



Rynda Property Investors LLP (the “Firm”)

Disclosure Statement under Pillar 3 as at 30th June 2011

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1. Overview

Background

The aim of Basel II is to promote safety and soundness in the financial system. It is structured around three 'pillars': Pillar 1 on minimum capital requirements; Pillar 2 on the supervisory review process; and Pillar 3 on market discipline. Pillar 3 aims to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment process.

Capital Requirements Directive		
Pillar 1	Pillar 2	Pillar 3
Minimum Capital Requirements	Internal Capital Adequacy Assessment Process (ICAAP) and Supervisory Review and Evaluation Process (SREP)	Disclosure

This document is designed to satisfy the requirements of Pillar 3 by setting out the firm's risk management objectives and policies. The disclosures contained in this document cover the qualitative and quantitative disclosure requirements of Pillar 3 and are based on data as at 30th June 2011.

Scope

The Financial Services Authority ("FSA") supervises the Firm on an unconsolidated basis and receives information on the capital adequacy of, and sets capital requirements for, the Firm.

The Firm has not applied for any IRB (Internal Ratings Based) waivers and consequently no specific Pillar 3 IRB disclosures are included in this document.

Policy

Disclosures will be issued as a minimum on an annual basis and will be published on the Firm's website. These disclosures are not subject to audit except where they are equivalent to those prepared under accounting requirements for inclusion in the Firm's annual report.

The Pillar 3 disclosures have been prepared in order to comply with regulatory requirements to provide information on the Firm's risk management objectives and policies, its capital position, its approach to assessing the adequacy of its capital and its exposure to credit, market and operational risk. They do not constitute financial statements of the Firm and should not be relied on in making investment decisions in relation to the Firm.

2. Risk Management Objectives and Policies

Objectives of the Firm's risk management framework

Risk management is the process of identifying the principal risks to the Firm achieving its strategic objectives, establishing appropriate controls to manage those risks and ensuring that appropriate monitoring and reporting systems are in place to ensure that controls remain robust and evolve with the changing risk profile of the Firm. The Firm's risk management process balances cost against risk within the constraints of the Firm's risk appetite and is consistent with the prudent management required of a large financial organisation.

Where possible, the Firm will attempt to manage all the risks that arise from its operations. As the Firm is a Limited Licence €50,000 firm it is not usually exposed to Credit Risk, Market Risk (including interest rate risk) or Operational Risk. However, the Firm has separately considered the risks associated within its business and these are detailed later in this document.

The ways in which the Firm manages the risks faced include producing key risk information and indicators to measure and monitor performance and using management to monitor and control specific risks.

The Firm's risk management framework

The Firm has adopted a "three lines of defence" model to manage its principal business risks:

- Line one is risk management: primary responsibility for strategy, performance and risk management lies with the Partners who, due to the size and scale of the operation are closely involved with the day to day management of the business.
- Line two is risk oversight: risk oversight is provided by the Firm's Chief Executive.
- Line three is independent assurance: independent assurance on the effectiveness of the risk/regulatory management systems is provided by Resources Compliance (UK) Limited.

There are clear reporting lines and defined areas of responsibility between Partners and other members of staff. This structure is designed to ensure, amongst other things, that key issues and developments are escalated on a timely basis.

Risk assessment

As part of this disclosure the Partners consider the following principal risks and uncertainties facing the Firm:

Risk category	Risk type	Risk category	Risk type
Non-financial	Reputational Strategic/ Business Risks Operational Regulatory compliance	Financial	Credit Market Liquidity

The Firm's exposures under each of these risks are reviewed and reassessed by the Partners at operating business levels at least annually.

A high level summary of those risk assessments is set out below:

Reputational Risk

The Partners consider a loss of reputation to be the most significant risk to a business operating in the financial services sector but that this risk would crystallise only as a consequence of a failure in managing the Firm's other principal risks. If an event that could damage the firm's reputation was to arise, the Firm would act accordingly, with immediate involvement of senior staff and management to control the issue and ensuring an agreed response is issued to key relationships so that they are educated and well-informed.

Strategic Risk

Strategic risk results from external and internal factors and inadequate senior management processes that could lead to a significant failure of the effectiveness of the strategy of the Firm as a whole. The key external factors which have been identified by the Firm include:

External factors:

- a) Reduction in management fees
- b) Debtor Risk
- c) Counterparty Risk
- d) Economic
- e) Real estate
- f) Foreign exchange risk
- g) Interest rate
- h) Poor fund performance
- i) Poor investment opportunities
- j) Unknown market forces and trends
- k) New entry to an established market place

Internal factors:

- l) Loss of key expertise
- m) Failure of I.T. systems or loss of premises
- n) Reputational risk
- o) Financial crime risk
- p) Pension obligation risk
- q) Breach of other legal /regulatory requirements e.g. FSA investigation

These risks are mitigated by the Firm having a well established reporting structure for agreeing strategy, risk appetite, planning and budgets. Detailed monthly Firm management accounts are produced and variances and trends are closely monitored. There is close contact within the business and Country Heads report to the Partners each month. Detailed budgets are stress tested to take account of potential adverse conditions and are subject to rigorous challenge at Partner level to ensure that the Firm has adequate capital to meet its business and regulatory needs.

Credit Risk

Credit risk is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. The FSA definition of credit risks relates to a firm's proprietary holdings. The Firm does not invest on its own account, and credit risk is therefore not a consideration for Pillar 1.

Market Risk

Market risk is the risk of loss that arises from adverse movements in property, interest rates or foreign exchange or other traded markets. The Firm has material currency exposures, since most of our business is transacted in Euros. The extent to which the Firm's profit and net assets is affected by movements in exchange rates could be material so careful monitoring of rates is undertaken and hedging actively considered and implemented.

Liquidity Risk

Liquidity risk is the risk of not being able to meet liabilities as they fall due. Liquidity is reviewed at Partners meetings and the overall funding position is reported as part of this review.

Operational Risk

Operational risk is the risk of material loss or other adverse impact resulting from inadequate internal processes, people or systems or from external events and is inherent in all the Firm's businesses. Due to the size and scale of the operation there is close monitoring at a senior level.

Regulatory Compliance Risk

Regulatory compliance risk is the risk of loss or other material adverse impact resulting from failure to comply with laws, regulations, and codes of conduct or standards of good practice governing the financial services sectors in which we operate. The Firm's Compliance Officer and Money Laundering Reporting Officer is responsible for supporting the business in meeting its regulatory compliance objectives and for executing risk-based monitoring programmes to confirm compliance through:

- Compliance risk and resource assessment
- Ongoing compliance monitoring review
- Annual Money Laundering Reporting Officer report to the Partners, and
- Annual Compliance Officer Report to the Partners

The Compliance Officer is supported by Resources Compliance (UK) Limited, a firm of independent consultants, who are retained by the Firm.

Risk monitoring and reporting

There is regular reporting at operating business level of risks and performance information. At all levels of reporting if past or forecast business performance appears to have moved or is likely to move outside of agreed parameters or there is a breach or near breach of policy limits, the relevant Partners will ensure that the most appropriate course of action is implemented.

3. Capital Resources

The table below summarises the composition of regulatory capital as at 30th June 2011, at which point the Firm's individual entities and the Firm complied with all of the externally imposed capital requirements to which they are subject.

	Pillar 1	Pillar 2
	Minimum Capital	ICAAP
Credit Risk (1)	£44,000	N/A
Market Risk (2)	£24,000	N/A
Operational Risk	Nil	N/A
Total	£68,000	
Fixed Overheads Requirement (3)	£220,000	N/A
Pillar 1 Total	£220,000	

Pillar 2 Business Risk	N/A	Nil
Pillar 2 Interest Risk	N/A	Nil
Pillar 2 Reputational Risk	N/A	Nil
Pillar 2 Financial Crime Risk	N/A	Nil
Pillar 2 Total	Nil	Nil
Extra capital to cover stress testing	N/A	N/A
ICAAP Capital		Nil
Current total capital	£600,000	Nil
Surplus	£380,000	Nil

NB: For a BIPRU Limited Licence firm the minimum capital resource requirements will be calculated as the higher of base requirement €50,000 or the sum of credit (1) and market (2) risk requirement or the FOR (3)

4. Capital Adequacy

The Firm's policy has always been to be well capitalised and soundly financed. Our approach to capital management is driven by strategy and organisational requirements, while also taking into account the regulatory and commercial environments in which we operate. We maintain a strong capital base to support the development of the business and to ensure we meet regulatory capital requirements at all times. We would therefore expect to have capital adequacy ratios in excess of minimum regulatory requirements.

The Partners consider the overall Firm's capital position and requirements on a regular basis and after taking into account operational requirements, excess capital is transferred to the Partners, as applicable, after the accounts are signed.

Internal capital adequacy assessment process ("ICAAP")

The introduction of Basel II has resulted in a formal requirement for the Firm to carry out internal capital adequacy assessments. A Firm-wide process has been developed to achieve this requirement which combines existing risk assessment, budgetary and stress testing practices together with some of the new Basel II requirements into an integrated internal capital adequacy assessment process. This now forms an integral part of the Firm's risk management processes. The Partners considers that given the Firm's risk profile an annual process is sufficient. The output from the process is a report which addresses all material risks faced by the Firm to determine the level of capital required against each major source of risk.

5. Counterparty Credit Risk

Counterparty credit risk is the risk of loss as a result of a party to a transaction defaulting before the final settlement of the transaction's cash flows. Credit risk for the Firm is primarily to clients – namely Fund entities – where given the nature and comprehensive nature of the investment management contacts the Firm is in a very strong position to underwrite the risk and is so assessed as low/minimal.

6. Remuneration

The Firm does not operate a remuneration committee nor does the Firm engage external consultants with regard to remuneration matters as this function is instead undertaken by the governing body of the Firm. Staff determined as code staff hold the CF4 – Partner Significant Influence Function in the case of three Designated Members of the Firm.

All remuneration is set and agreed by the designated members. The Designated Members will discuss the link between pay and performance of each employee during the annual review process and determine whether a bonus and salary increment should be paid. There is no guarantee of bonus or salary increase.

The total fixed pay to employees and Members for the year to 30th June 2011 was £1,028,700, total undeferred variable pay was £Nil.

Details of remuneration paid to the LLP Members and other Code Staff are as follows:

Members and Other Code Staff

Fixed Pay	£884,385
Variable Pay	
Benefits	Nil
Pension	Nil
Total	£884,385

*Michael Walton
12th October 2011*