MVN Asset Management Limited

("MVN"/ the "Firm")

PILLAR 3 DISCLOSURES AND POLICY

Reference date: 31 December 2017

Pillar 3 Disclosure

MVN is authorised and regulated by the Financial Conduct Authority (the “FCA”). MVN is a UK domiciled discretionary investment manager to unregulated collective investment schemes and eligible counterparties. The Firm is a full scope Alternative Investment Fund Manager ("AIFM") and categorised as a collective portfolio management investment firm by the FCA for capital purposes. MVN is part of the Maven Group of companies but reports on a solo basis. MVN’s Pillar 3 disclosure fulfils the Firm’s obligation to disclose to market participants’ key pieces of information on a firm’s capital, risk exposures and risk assessment processes.

MVN is permitted to omit required disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information. In addition, MVN may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In MVN’s view, proprietary information is that which, if it were shared, would undermine MVN’s competitive position. Information is considered to be confidential where there are obligations binding MVN to confidentiality with its customers, suppliers and counterparties.

MVN has made no omissions on the grounds that it is immaterial, proprietary or confidential.

Risk Management

The Firm's Board of Directors (the “Board”) determines its business strategy and the level of risk acceptable to the Firm. In conjunction with the Chief Risk Officer (“CRO”), they have designed and implemented a risk management framework that recognises the risks that the business faces and how those risks may be monitored and mitigated and assess it on an ongoing basis. MVN has in place controls and procedures necessary to manage risks identified.

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

<u>Financial risk</u>

Financial risk is the risk that the expected level of performance is not achieved, leading to increased redemptions and a consequential reduction in management fees received. As a result, MVN may be unable to cover the costs of running the different portfolios.

Most of the costs incurred by MVN are those incurred by the Maven Group, which are then recharged to MVN. Incremental ongoing costs for MVN are low.

Weekly and monthly performance reports serve to highlight any issues with fund performance to senior management, and regular performance attribution analyses provide insight into the drivers of profits and losses.

<u>Market risk</u>

Market risk is the risk that stems from the direct exposure to equity prices, exchange rates, commodity prices, interest rates and credit spreads. Market risk is not material and is limited to the FX risk on management fees received in USD.

Senior management monitors MVN's exposure to foreign exchange risk on a regular basis and may take appropriate measures to hedge the currency exposure.

<u>Liquidity risk</u>

Liquidity risk is the risk that MVN may be unable to meet its payment obligations as they fall due. Liquidity risk is mitigated by the fact that MVN has no external debt and its main liabilities arise from expense recharges incurred from other Maven Group companies. In addition, MVN maintains cash levels in excess of regulatory capital requirements and its main cost item is discretionary compensation linked to the profitability of the funds it is managing.

<u>Credit risk and counterparty credit risk</u>

MVN's exposure to credit risk is principally the risk that management and performance fees cannot be collected from its clients as well as the risk arising from the exposure to banks where collected fees are deposited.

MVN's engagement with its clients is documented in Investment Management Agreements, which impose contractual obligations with regards to paying the required fees. MVN's exposure to its clients does not create a material credit risk for the Firm. In order to further mitigate credit risk, MVN ensures management fees are reviewed and collected monthly.

MVN also monitors the credit worthiness of the bank(s) with which funds are deposited.

<u>Operational risk</u>

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This covers areas such as execution and settlement failures, errors due to corporate actions, general IT disruptions and specific system failures, errors, breaches and NAV misstatements Fraud, loss of key personnel and legal/compliance risks are also relevant.

MVN uses the Maven Group's established operations, support and trading infrastructure via service level agreements and subject to the Conflicts of Interest Policy.

MVN seeks to avoid risks from operational processes and technology through the continued development of a robust infrastructure and adherence to documented processes and controls. The effectiveness of internal controls is reviewed by the heads of the relevant department and by Compliance.

In order to mitigate the impact of an operational risk materialising, MVN has in place an appropriate level of professional indemnity and fraud insurance, in line with applicable regulations.

Regulatory Capital

MVN is a private limited liability company and its capital is made of share capital and retained earnings.

MVN is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from its asset management activities.

Pillar 1 capital is the higher of:

1. the base capital requirement of €125,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement ("FOR").

In addition, the Firm, on account of its classification as a full-scope AIFM, is subject to a parallel "own funds" requirement as follows:

The higher of:

1. the funds under management requirement, subject to a minimum of €125,000; and
2. the own funds based on the Fixed Overhead Requirement;

Plus, whichever is applicable of:

a. the professional negligence capital requirement; or
b. the PII capital requirement.

Although the foregoing "own funds" requirement is not a component of the "Three Pillars" regime, it is likely that MVN's "own funds" requirement will exceed its Pillar 1 requirement.

Pillar 2 capital is calculated by MVN as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its Internal Capital Adequacy Assessment Process ("ICAAP").

The Firm's ICAAP assesses the adequacy of its internal capital to support current and future activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital mitigates those risks. MVN also considers a wind down scenario to assess the capital required to cease regulated activities.

MVN has established a Simple Operational Risk Simulation ("SORS") model according to which, MVN is not exposed to heightened operational risk and does not need to hold additional regulatory capital beyond its Pillar 1 amount.

It is the Firm's experience that its Pillar 1 capital requirement normally consists of the FOR, although market and credit risks are reviewed monthly. 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 completed its ICAAP, MVN has concluded that no additional capital is required in excess of its Pillar 1 capital requirement.

As at the date of this disclosure the Firm's regulatory capital position is:

Capital Item	**£'000**
Tier 1 capital	5,446
Total capital resources, net of deductions	5,446

Concerning Pillar 1, it is the Firm's experience that the Fixed Overhead Requirement establishes its capital requirements, and that market and credit risks are considered not to be material. Furthermore, the market and credit risks component excludes such risks related to the management of alternative investment funds. Based on the assessment undertaken as part of the ICAAP, on accounting date 31 December 2017, MVN believes it needs no more than £1million in Pillar 1 capital and £nil in additional Pillar 2 capital, resulting in a total capital requirement of £1 million.

The capital that MVN holds is deemed adequate for the size and complexity of its business.

Based on the Pillar 1 computation and Pillar 2 analysis, the capital requirements for each of the risk areas identified can be summarised as follows (figures rounded to the nearest thousand):

PILLAR 1 **31 December 2017**	**MVN** **GBP (£'000s)**
Credit risk (***)	178
Market risk (***)	139
Fixed Overhead Requirement (FOR)	1,000
Total PILLAR 1 (*)	**1,000**
PILLAR 1 Top up **31 December 2017**	**MVN** **GBP (£'000s)**
Credit risk	0
Market risk	0
Operational risk (**)	**0**
Total capital required	**1,000**
Current Capital	**5,446**
Surplus	**4,446**

(*) Pillar 1 is calculated as the higher of FOR and the aggregation of credit risk and market risk. As such, the FOR, being the higher, is taken as the Pillar 1 capital requirement.

(**) Total operational risk was calculated as £848,000. With Pillar 1 FOR of £1,000,000, Pillar 2 top up is therefore nil.

(***) Additional capital charges for credit and FX risk relating to the receivables arising from crystallised performance fees have been detailed in the Firm's ICAAP.

The Firm's ICAAP is formally reviewed by the Board of Directors annually, but will be revised should there be any material changes to the Firm's business or risk profile.

Remuneration

MVN falls within the scope of SYSC 19B (AIFM Remuneration Code).

Given the scale, nature and complexity of MVN's activities, MVN may adopt a proportional approach to the application of the Remuneration Code. MVN has decided to rely on proportionality for the relevant provisions.

Decision-making process

Given the nature, scale and complexity of MVN' business as well as its size, MVN has not established a remuneration committee. Remuneration-related decisions will be made in accordance with MVN's remuneration policy.

Assessment of Performance

MVN uses a combination of qualitative and quantitative criteria for determining staff's fixed and variable remuneration so as to ensure that remuneration will be reflective of the individual's experience, skills and performance and in line with the best interests of MVN.

Remuneration consists of base salary and discretionary bonuses. The decision to award bonuses or not as well as the amount to be awarded is at the discretion of the Firm's and the Maven Group's governing body and will depend on a variety of factors, including among others, the performance of the Firm during the relevant financial period.

AIFM Identified Staff

MVN has identified the following members of staff as 'Identified Staff':

1. Senior Management (e.g. Directors/Compliance Officer/Money Laundering Reporting Officer (MLRO)): 5
2. Members of staff whose actions have a material impact on the risk profile of the Alternative Investment Funds (e.g. portfolio managers and other controlled function holders): 4

MVN maintains a list of its Identified Staff, which is reviewed at least annually to ensure it accurately reflects the status of individuals within the firm.

For the financial year ended 30 June 2017[1], MVN had a total of 9 individuals categorised as Identified Staff. The below disclosures refer to fixed and variable remuneration paid during the financial year.

Remuneration Paid

		MVN GBP Fixed Remuneration	MVN GBP Variable Remuneration
All Staff	14[2]	1,149,072	364,167
Number of Beneficiaries			
Senior Management		215,879	-
Staff whose activities can have a material impact on MVN's risk profile		328,431	135,000

[1] The Financial rather than calendar year end is used for these disclosures to ensure consistency with information provided in the AIF Report
[2] Calculated on a Full Time Equivalent basis