

Pillar 3 Disclosures - MCAP Global Finance (UK) LLP (MCAP)

Disclosure Policy

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the Financial Conduct Authority (FCA), MCAP Global Finance (UK) LLP (MCAP) will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis. The Pillar 3 disclosure will be made via Companies House (we will enclose it as an addendum to the Annual Audited Accounts) and on the website www.marathonfund.com.

MCAP may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission of any information would be unlikely to change or influence the decision of a reader relying on that information. Accordingly, where MCAP has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then MCAP may take the decision to exclude it from the disclosure. In MCAP's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding MCAP to confidentiality with our customers, suppliers, counterparties or staff. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

Introduction

MCAP is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. MCAP is categorised by the FCA, for capital purposes, as a BIPRU limited licence firm. MCAP is an investment management firm but it has no trading book exposures. It is not required to prepare consolidated accounts for prudential purposes.

The FCA's current prudential regime can be split into three pillars:

- Pillar 1 – this prescribes the minimum capital requirements that authorised firms need to hold. This is the higher of €50k; a quarter of the firm's annual adjusted expenditure (the Fixed Overheads Requirement) or the sum of the firm's prescribed Credit risk + Market risk.
- Pillar 2 – this requires firms to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. If the firm feels that the risks are not adequately mitigated then they should allocate capital against those risks. Stress and scenario tests are conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.
- Pillar 3 – this requires firms to develop a set of disclosures which will allow market participants to assess key information about the firm's underlying risks, risk management controls and capital position.

The Fixed Overheads Requirement determines MCAP's Capital Resources Requirement.

MCAP is a limited liability partnership and its capital arrangements are established in its limited liability partnership agreement. Its capital is summarised as follows:

	<u>£000's</u>
Partners' capital	750
Revenue reserves	<u>4,683</u>
Partners' capital and other reserves	<u>5,433</u>

The main features of MCAP's Capital Resources Requirement are as follows:

Capital Item	£'000s
Tier 1 capital less innovative tier 1 capital	5,433
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	5,433

Risk Management

Due to the size, nature, scale and complexity of MCAP, there is no independent risk management function. Senior management of the firm determine the business strategy and risk appetite along with the risk management policies and procedures. An identification of these risks is considered and MCAP's resultant exposure is assessed after the application of both management and mitigation of these risks. Furthermore, MCAP then undergoes a series of stress tests and scenario analyses on these risks to determine the effect they would have on the firm.

If necessary MCAP would allocate extra capital to the relevant risk, as per the Pillar 2 requirement: this has not been deemed necessary. This process is conducted at management meetings which are held at least on an -annual basis and the relevant policies and procedures are updated where necessary.

Senior management has identified operational risk as the main area of risk to which the firm is exposed.

MCAP has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements.

Remuneration disclosure for the 2019 financial year - MCAP Global Finance (UK) LLP Governance

The purpose of the Remuneration Code is to ensure firms establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management.

The Remuneration Code applies to 'Remuneration Code Staff' (Code Staff). This includes senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the firm's risk profile.

MCAP has considered the contribution that can be made by a remuneration committee. In order to take a proportionate approach given the size and non-complex nature of both the activities undertaken and the organisation, MCAP has decided that the governing body will undertake the role which would otherwise been undertaken by a remuneration committee. This is in line with guidance provided by the FCA for level 3 firms under the Remuneration code. The governing body will be responsible for setting MCAP's policy on remuneration.

MCAP's Remuneration Policy will be reviewed at least annually by the governing body to ensure that it remains consistent with the Remuneration Code Principles and MCAP's objectives. The governing body will use all information available to it in order to carry out its responsibilities under the code, for example, information on risk and financial performance. In addition, the Compliance Officer, as part of MCAP's regulatory monitoring, will include a review of the implementation of this Policy by the firm.

Link between pay and performance

Remuneration at MCAP is made up of both fixed salary and variable (bonus) components. Salary is set in line with the market at a level to retain, and when necessary attract, skilled staff.

Any bonus paid is designed to both reflect the performance of a person in contributing to the success of the firm and their success in meeting, or exceeding, targets that have been set by the firm on an individual basis.

Where remuneration is performance related then in addition to the performance of the individual MCAP will also take into account the performance of the business unit concerned and the overall results of the firm. Performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations and adherence to effective risk management. In keeping with MCAP's long term objectives, the assessment of performance will take into account longer term performance and payment of any such performance related bonuses may need to be spread over more than one year to take account of the MCAP's business cycle.

The measurement of financial performance will be based principally on profits and not on revenue or turnover.

Awards will reflect the financial performance of MCAP and as such variable remuneration may be contracted where subdued or negative financial performance occurs. MCAP will not ordinarily make any variable remuneration awards should the firm make a loss. In exceptional circumstances such payments may need to be ~~considered;inconsidered;~~ in such cases the governing body, in conjunction with the Compliance Officer, will consider and document whether such an award would be in keeping with the Remuneration policy.

Quantitative remuneration information

MCAP is required to disclose aggregate information on remuneration in respect of its Code Staff, broken down by business area and by senior management and other Code Staff. The relatively small size and lack of complexity of the firm's business is such that MCAP only has the one business area (investment management) and does not regard itself as operating, or needing to operate, separate 'business areas' and the following aggregate remuneration data should be read in that context.

Also, as only one of the code staff is remunerated directly by MCAP, on the basis of data protection principles MCAP has chosen to omit the disclosure of the total remuneration as this would be such that an individual's remuneration would be apparent to the general public.

Aggregate Remuneration

All Code Staff	*
Number of Code Staff	2

**as identified, due to the number of individuals and the structure of remuneration, disclosure of the remuneration amount would constitute the disclosure of sensitive personal data.*

This remuneration disclosure is made under the FCA Pillar 3 framework. Our non-remuneration Pillar 3 disclosures can be found at Companies House (as an addendum to the Annual Audited Accounts).

Stewardship Code - MCAP Global Finance (UK) LLP

The Financial Conduct Authority's Conduct of Business Sourcebook, COBS 2.2B SRD requirements and 2.2.3R Disclosure of commitment to the FRC's Stewardship Code, requires MCAP Global Finance (UK) LLP (MCAP) to include a disclosure on its website stating the nature of its commitment to the UK Stewardship Code (the Code) issued by the Financial Reporting Council. The Code sets out various principles relating to the level of engagement by institutional investors with UK listed companies. The Financial Reporting Council recognises that not all parts of the Code will be relevant to all institutional investors and that some institutions may judge some of the principles and guidance to be disproportionate. As MCAP does not commit to the Code, it must state in general terms its alternative investment strategy.

MCAP's alternative investment strategy is a multi-strategy approach covering various jurisdictions and asset classes. This strategy does not have significant investments in UK equities. Therefore, although MCAP supports the objectives set out within the Code, the provisions are not deemed to be relevant to the type of investment strategy and trading currently undertaken. Should any material changes occur to the strategy which would make the Code relevant, MCAP will amend this disclosure.

MCAP has only one client, Marathon Asset Management, LP (client). MCAP does not have a website on which it can post this disclosure statement; therefore, this memorandum will be published on the website of Marathon Asset Management, LP.