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FSA Remuneration Code disclosure

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain, including provisions for compensation. In the United Kingdom, the Directive has been implemented by the Financial Services Authority ('FSA') in its regulations through the General Prudential Sourcebook ('GENPRU'), the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') and the Senior Management Systems and Controls Sourcebook ("SYSC").

The European framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FSA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position, including disclosure requirements for compensation

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

Remuneration code disclosure

QuantMetrics Capital Management LLP ("the Firm") is authorised and regulated by the Financial Services Authority as a Limited Licence Firm and so, it is subject to FSA Rules on remuneration. These are contained in the FSA's Remuneration Code located in the SYSC Sourcebook of the FSA's Handbook. The Remuneration Code ("the RemCode") covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

The Firm's business is to provide investment management services to funds managed by the Firm on behalf of said funds (the "Fund(s)").

Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

1. are consistent with and promotes sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest; and
4. are in line with the Firm's business strategy, objectives, values and long-term interests.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FSA have sought to apply proportionality in the first instance by categorising firms into 4 tiers. The Firm falls within the FSA's fourth proportionality tier and as such this disclosure is made in line with the requirements for a Tier 4 Firm.

Application of the requirements

We are required to disclose certain information on at least an annual basis regarding our Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

1. Summary of information on the decision-making process used for determining the firm's remuneration policy including use of external benchmarking consultants where relevant.

   - The firm's policy has been agreed by the Senior Management in line with the RemCode principles laid down by the FSA.
   - Due to the size, nature and complexity of the firm, we are not required to appoint an independent remuneration committee.
   - The Firm's policy will be reviewed as part of annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.
   - The firm's ability to pay bonuses is based on the performance of the firm overall and is derived after the fund's returns have been calculated by client appointed third party administrators.
   - There is limited involvement of the firm in deriving asset prices.

2. Summary of how the firm links between pay and performance (SEE REM CODE).

   - Individuals are rewarded based on their contribution to the overall strategy of the business.
   - A significant determining factor is the position that the individual holds within the firm vis-à-vis the taking of risk.
   - Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.
   - In addition any bonus payments above a specific level determined by Senior Management are invested into a deferred bonus scheme held within the QM Multi Strategy Fund in order to directly link bonus payments with fund performance.

3. In accordance with CRD III and CEBS guidance the Firm takes a proportionate approach to its Remuneration Code disclosures in line with the nature, scale and complexity of the Firm and as such has chosen not to disclose exact remuneration figures in regards to the remuneration of the six Code Staff identified by the Firm's Policy. The Firm confirms that no Code Staff received more than £500,000 total remuneration during the period and that all discretionary remuneration is directly related to the performance of our managed entities and as such staff interests are innately aligned with the interest of the Firm and its Clients vis-à-vis remuneration and performance.

Partnership profits allocated to members of the LLP are normally disclosed in aggregate in the report and accounts.

We may omit required disclosures where we believe that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.