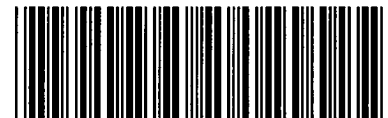


***CAPEVIEW CAPITAL LLP***  
***Report and Financial Statements***  
***for the year ended 31 December 2016***

***Registration number OC364354***

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## ***MEMBERS' REPORT***

### **Group Structure**

CapeView Capital LLP (the “Firm”) is a limited liability partnership, incorporated in England and Wales on 5 May, 2011, to act as the discretionary investment manager of a number of accounts including, inter alia, the CapeView Recovery Fund, CapeView Volatility Fund, CapeView Azri Fund, Capeview Azri 2X Fund and CapeView Strategic Fund (together these are described as the “Funds”).

The Firm owns the entire share capital of CapeView Capital Inc., a company incorporated in the United States. CapeView Capital Inc’s main activity is the provision of investor relations services for the parent company, the Firm.

### **Principal Activity**

The principal activity is the provision of investment management services.

### **Designated Members**

The designated members are:

Richard Haas (CEO, appointed 1 April 2017) and Compliance Officer  
Theo Phanos (Founding Member and resigned as CEO 1 April 2017)

### **Members’ profit share, drawings and the subscription and repayment of Members’ capital**

Members draw a proportion of their profit share in 12 equal monthly instalments during the year. Any excess profits made during the financial year will then be distributed between Members accordingly based on the discretion of the Founding Member and the provisions of the LLP Agreement.

Each member has contributed a specific amount of capital as set out in the LLP Agreement.

### **Statement of Members’ responsibilities in respect of the financial statements**

The members are responsible for preparing the report to the members and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) require the members to prepare financial statements for each financial year. Under the law the members have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable laws, including “The Financial Reporting Standard 102 applicable in the UK and Republic of Ireland” (“FRS102”). The financial statements are required by law to give a true and fair view of the state of affairs of the group and LLP and of the profit or loss of the group for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the 2008 Regulations. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members confirm that:

- so far as each member is aware, there is no relevant audit information of which the LLP's auditor is aware; and
- the members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Auditors**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with the Companies Act.

The responsibilities are exercised by the Management Committee on behalf of the Members.

On behalf of the Management Committee



Richard Haas  
Chief Executive Officer  
CapeView Capital LLP  
3 April 2017

## ***INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPEVIEW CAPITAL LLP***

We have audited the financial statements of CapeView Capital LLP for the year ended 31 December 2016 which comprise the consolidated income statement, the consolidated statement of financial position, the partnership statement of financial position, the consolidated statement of cash flows, the consolidated and LLP statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of members and auditor**

As explained more fully in the Statement of Members' Responsibilities set out on pages 3 to 4, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



David Pearson  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London

Date 3/4/17

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>Note</b>	<b>2016 £</b>	<b>2015 £</b>
<b>Turnover</b>	2	18,024,102	40,047,441
<b>Operating Costs</b>			
Staff Costs	4	(5,300,269)	(8,487,578)
Other operating expenses		(1,638,715)	(2,574,869)
		<hr/>	<hr/>
<b>Operating profit and profit for the financial year before Members' remuneration and profit shares</b>		11,085,118	28,984,994
		<hr/>	<hr/>
<b>Members' remuneration charged as an expense</b>		(8,732,980)	(23,277,677)
		<hr/>	<hr/>
<b>Profit for the financial year available for discretionary division amongst Members</b>		<u>2,352,138</u>	<u>5,707,317</u>

*The notes on pages 13 to 18 form part of the financial statements*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible assets	5i	47,179	56,987
		47,179	56,987
<b>Current assets</b>			
Debtors	6	2,251,625	25,815,137
Cash at bank and in hand		6,940,426	6,849,641
Partners' Current Accounts		659,167	654,167
		9,851,218	33,318,945
<b>Creditors: amounts falling due within one year</b>			
Creditors	7	3,483,920	7,306,954
Financial instruments' liabilities		-	283,666
		3,483,920	7,590,620
<b>Net Current Assets</b>		6,367,298	25,728,325
<b>Net assets attributable to members</b>		6,414,477	25,785,312
<b>Represented by:</b>			
Members' capital classified as equity		1,975,000	1,975,000
Members' other interests classified as equity		2,366,056	5,713,760
Loans and other debts due to members		2,073,421	18,096,552
		6,414,477	25,785,312
<b>Total Members' interests</b>			
Members' capital classified as equity		1,975,000	1,975,000
Other Reserves		4,439,477	23,810,312
Other amounts due from Members		(659,167)	(654,167)
		5,755,310	25,131,145

The financial statements were approved by the Designated Members and authorised for issue on 3 April 2017.



Richard Haas  
Chief Executive Officer

*The notes on pages 13 to 18 form part of the financial statements*



***PARTNERSHIP STATEMENT OF FINANCIAL POSITION***  
***AS AT 31 DECEMBER 2016***

	Note	2016 £	2015 £
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible assets	5i	47,179	56,987
Investments	5ii	637	637
		47,816	57,624
<b>Current assets</b>			
Debtors	6	2,251,625	25,815,137
Cash at bank and in hand		6,928,621	6,842,513
Partners' Current Accounts		659,167	654,167
		9,839,413	33,311,817
<b>Creditors: amounts falling due within one year</b>			
Creditors	7	3,553,437	7,366,983
Financial instruments' liabilities		-	283,666
		3,553,437	7,650,649
<b>Net Current Assets</b>		6,285,976	25,661,168
<b>Net assets attributable to members</b>		6,333,792	25,718,792
<b>Represented by:</b>			
Members' capital classified as equity		1,975,000	1,975,000
Members' other interests classified as equity		3,011,059	6,351,625
Loans and other debts due to members		1,347,733	17,392,167
		6,333,792	25,718,792
<b>Total Members' interests</b>			
Members' capital classified as equity		1,975,000	1,975,000
Other Reserves		4,358,791	23,743,791
Other amounts due from Members		(659,167)	(654,167)
		5,674,624	25,064,624

The financial statements were approved by the Designated Members and authorised for issue on 3 April 2017.



Richard Haas  
Chief Executive Officer

*The notes on pages 13 to 18 form part of the financial statements*

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR  
TO 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Operating profit for the financial year		11,085,118	28,984,994
<b>Adjustments for:</b>			
Depreciation of tangible assets	5i	65,465	92,275
(Increase)/decrease in debtors	6	23,563,512	(15,460,889)
Increase/(decrease) in creditors	7	(3,823,034)	2,956,428
Unrealised loss on foreign cash payable		13,918	2,222
Unrealised (profit)/loss on open FX Forwards		(283,666)	283,666
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		30,621,313	16,858,696
<b>Cash flows from Investing activities</b>			
Purchase of tangible assets	5i	(55,657)	-
		<hr/>	<hr/>
<b>Net cash flows from Investing activities</b>		(55,657)	-
<b>Cash flows from Financing activities</b>			
Payments to Members that represent a return on amounts subscribed or otherwise contributed		(30,474,871)	(15,641,577)
		<hr/>	<hr/>
<b>Net cash flows from Financing activities</b>		(30,474,871)	(15,641,577)
		<hr/>	<hr/>
Net increase in cash & cash equivalents		90,785	1,217,119
Cash & cash equivalents at the beginning of period		6,849,641	5,632,522
		<hr/>	<hr/>
<b>Cash &amp; cash equivalents at the end of period</b>		<u>6,940,426</u>	<u>6,849,641</u>

*The notes on pages 13 to 18 form part of the financial statements*

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**Consolidated**

	Members' capital classified as equity £	Other Reserves £	Loans and other debts due to/(from) Members £	Total £
At 1 January 2015	1,975,000	4,076,350	5,729,935	11,781,285
Members' remuneration charged as an expense	-	-	23,277,677	23,277,677
Profit for the financial year available for discretionary division among members	-	5,707,317	-	5,707,317
Members' interests after profit for the year	1,975,000	9,783,667	29,007,612	40,766,279
Allocated profit	-	(4,076,350)	4,076,350	-
Drawings	-	-	(15,641,577)	(15,641,577)
Other movements	-	6,443	-	6,443
At 1 January 2016	1,975,000	5,713,760	17,442,385	25,131,145
Members' remuneration charged as an expense	-	-	8,732,980	8,732,980
Profit for the financial year available for discretionary division among members	-	2,352,138	-	2,352,138
Members' interests after profit for the year	1,975,000	8,065,898	26,175,365	36,216,263
Allocated Profit	-	(5,713,760)	5,713,760	-
Drawings	-	-	(30,474,871)	(30,474,871)
Other movements	-	13,918	-	13,918
Amounts due to members	-	-	2,073,421	-
Amounts due from members	-	-	(659,167)	-
At 31 December 2016	1,975,000	2,366,056	1,414,254	5,755,310

*The notes on pages 13 to 18 form part of the financial statements*

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**LLP**

	Members' capital classified as equity £	Other Reserves £	Loans and other debts due to/(from) Members £	Total £
At 1 January 2015	1,975,000	4,026,132	5,729,935	11,731,067
Members' remuneration charged as an expense	-	-	23,277,677	23,277,677
Profit for the financial year available for discretionary division among members	-	5,697,457	-	5,697,457
Members' interests after profit for the year	1,975,000	9,723,589	29,007,612	40,706,201
Allocated profit	-	(4,026,132)	4,026,132	-
Drawings	-	-	(15,641,577)	(15,641,577)
At 1 January 2016	1,975,000	5,697,457	17,392,167	25,064,624
Members' remuneration charged as an expense	-	-	8,732,980	8,732,980
Profit for the financial year available for discretionary division among members	-	2,351,892	-	2,351,892
Members' interests after profit for the year	1,975,000	8,049,349	26,125,147	36,149,496
Allocated Profit	-	(5,697,457)	5,697,457	-
Drawings	-	-	(30,474,871)	(30,474,871)
Amounts due to members	-	-	2,006,900	-
Amounts due from members	-	-	(659,167)	-
At 31 December 2016	1,975,000	2,351,892	1,347,733	5,674,625

*The notes on pages 13 to 18 form part of the financial statements*

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. The Company**

CapeView Capital LLP (the “Firm”) is a limited liability partnership, incorporated in England and Wales on 5 May, 2011, to act as the discretionary investment manager of a number of accounts including, inter alia, the CapeView Recovery Fund, CapeView Volatility Fund, CapeView Azri Fund, CapeView Azri 2X Fund and CapeView Strategic Fund. The registered office is 55 Baker Street, London, W1U 8EW, United Kingdom.

The Firm owns the entire share capital of CapeView Capital Inc., a company incorporated in the United States. CapeView Capital Inc’s main activity is the provision of investor relations services for the parent company, the Firm.

**2. Basis of preparation**

The principal accounting policies are summarised below and have been consistently applied throughout the financial period.

**Basis of accounting**

The Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (“FRS 102”), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in July 2014. The Financial Statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

**Basis of consolidation**

The group financial statements consolidate the financial statements of CapeView Capital LLP and its subsidiary undertaking drawn up to 31 December each year. As permitted by Section 408 of Companies Act 2006, no separate income statement is presented for the LLP. The partnership profit for the period includes a profit attributable to Members of £11,084,872 which is dealt with in the financial statements of the LLP. The individual accounts of the Firm have adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes;
- financial instruments disclosures including categories of financial instruments, items of income, expenses, gains or losses relating to financial instruments; and
- exposure to and management of financial risks.

## ***NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***

### **Going concern**

After reviewing the group's forecasts and projections, the Members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. The LLP therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

### **Turnover**

The turnover shown in the profit and loss account represents amounts due for investment advisory services recognised on an accruals basis during the year, exclusive of Value Added Tax. Performance fees are recognised when crystallised. Management fees recognised in the period were £17,509,197. Performance fees were £502,221. Other income and interest was £12,684.

### **Foreign currency translation**

Items included in the financial statements are presented in sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the statement of profit/loss date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the profit and loss account.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate is taken to reserves.

### **Derivative instruments**

From time to time the Firm uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

### **Depreciation policy**

Tangible and intangible assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of the fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office Improvements	straight line over 36 months
Office Equipment	straight line over 36 months
Furniture and Fixtures	straight line over 36 months
IT Upgrade	straight line over 36 months

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **3. Information in relation to Members**

Profits are allocated and shared by the non-salaried members after the end of the year in accordance with agreed profit and loss sharing arrangements governed by the LLP Agreement.

### **4. Salaried Members and employees**

Staff costs during the year were as follows:

Group and LLP	2016	2015
	£	£
Wages and Salaries	4,641,291	7,437,974
Social Security cost	613,043	1,010,632
Employee Benefits	44,209	37,798
Payroll Fees	1,726	1,174
	5,300,269	8,487,578

The average monthly number of employees was as follows:

	2016	2015
Office Staff including salaried members	18	18

### **5. i) Tangibles**

Group	Office Improvements £	Office Equipment £	Furniture and Fixtures £	Total £
Cost:				
At 1 January 2016	126,168	239,335	18,670	384,173
Additions	-	55,657	-	55,657
At 31 December 2016	126,168	294,992	18,670	439,830
Depreciation:				
At 1 January 2016	126,168	183,710	17,308	327,186
Charge for year	-	65,132	333	65,465
At 31 December 2016	126,168	248,842	17,641	392,651
Net Book Value:				
At 31 December 2015	-	55,625	1,362	56,987
At 31 December 2016	-	46,150	1,029	47,179

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **5. i) Tangibles**

<b>LLP</b>	<b>Office Improvements £</b>	<b>Office Equipment £</b>	<b>Furniture and Fixtures £</b>	<b>Total £</b>
Cost:				
At 1 January 2016	126,168	238,476	18,670	383,314
Additions	-	55,657	-	55,657
At 31 December 2016	126,168	294,133	18,670	438,971
Depreciation:				
At 1 January 2016	126,168	182,851	17,308	326,327
Charge for year	-	65,132	333	65,465
At 31 December 2016	126,168	247,983	17,641	391,792
Net Book Value:				
At 31 December 2015	-	55,625	1,362	56,987
At 31 December 2016	-	46,150	1,029	47,179

### **5. ii) Investments**

The investment of £637 is the cost of 100% of the share capital (1,000 shares of common stock with a par value of US\$1.00 per share) of CapeView Capital Inc, a company incorporated in the United States.

The gain of CapeView Capital Inc in this financial period was £248 (2015: £9,860). The principal activity of the subsidiary undertaking is the provision of investor relations services for CapeView Capital LLP.

### **6. Debtors**

	<b>2016 £</b>		<b>2015 £</b>	
	<b>Group</b>	<b>LLP</b>	<b>Group</b>	<b>LLP</b>
Debtors	2,042,902	2,042,902	25,455,079	25,455,079
Other current assets	32,566	32,566	202,318	202,318
Prepayments and accrued income	176,157	176,157	157,740	157,740
	2,251,625	2,251,625	25,815,137	25,815,137



## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **7. Creditors: amounts falling due within one year**

	<b>2016</b>		<b>2015</b>	
	<b>£</b>		<b>£</b>	
	<b>Group</b>	<b>LLP</b>	<b>Group</b>	<b>LLP</b>
Creditors	115,230	184,747	266,472	326,501
Taxes and social security costs	91,909	91,909	60,886	60,886
Accruals and deferred income	3,276,781	3,276,781	6,979,596	6,979,596
	<u>3,483,920</u>	<u>3,553,437</u>	<u>7,306,954</u>	<u>7,366,983</u>

### **8. Related party transactions**

There were no related party transactions. CapeView Capital LLP has relied upon the exemption given in FRS102 not to disclose transactions between itself and its subsidiary undertaking.

### **9. Ultimate controlling party**

In the opinion of the members the ultimate controlling party of the LLP is Theo Phanos.

### **10. Subsequent Events**

Subsequent to the year end, CapeView Capital obtained permission from the FCA to reduce the capital base of the LLP to bring it in line with the maximum capital requirements. The eligible capital base was reduced by £795,000 in March 2017. With effect from 1 April, 2017 Richard Haas has been appointed Chief Executive Officer. Following a meeting of the Board of Directors of CapeView Recovery Fund on 27 March, it was decided to close the Fund and return cash to investors.

### **11. Financial Commitments – Operating Leases**

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight-line basis over the period of the lease. At 31 December 2016 the Firm was committed to making the following payments during the next year in respect of operating leases:

	<b>31 December</b>	
	<b>2016</b>	
	<b>£</b>	
Leases expiring within :	Land and Buildings	Other
One year	250,236	3,916
Second to fifth year	<u>-</u>	<u>-</u>

The Firm has contracted to an operating lease for part of the 7<sup>th</sup> Floor, 55 Baker Street, London W1.

## ***NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***

The lease expires on 20 August 2017. The lease has been extended by one year to 20 August 2018.

The Firm has contracted to an operating lease for three Canon copiers. The lease expires 25 December 2017.

### **12. Auditors Remuneration**

The remuneration of the auditors is analysed as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Audit of the financial statements	14,000	13,500
Total audit services	<u>14,000</u>	<u>13,500</u>
Tax compliance services	7,500	7,500
FCA assurance services (CASS)	<u>4,500</u>	<u>1,500</u>
Total non-audit services	<u>12,000</u>	<u>9,000</u>
	<u>26,000</u>	<u>22,500</u>

## ***APPENDIX I – PILLAR 3 DISCLOSURE***

Pillar 3 disclosure fulfils CapeView Capital LLP's (the "Firm") obligation to disclose to market participants key pieces of information on a firm's capital, risk exposures and risk assessment processes and its remuneration policies and practices.

The Firm is a full scope Alternative Investment Fund Manager ("AIFM") able to provide discretionary investment management services to Alternative Investment Funds ("AIFs") and segregated managed accounts. The Firm is categorised by the FCA as a collective portfolio management investment firm ("CPMI") and a BIPRU (Prudential sourcebook for Banks, Building Societies and Investment Firms) Limited Licence investment firm for regulatory capital purposes.

### **I. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Designated Members determine the Firm's business strategy and risk appetite. They have designed and implemented a risk management framework that recognizes the risks that the business faces and how those risks may be mitigated and assessed on an on-going basis. The Management Committee meets on a regular basis and discusses projections for profitability, liquidity, regulatory capital, business planning and risk management.

The Firm considers the following as key risks to its business:

Business risk – This risk represents a fall in assets under management in the Funds or the loss of key staff which may reduce the fee income earned by the Firm and hinder its ability to finance its operations and reimburse 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 valuation and 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 Firm's bank balances and any other debtors. This is monitored by the Firm's Financial Controller and reported monthly to the Management Committee.

Market risk - The risk is the exposure to foreign exchange fluctuations due to investment management and performance fees being denominated in currencies other than sterling. This foreign currency exposure is limited as a result of the close relationship between the Funds and the Firm resulting in payment of outstanding liabilities in a timely fashion.

### **II. CAPITAL RESOURCES**

As a CPMI firm the Company is subject to both the regulatory capital regimes of the Alternative Investment Fund Managers Directive ("AIFMD"), in respect of its AIFs, and relevant provisions applicable to investment firms contained in the Capital Requirement Directive ("CRD"), as amended, for the Firm.

Capital requirements arising from Pillar 1 and Pillar 2 of the CRD are compared to any higher requirements arising from the AIFMD asset based capital calculation and professional indemnity insurance ("PII") elements to derive the total regulatory capital required by the Firm.

Pillar 1 capital is the greatest of:

1. a base capital requirement of Euro 50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement (“FOR”).

Pillar 2 capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP.

The capital resources of the business comprise Tier 1 capital with no deductions.

It is the Firm’s experience that its capital requirement normally consists of the FOR, although market and credit risks are reviewed monthly and may apply when there is a performance fee due but unpaid at year end. The Firm applies a standardised approach to credit risk, applying 8% to the Firm risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not paid, and bank balances. Having performed the ICAAP it is the Firm’s opinion that no additional capital is required in excess of its Pillar 1 capital requirement.

As at 31 December 2016 Firm’s combined regulatory capital position is:

<b>Capital Position</b>	<b>£000</b>
Tier 1 Capital: Partnership Capital	1,975
Total Capital Resources Requirement: Fixed Overhead Requirement (and AIFMD PII capital requirement)	1,040

### **III. MANAGEMENT OF THE ICAAP**

The approach of the Firm 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 Firm 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, as relevant. The Firm stress tests future impact by considering the Firm’s forecast for the 3 years, its breakeven point and, in order to address the worst case scenario, the costs to close.

The Firm’s ICAAP is formally reviewed by the Management Committee at least once per annum, unless there are material changes to the Firm’s business or risk profile, at which time it would be re-assessed.

### **IV. THE REMUNERATION CODE**

The aim of the BIPRU Remuneration Code (the “Code”) is to ensure that firms have risk focused remuneration policies which promote and are consistent with effective risk management, and do not expose firms to excessive risk.

Under the Code, the Firm is classified as a Proportionality Level III Firm, the lowest risk category as the Firm does not manage or trade proprietary positions. This means the Firm may disapply many of the technical requirements of the Code and proportionately apply the Code’s rules and principles.

The Firm is also subject to the AIFMD Remuneration Code but, has taken into account the FCA’s view that the application of the AIFM Remuneration Code should satisfy compliance with the BIPRU Remuneration Code insofar as the AIFM Code provisions are deemed equivalent. Having considered the application of both

Remuneration Codes, the Firm is satisfied that its remuneration arrangements are not required to vary depending upon which Remuneration Code is applicable.

BIPRU Chapter 11 includes a requirement for disclosure of the Firm's remuneration policy and practices, as well as aggregate quantitative disclosure for staff assessed as having a material impact on its risk profile, including senior management ("Code Staff").

The disclosure obligations applicable to remuneration subject to the Code ("Remuneration") includes all forms of fixed remuneration and variable remuneration but excludes the element of profit share awarded to such individuals as owners of the business.

**a. Remuneration Policies**

The Firm operates in accordance with its Remuneration Policy Statement (the "Policy") which considers the Firm's remuneration arrangements. Potential conflicts of interest arising from such arrangements are considered by taking into account the controls in place to guard against the Firm's authorised persons being rewarded for taking inappropriate levels of risk.

The Firm is satisfied that the Policy operating is appropriate to its size, internal organization and the nature, scope and complexity of its activities.

**b. The Decision Making Process**

The Management Committee, including the Compliance Officer, oversees remuneration policies and arrangements. Under the auspices of this oversight, the Founding Member exercises absolute discretion in determining profit shares or awarding individual discretionary bonuses, as relevant.

**c. Link between Pay and Performance**

Remuneration subject to the Code is based on an assessment of the profitability of the Firm, an individual's performance and their ability to influence the Firm.

Code Staff, consisting of the four members of the Management Committee, all senior managers, receive drawings and profit share which, for certain Code Staff, is based on net revenues related to investment management, considered as Code fixed remuneration, and performance fees considered as variable remuneration for certain specified funds, as determined by the Management Committee.

On an exceptional basis, and in accordance with the Code, the Firm will enter into remuneration arrangements, which may involve a guaranteed element to attract and retain key staff.

**d. Quantitative Remuneration Data**

The aggregate Remuneration, fixed and variable, for staff assessed as Code Staff by virtue of them having a material impact on the risk profile of the Firm for the year ending 31 December 2016 amounted to £8,151,198 fixed and £1,423,881 variable.