management Investment firm. The Firm therefore falls into scope of the Investment Firms Prudential Regime and the MIFIPDRU section of the FCA handbook. The Firm is required to comply with the disclosure requirements set out in the MIFIDPRU 8 section of the FCA handbook.

For the purpose of prudential regulations, GCM Investments UK LLP is classified as a Non-Small and Non-Interconnected ("**Non-SNI**") Firm. The information provided is appropriate for the size and nature of the company.

**<u>Basis and Purpose of Disclosure</u>**

This disclosure sets out the Firm's remuneration policies and processes to a level of detail which is appropriate to the Firm's size, and to the nature, scope and complexity of its activities.

These disclosures are revised at least annually with additional updates prepared during periods of material change and published on the following website: https://www.regdisclosures.com/gcmi1131016.

The Firm is controlled by two corporate members, both of which are registered in the UK. GCM UK 2 Limited holds 9% and GCM UK Limited has a majority 91% holding. These disclosures have been prepared on a standalone basis as of 31st December 2024, being the date of the Firm's last published annual financial statements.

## Governance arrangements (MIFIDPRU 8.3)

The governance of the Firm is effected by the Management Body (the “Body”), consisting of the following individuals holding Senior Manager Functions:

| Name | Individual Reference Number | FCA Role |
|---|---|---|
| Mary Gavigan | MXG00036 | SMF 9 |
| Burke Montgomery | BXM23779 | SMF 27 |
| Ravi Parekh | RXP17378 | SMF 27 |
| Mayur Shah | MXS02072 | SMF 27 |

The Body meets quarterly and oversees the implementation of Governance arrangements that ensure effective and prudent management of the Firm. The Body is also responsible for the Firm’s Risk management framework, identifying any potential risks and overseeing the Firm’s assessment of material harms.

The Management Body has delegated day to day governance and monitoring to Senior Management:

| Name | Individual Reference Number | FCA Role |
|---|---|---|
| Benjamin Essel | BXE00094 | SMF 17 |
| Shauna Harrison | SXH00780 | SMF 16 |

To ensure that the Firm and its Management Body act in accordance with applicable legal and regulatory requirements, matters reviewed by the Management Body include:

- Business strategy

- Financial soundness

- Governance arrangements

- Risk management and systems and controls

- Investor outcomes

## Own Funds (MIFIDPRU 8.4)

Under MIFIDPRU 8.4 (Own Funds), firms are required to disclose the following information:

- a reconciliation of CET1, AT1 and T2 items including relevant deductions
- a reconciliation against the balance sheet
- a description of the CET1, AT1 and T2 makeup

**Composition of Own Funds**

The below figures are reported in pound sterling as at 31st December 2024

| | Item | Amount (GBP) | Source based on reference numbers of the audited financial statements |
|---|---|---|---|
| 1 | OWN FUNDS | 1,800,000 | |
| 2 | TIER 1 CAPITAL | 1,800,000 | |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 1,800,000 | |
| 4 | Fully paid-up capital instruments | 1,800,000 | Members capital classified as equity |
| 5 | Share premium | | |
| 6 | Retained earnings | | |
| 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 | | |
| 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: reconciliation of regulatory own funds to balance sheet in the audited financial statements**

| | | a | b | c |
|---|---|---|---|---|
| | | **Balance sheet as in published/audited financial statements (GBP)** | **Under regulatory scope of consolidation** | **Cross reference to template OF1** |
| | | **As at period end** | **As at period end** | |
| **Assets -** Breakdown by asset classes according to the balance sheet in the audited financial statements | | | | |
| 1 | Tangible Assets | 978,317 | | |
| 2 | Other Assets | 331,003 | | |
| 3 | Debtors | 1,832,959 | | |
| 4 | Management fees receivable | 1,325,442 | | |
| 5 | Cash and cash equivalents | 2,981,563 | | |
| 6 | Total Assets | 7,449,284 | | |
| **Liabilities** - Breakdown by liability classes according to the balance sheet in the audited financial statements | | | | |
| 7 | Creditors: amounts falling due within one year | 4,118,640 | | |
| 8 | Employee related obligations | 27,795 | | |
| 9 | Deferred rent | 289,395 | | |
| **Equity** | | | | |
| 10 | Called Up Share Capital | 1,800,000 | | |
| 11 | Profit and loss account | 1,213,454 | | |
| 12 | Total equity | 3,013,454 | | |

**Own funds: main features of own instruments issued by the firm**

GCM Investments UK LLP's total own funds amounts to £1,800,000 as of 31st December 2024, which consists of LLP Member's Capital only. The Firm does not currently hold any items on its balance sheet that require deductions from CET1 neither does the Firm have any losses to be deducted. All year end profits are distributed amongst the LLP members and not used as regulatory capital. The Firm's distributions to LLP Members does not impact the Own Funds requirements.

## Own Funds Requirements (MIFIDPRU 8.5)

GCM UK Investments LLP is required to assess the adequacy of its own funds in accordance with the overall financial adequacy rule. As of 31st December 2024, the Firms own funds threshold requirements as a Non-SNI firm in accordance with MIFIDPRU 4.3 were as follows:

| | |
|---|---:|
| Permanent Minimum Requirement (“PMR”) | 75,000 |
| K Factor Requirement (“KFR”) (sum of below) : | 253,962 |
| *KFR – Risk to Client* | *253,962* |
| *KFR – Risk to Firm* | - |
| *KFR – Risk to Market* | - |
| Fixed Overhead Requirement (“FOR”) | 1,465,477 |
| AIFMD Requirement | 1,512,841 |
| **Own Funds Threshold Requirement** | **1,513,014** |

From the above the own funds threshold requirement of the Firm is the AIFMD requirement calculated as the FOR at £1,4,65,477 based on the firms audited accounts at 31.12.2024 plus the Firms professional negligence capital requirement as £47,537.

The Firm monitors its ongoing expenditure and prepares forward looking financial forecasts to ensure that the FOR does not move more than 30% or £2m which would trigger a material change for the Firm to update its FOR mid year.

The Firm’s K Factor requirement is calculated on the regulated MIFID activities the Firm performs. This includes the investment advisory services it provides to an alternative investment fund. As at 31st December 2024 the value of these assets calculated in accordance with MIFIDPRU 4.7.5 amounted to £1,269,808,440, creating a K-AUM requirement of £253,962.

The Firm is also obliged to consider risks on top of its basic requirement through its Internal Capital Adequacy and Risk Assessment (“ICARA”) process in MIFIDPRU 7.6.2. A reasonable estimate is required to ensure firms hold enough own funds to cover the risks identified in the below:

1. The firm is able to remain financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities; and
2. The firm’s business can be wound down in an orderly manner.

The Firm’s 2024 ICARA assessment yielded no incremental own funds required to fund ICARA based risks. Therefore, the Firm’s Own Funds Threshold Requirement is the Firm’s FOR at £1,513,014.

## Remuneration policy and practices (MIFIDPRU 8.6)

**Approach to remuneration**

The LLP's senior management and Group Executive Compensation Committee ("ECC") are responsible for setting and implementing the remuneration policies of the firm. The policies shall be, at least annually subject to central and independent internal review for compliance with the Firms policies and procedures.

The Firm has ensured that its procedures and practices are appropriate and proportionate to the nature, scale and complexity of the risks inherent in its business model and activities. More generally in complying with the Remuneration Rules, the Firm seeks to do so in a manner that is appropriate to

- its size and internal organisation; and
- to the nature, scope and complexity of its activities. complying with the remuneration requirements to the extent that is appropriate to its size, nature and scope of its activities.

The Firm, in light of its size and nature of activities, is not required to form an independent remuneration committee, however it ensures that senior management and the ECC periodically reviews the policies and retains overall responsibility of its oversight.

The Firm's remuneration procedures and practises apply to all staff. Both members and employees have been set out separately below.

**Objectives of financial incentives**

***General***

The LLP's objectives of financial incentives can be summarised as follows:

- Individuals are rewarded based on their contribution to the overall strategy of the LLP; and
- Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the LLP are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the LLP.

**Decision making process**

The LLP's senior management and ECC perform periodic reviews of the policies and practises and are also responsible for setting the incentive bonus pool and how that incentive pool is allocated. The team ensures the program achieves the proper balance between the need to reward employees and the need to promote sound risk management. While the design of the compensation program is primarily performance-based, significant discretion is used to determine individual compensation according to the type of role undertaken and a number of performance factors including the achievement of the Firm's long-term strategic goals.

**Components of remuneration**

The LLP's remuneration included in this disclosure is made up of both fixed and variable remuneration.

Fixed Remuneration is permanent, pre-determined, non-discretionary, non-revocable and not dependant on performance. It is a reflection of a staff member's professional experience and responsibility with the firm. Fixed remuneration is set at a level which is sufficient to ensure that staff are not reliant on variable pay and therefore are not incentivised to take excessive risk. The LLP's fixed remuneration is made up of the following components:

- Base Salary,
- Insurances and benefits (life insurance, critical illness, private medical), and
- Pension.

Variable Remuneration is any discretionary payments that are variable in nature, linked to the performance of the Firm as a whole, the business units concerned and the individual's performance. It promotes a culture where staff are rewarded for long-term and consistent business performance, whilst demonstrating sound and effective risk management and avoidance of excessive risk taking. The LLP awards the following variable remuneration to its employees:

- Discretionary cash bonus,
- Deferred Bonus,
- Severance,
- Assignment bonus,
- Completion bonus,
- Restricted stock units,
- Carry awards, and
- Dividends.

The Firm ensures an appropriate balance between an individual's fixed and variable remuneration and that the level of fixed components as a proportion of the total remuneration allows the Firm to be flexible in awarding variable remuneration. When determining the appropriate balance, the Firm considers all relevant factors, including its business activities and associated prudential and conduct risks.

**<u>Performance criteria used for assessment</u>**

The LLP's remuneration policy clearly defines the performance criteria used across the Firm, including specific business units, and for individual performance.

The remuneration decisions across the Firm are made based on a combination of:

- The LLP's long-term sustainability and viability including looking through the business and economic cycles;
- the impact on the Firm's Overall Financial Adequacy Rule and Threshold Conditions; and
- The LLP's business performance and results against its strategic objectives.

An individual's fixed and variable remuneration is based on a number of financial and non-financial factors set out below:

- Individual performance for the year
- The level of responsibility an individual holds and seniority
- Contribution to the LLP's overall strategy
- Business development
- Client satisfaction
- Operational effectiveness
- Process enhancements
- Levels of co-operation
- Development of the Firm's reputation
- Individual compliance with business policies and procedures

**<u>Material Risk Takers</u>**

The Firm has used the guidance in SYSG 19G.5.3 to determine whether any staff or employees are categorised as Material Risk Takers ("MRT's"). Material Risk Takers are defined as those individuals whose professional activities have a material impact on the Firms' risk profile or the assets which the Firm manages. After considering this definition it was concluded that GCM UK

Investments LLP independently does not have any Material Risk Takers or senior management that would meet these specified criteria. This is due to the fact that all investment decisions are made collectively at GCM Grosvenor Group level. There are no individuals within the LLP that can execute transaction or investment decisions without approval from the Firm's US parent entity. The Firm monitors this on an ongoing basis and takes care to consider the MRT categorisation during any new hiring processes, restructuring efforts or individual responsibility changes.

**Performance Adjustments**

The Firm will only pay or award variable remuneration under the circumstances where senior management are satisfied that performance criteria has been met by an individual. The Firm will also apply "in-year adjustments" including "malus" and "clawback" arrangement as it sees fit.

Clawback allows for the recovery of variable pay awards that have already vested; malus allows the amount of any unvested variable pay to be reduced prior to payment. All of an individual's discretionary and guaranteed variable remuneration, any retention awards, severance pay and buy-out awards will be subject to the in-year adjustment, clawback and, where deferral applies, malus arrangements.

In light of the Firm's size, culture, remuneration practices and approach to regulatory compliance, the Firm anticipates malus and clawback would only be triggered in exceptional circumstances.

**Guaranteed remuneration**

The Firm does not generally award, pay or provide guaranteed remuneration unless it occurs within the context of hiring a new individual, is limited to their first year of service and the Firm has a strong OFAR position. The awards would still be subject to malus and clawback where appropriate.

**Severance Pay**

The Firm may discretionally choose to award severance payments in relation to early termination of an employment contract, amounts will reflect the individual's performance over time and will be signed in a way which does not reward failure or misconduct.

**Quantitative disclosure**

Aggregated quantitative information for all remuneration paid to all staff, split between Material Risk Takers and other staff for the financial year was as follows:

| Type | Senior Management | Other MRT's | Other Staff | Total Remuneration |
|---|---|---|---|---|
| Fixed Remuneration | | | £2,618,553 | £2,618,553 |
| Variable Remuneration | | | £3,642,861 | £3,642,861 |
| Total Remuneration | | | £6,261,414 | £6,261,414 |

The Firm has concluded that it does not have any Material Risk Takers or senior management who would be considered an MRT, as all investment decisions are made collectively at GCM Grosvenor Group Level.

For the purpose of this disclosure and in accordance with SYSC 19G1.24G the term 'staff' is interpreted broadly and may include employees of the firm, senior management, partners, employees of other entities in the group and secondees.