

Majedie Asset Management Ltd

Pillar 3 Disclosure and Policy

Our Pillar 3 disclosure as required by BIPRU 11.3.3 R is set out below. Pillar 3 disclosures will be made annually with our Annual Audited Accounts.

Summary

Majedie Asset Management Limited (“the Company”) is incorporated in the UK and is authorised and regulated by the FSA as an investment manager. The Company’s activities give it the BIPRU categorisation of a “UCITS Limited Licence €125k Investment” firm (as of August 2008).

Majedie Asset Management Ltd is not a subsidiary, nor does it own any subsidiaries, and hence all disclosures are shown at the Company level.

Background

The Company, incorporated in May 2002 in the UK, provides investment management services predominantly to institutional pension funds and is focused solely on UK equities. The Company’s assets under management (AUM) as at 30 November 2009 were circa £5bn and have grown organically since launch. The Company is closed to new business other than to recycle client outflows.

The majority of the Company’s clients have been introduced through a broad spread of investment consultants’ which therefore reduces business risk. MAM is not authorised to market direct to retail investors, however, it is authorised to operate an ICVC.

As at 30 November 2009 the Company’s fund management team comprised James de Uphaugh (JSD), Christopher Field (CF), Robert Harris (RH), Adam Parker (AP), Matthew Smith (MS) and Chris Reid (CR). Two graduate analysts were recruited during 2009.

The investment strategies currently being managed are detailed below:

1. Majedie Asset UK Equity Service (UKES)
2. Majedie Asset UK Focus Portfolio (Focus)
3. Majedie Asset Special Situations Investment Fund (MASSIF)
4. Majedie Asset UK Opportunities Fund (Opps)
5. Majedie Asset Tortoise Fund (Tortoise)*

*Dublin listed and Irish regulated. All other Funds are regulated by the FSA.

Strategy/Fund	Location		Seg	Fund
UKES	UK	JSD 30%; CF 30%; RH 30%, AP 10% (MAS)	✓	✓
Focus	UK	JSD 25%; CF 25%; RH 25%; AP 25%	✓	✓
MASSIF	UK	AP 100%		✓
Opps	UK	AP 100%		✓
Tortoise	Dublin	MS / CR 100%		✓

The first two strategies comprise portfolios managed by the fund managers in a multi manager structure. These are managed either on a segregated or pooled fund (OEIC) basis.

The Company is not permitted to hold client money. The Bank of New York Mellon (BNY Mellon) acts as custodian for approximately 30% of the client assets managed by the Company, with the remaining 70% held by other outside custodians nominated by clients.

Risk Management Objective

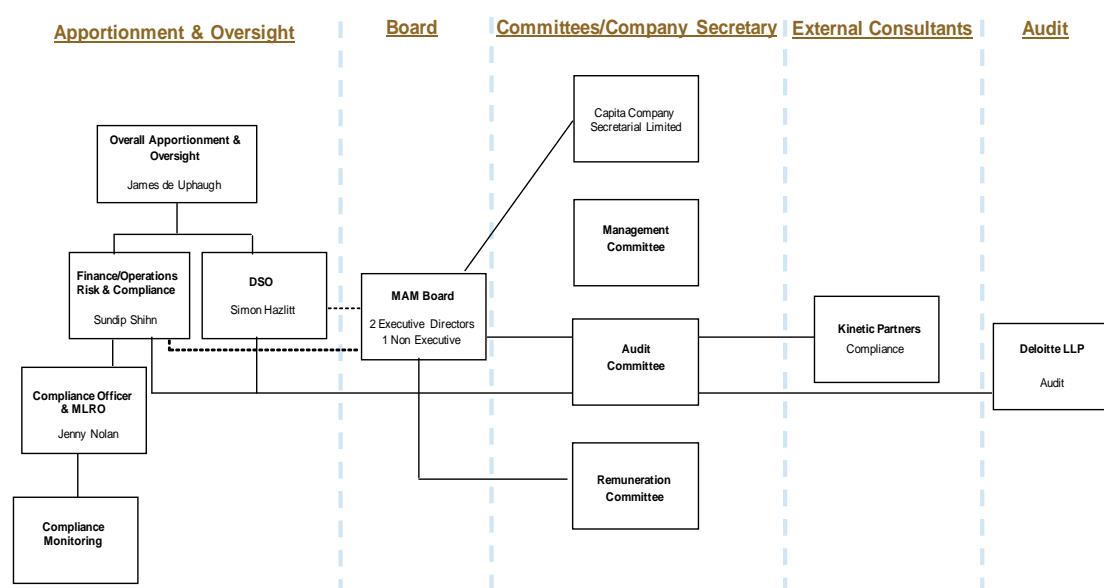
The Company aims to minimise risk in all areas of its business, therefore providing it and its

clients with greater overall protection. The business model adopted by the firm is designed to concentrate on its core strength, that of investment management. All non core functions are outsourced to external companies with the required expertise. Due diligence is carried out regularly on critical outsourced partners to ensure our demands for excellence in service levels are continually met.

The Company makes extensive use of technology in the operational management of the business, including dealing and settlement of transactions, thus automating many important processes and reducing the risk of errors. With regard to client assets, these are held by major custodians with whom daily reconciliations are executed. Segregated clients have named accounts at their custodian. The Company is not permitted to hold client money or assets.

The Company holds regulatory capital in accordance with the Capital Requirements Directive (CRD). All such capital is classified as Tier 1 capital. Currently, the Company holds a significant capital buffer over the level required by Pillar 1, thus providing a greater level of security for its clients.

Governance



The Company's Board of Directors (The Board) is responsible for the overall stewardship of the Company, including risk and controls assessment.

The Board consists of two executive directors and one non-executive director and meets once a month. Minutes of the prior month's meeting are included in the monthly Board papers. The Audit Committee is chaired by the non-executive director and meets at least once a year.

The Board has responsibility for the formation of the following committees:

- Management committee;
- Audit committee; and
- Remuneration committee.

Function of Committees

The function of the Management Committee is to manage the business on a day-to-day basis including formulating and executing business strategy that has been approved by the Board. The function of the Audit Committee is to maintain the internal controls and review the

Group's annual financial statements before submission to the Directors for approval and to review reports from management, external compliance consultants and the external auditors on accounting and internal control matters. Kinetic Partners, a specialist compliance firm, is commissioned annually to produce a comprehensive review of the Company's internal controls, procedures and compliance.

The function of the Remuneration Committee is to determine the emoluments of senior employees.

The Risk Framework

Risks within the Company are managed by way of the Risk Matrix. The matrix has been prepared following the guidelines laid out in the Turnbull report, and is updated regularly to take account of the ever changing operating environment. It is a highly detailed schedule of all aspects of risk (detailed below) within the business together with an assessment of the probability of the risk materialising (i.e. high, medium, low), the impact of the risk in the event it materialises (i.e. high, medium, low), and the severity of the risk (i.e. high, medium, low). This is updated by the operations team and reviewed by the Board at least annually and periodically by the Management Committee.

The Compliance Officer is responsible for the company's compliance monitoring program and all work completed under the program is then reviewed by the Business Director.

Compliance monitoring is carried out on daily, monthly, six monthly and annual bases, depending on the type and level of risk.

The trade platform used by the Company is Bloomberg's Asset and Investment Manager System (AIM). AIM has its own compliance engine which prevents investment trades being placed that breach client investment guidelines and/or UCITS investment rules. A breach report (on an exceptions basis) is automatically produced overnight which highlights any breaches, passive or otherwise, allowing for a swift resolution of any issues.

In the earlier years of its existence, the Company instigated two independent compliance verifications per annum. One was to review specific areas while the other was an annual compliance review of procedures, controls etc. As the business matured and demonstrated strength in its internal monitoring, it was deemed appropriate for there to be an annual review of the compliance regime, undertaken by the Company's external compliance consultant, Kinetic Partners. From time to time, the company seeks ad hoc advice from Kinetic Partners and may also commission a review from them to focus on a specific area. All reports are addressed to the Audit Committee that then reports to the Board.

The Company analyses and assesses in detail all the following areas of risk:

- | | |
|----------------|------------------------------|
| 1. Liquidity | 8. Credit |
| 2. Strategic | 9. Client |
| 3. Legal | 10. Market |
| 4. Transaction | 11. Outsourced relationships |
| 5. People | 12. Business continuity |
| 6. System | 13. Investment |
| 7. Compliance | |

Risk associated with investing client money is considered within the risk categories listed above.

Whilst the Risk Matrix register identifies the scope and extent of risks within the Company, the Compliance Monitoring Plan (CMP) ensures that these risks are monitored and the controls to mitigate them are operating as prescribed.

Pillar 1 Capital

The Company adopts the following approach to its Pillar 1 capital calculation:

- Credit Risk - BIPRU 3.2R
- Market Risk - BIPRU 7.5.1R
- (Pillar 1 Operational Risk calculation is not required under GENPRU 2.1.45R)

The Pillar 1 capital requirement is the higher of the aggregate of the market and credit risk requirement and the fixed overhead requirement. The company's Pillar 1 capital requirement at 30 November 2009 was £2,532,000, as calculated below:

No additional provisions have been made for Pillar 2, for reasons discussed later.

As at 30 November 2009 (£'000)	Pillar 1
	Minimum capital
Base Capital	1,152
Credit risk	2,216
Market risk	316
Fixed Overhead Requirement (FOR)	1,766
Pillar 1 total (Credit & Market Risk)	2,532
Operational Risk	n/a
Business Risk	n/a
Pillar 2 total	n/a
Adjustments	n/a
Additional Capital – stress testing	n/a
ICAAP capital requirement	2,533
Current total capital	8,205
Surplus	5,672

Credit Risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms or perform as agreed any contract with the Company.

The Company has limited exposure to the following categories of risk:

- Short term deposits held with highly rated banks (cash deposits).
- Fees accrued or invoiced, but not received (trade debtors).
- Seed capital investment in Collective Investment Undertakings (CIU)

The Company is required to maintain capital equivalent to 8% of any cash deposits and trade debtors. A severity factor of 20% may be applied to cash deposits when invested in Credit Institutions, such that the total requirement is reduced to 1.6% (8% multiplied by 20%). The Company believes that given the credit rating of the bank in which excess cash is deposited and the current level of government support for banks, the capital maintained is sufficient.

Seed Capital, where invested in a Collective Investment Undertaking (CIU), has a credit risk requirement of 1.6% (8% multiplied by 20%) as there is little risk of a Collective Scheme not paying redemption proceeds. Further capital for this investment is maintained under market risk.

Market Risk

Market risk is the current or prospective risk to earnings or value arising from adverse movements in equity and commodity prices, interest and/or foreign exchange rates. This risk can arise from open positions in securities, currencies, commodities, bonds or derivatives.

Seed Capital, where invested in a Collective Investment Undertaking (CIU) has a market risk requirement of 32% as the underlying securities could be subject to adverse movements in prices.

Majedie Asset Management Ltd

Calculation of Credit and Market Risk under Pillar 1 as at 30 November 2009

Credit Risk Calculation

Credit Risk Capital Requirement	Rule	£'000
Credit Risk Capital Component	BIPRU 3.2	£2,216
Counterparty Risk Capital Component	BIPRU 13 & 14	n/a
Concentration Risk Capital Component	BIPRU 10	£0
Total		<u>£2,216</u>

Credit Risk Capital Component		Risk Weighted Exposure Amount		Risk Weighted Average Exposure
8% of Risk Weighted Exposure Amounts				<u>2,216</u>
Claims in the form of CIU's	BIPRU 3.4.144 R	£989	20%	£198
Part Due Item	BIPRU 3.4.96 R	£2,683	100%	£2,683
Debtors	BIPRU 3.4.127 R	£19,498	100%	£19,498
Money Market Deposit		£26,629	20%	£5,326
Total		<u>£49,799</u>		<u>£27,704</u>
Counterparty Risk Capital Component	BIPRU 13 & 14	Not Applicable		
Concentration Risk Capital Component	BIPRU 10	£0	200%	£0
Total		<u>£0</u>		<u>£0</u>

Market Risk Calculation

	Rule			
Interest Rate Positional Risk Requirement (IRPRR)	BIPRU 7.2	£0	8%	£0
Equity Positional Risk Requirement ("EPRR")	BIPRU 7.3	£0	8%	£0
Commodity Positional Risk Requirement ("CPRR")	BIPRU 7.4	£0	8%	£0
Foreign Currency Positional Risk Requirement ("FCPRR")				
Option Positional Risk Requirement ("OPRR")	BIPRU 7.5.1	£0	8%	£0
Collective Investment Undertaking Positional Risk Requirement ("CIUPRR")	BIPRU 7.6	£0	8%	£0
Total	BIPRU 7.7	<u>£989</u>	32%	<u>£316</u>

Pillar 2 Risk Measurement

The Company is a simple business where the sole activity is investment management of listed securities on an entirely discretionary basis for Professional Clients and through two ICVC's (onshore and offshore). The Company does not provide advice to retail clients and critically neither takes market positions nor acts as principal in any transactions.

Overall, the Company has a very low risk appetite and, as described in the Risk Framework section above, has endeavoured to adopt best practice to mitigate and minimise risks within the business. The Company has considered the additional risks below and has decided that no further capital need be retained given the level of liquidity currently in the business.

Loss of revenue

The key drivers of revenue are assets under management (AUM) and investment management charges (IMC). AUM is a function of net asset flows, equity market movements and investment performance. IMC is a function of the fees agreed with clients and, where payable, the performance fees generated from investment performance relative to benchmark.

Whilst the Company has some scope to maintain and grow its revenue, ultimately, it has no control over client asset flows and equity market movements. The nature of the Company's business is that the majority of costs are people related (performance related pay). The breakeven AUM to cover all current fixed costs (including base salaries) is circa £1.4bn, although under this scenario there would be scope to reduce fixed costs, thereby reducing the breakeven AUM correspondingly. No adjustment is deemed to be necessary for this risk.

Counterparty and Settlement Risk

The vast majority of the Company's material clients are institutional as defined by the FSA regulations and hence the risk of default is very low. If an issue were to arise over payment of fees, the legal agreements between the Company and its clients allows for base management fees to be deducted from client funds.

As Authorised Corporate Director (ACD) of the Majedie Asset Management ICVC, the Company deals with investors in the various sub-funds. Investors place orders to purchase shares in the ICVC for settlement at T+3 or T+4. However, the Company has a regulatory requirement to settle these respective purchases with the ICVC's Depositary at T+3; hence if cash funds have not been received from the underlying investor, the Company is liable for the settlement with the Depositary. Given that large deals are only instructed via institutional clients and funds are always received in advance of dealing, the risk of default is extremely low and therefore no adjustment is deemed to be necessary for this risk.

Negligence, Fraud and Wilful Default

The Company's clients place trust in the firm to manage and administer their investments whilst operating in the capacity of a discretionary investment manager. With this trust comes great responsibility to operate with the utmost care and attention to ensure that the prescribed policies and procedures are in place and adhered to. Whilst the Company has gone to considerable lengths to develop and implement a robust and comprehensive risk management strategy, the firm can never fully negate human errors, fraud or wilful default.

Although the Company has extensive policies and procedures in place to mitigate these and many other risks, the risk of negligence, fraud and wilful default can never be fully discounted. Accordingly, the Company has comprehensive Combined Directors and Officers and Professional Indemnity insurance in place up to a limit of £10m, a level deemed appropriate by insurance brokers given the current size of the business. The policy has an excess fee of £100,000 and cover is reviewed on an annual basis. No further adjustment to Pillar 2 is thought necessary for this risk.