Introduction

Majedie Asset Management Ltd ('Majedie', 'the Company' or 'the firm') is incorporated in the UK and is authorised and regulated by the Financial Conduct Authority ('FCA'). Its activities give it the BIPRU categorisation of a Collective Portfolio Management Investment Firm.

Majedie is the sponsor, investment manager and principal distributor of LF Majedie Asset Management Investment Fund Company (**'MAMIFCo'**) and LF Majedie Institutional Trust ('**MIT'**). MAMIFCo is a UK UCITS constituted as an open-ended investment company, with seven sub-funds. MIT is a UK UCITS constituted as an authorised unit trust. Link Fund Solutions is the Authorised Fund Manager of both. Majedie is also the sponsor, investment manager and principal distributor of Majedie Asset Management (International) Investment Fund Company PLC (**'MAMIIFCo'**). MAMIIFCo is an Irish UCITS. It is a self-managed investment company with variable capital with five sub-funds. Since it is self-managed, Majedie is not its management company. Majedie is also the AIFM and Investment Manager of the Edinburgh Investment Trust, a close ended investment company listed on the London Stock Exchange. Majedie also manages portfolios for institutional investors (primarily UK pension funds and third party collective investment schemes) through individual segregated mandates.

Purpose of disclosure

The Capital Requirements Directive ('the CRD') of the European Union has established a revised regulatory capital framework across Europe to govern the amount and nature of capital that credit institutions and investment firms must maintain. The CRD has been implemented in the United Kingdom by the FCA through the General Prudential Sourcebook ('GENPRU'), the Prudential Sourcebook for Investment Firms ('IFPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). The rules are built on three Pillars:

Pillar 1: is the minimum capital requirement that a firm must hold, determined by the size and nature of the Company. The Pillar 1 Capital requirement for Majedie comprises the greater of:

- a Base Capital Requirement of €125k plus 0.02% of AUM in excess of €250m;
- the sum of the Credit Risk Capital Requirement and Market Risk Capital Requirement; or
- the Fixed Overhead Requirement ('FOR').

Pillar 2: requires firms to consider whether additional capital should be held to cover additional risks not covered by Pillar 1 requirements, or where the firm determines that the Pillar 1 requirement is insufficient to meet the credit, market and operational risks specific to the activities of the firm. Majedie carries out this assessment through the Internal Capital Adequacy Assessment Process (ICAAP).

Pillar 3: is the disclosure element of the Capital Requirements Directive. This requires firms to publish information to encourage market discipline by enabling market participants to assess key information about a firm's capital, risk exposures and risk assessment process. The disclosures are made public for the benefit of the market.

Scope, permissions and background

Majedie Asset Management Limited is an investment boutique that specialises in equities, primarily for institutional investors. It is a private limited company, majority owned by employees. It is not part of a group so this disclosure has been prepared on an unconsolidated basis. Its FCA permissions include the management of segregated mandates for institutional clients as well as the portfolio management of collective investment schemes. Client money may be controlled but not held.

The Company acts as:

(a) Investment manager to a number of segregated institutional mandates;

(b) Investment manager, sponsor and principal distributor of LF Majedie Asset Management Investment Fund Company PLC, a UK-domiciled Open Ended Investment Company with seven UCITS IV sub-funds:

- LF Majedie UK Equity Fund
- LF Majedie UK Focus Fund
- LF Majedie UK Income Fund
- LF Majedie UK Smaller Companies Fund
- LF Majedie Tortoise Fund

- LF Majedie Global Equity Fund
- LF Majedie Global Focus Fund

(c) Investment manager, promoter and distributor of Majedie Asset Management (International) Investment Fund Company PLC, an Irish domiciled Open Ended Investment Company with five UCITS IV sub-funds:

- Majedie Asset Management International Equity Fund
- Majedie Asset Management Tortoise Fund
- Majedie Asset Management UK Equity Fund
- Majedie Asset Management UK Income Fund
- Majedie Asset Management US Equity Fund

(d) Investment manager, sponsor and principal distributor of Majedie Institutional Trust, a UK domiciled Unit Trust Scheme adopting the strategy of the LF Majedie UK Equity Fund.

(e) AIFM and Investment Manager of the Edinburgh Investment Trust, a closed ended investment company listed on the London Stock Exchange.

Majedie is also approved by the FCA as a UCITS manager although no UCITS are currently managed.

Investors are principally pension schemes, institutions, fund of funds and wealth managers based in the UK. Involvement with retail investors is only through collective investment schemes, and then primarily conducted through financial advisers and execution platforms. The Company has experienced extremely limited direct investment by retail investors into the Majedie fund ranges. The Company does not provide any investment advice to retail investors.

Materiality

Certain elements of the Pillar 3 disclosure requirements can be omitted where the firm believes the information not to be material. A disclosure is deemed to be material if the omission or misstatement of that information would be likely to change or influence the assessment or decision of a user relying on the information for the purposes of making economic decisions. This disclosure states where Majedie has decided something meets this criterion and has therefore been omitted.

Publication

Disclosure will be made as soon as reasonably possible after the annual accounting date, or more frequently if required. Publication will be made on the Company website at www.majedie.com

Risk Management

Governance

It is the responsibility of the Board of Directors, its Audit & Risk Committee and the Management Group to approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks that the Company is or might be exposed to in relation to the business.

Risk Objectives and Risk Appetite

Risk appetite limits set out the amount and type of risk that the firm regards as appropriate for it to accept in order to execute its strategy. The Board of Directors through its ICAAP reviews and approves the risk appetite statement for areas of actual or potential significant risk to the business. Majedie has considered all relevant risks, including all those categories suggested by the FCA, and has put in place risk appetite statements for those risk categories which are applicable to the nature of its business.

Risk Identification and Control Environment

The Board of Directors is ultimately responsible for the risk environment. Through the Audit & Risk Committee, it has developed a Risk Matrix of all pertinent risks along with a qualitative appetite for those risks. It has overseen the development of a control environment that links the risks, their mitigation and the various processes, procedures and responsibilities across the organisation. The Chief Operating Officer has been delegated with responsibility to manage the risk function on a day to day basis. The Risk Matrix has been devised to address the broader risks in and to the business, not merely those risks that are relevant for the purposes of its capital resources requirements.

The Company's control environment is based on the "Three Lines of Defence" approach as described below.

First Line of Defence
Day to Day to day risk management is delegated as the responsibility of the head of each business unit. Management and staff responsibilities are clearly established whilst appropriate segregations of duties are in place between the activities of investment management, dealing and operations. The firm attempts to foster a professional and fair culture, and employ staff of sufficient experience and skill. The internal controls established by key outsource partners forms an important element of the First Line of Defence.

Second Line of Defence
The Compliance, Legal, Information, Performance & Risk and Finance functions, as well as Board sub-committees such as the Management Group, Dealing Oversight Committee, Investment Oversight Committee, Product Governance Committee and Conduct Committee provide oversight and secondary assurance that enable the Audit & Risk Committee and Board to assess that risk management policies and procedures are operating effectively and efficiently, and in accordance with the Company's risk tolerances and the requirements of applicable laws, regulations, guidance and best practice statements.

Third Line of Defence
The Board takes additional independent assurance from services undertaken by the Company's auditors, CASS auditors, legal advisors and compliance consultants, as well as interaction with investors and the roles performed by the depositary and other advisors or services providers to the UK and Irish fund ranges.

Any notable operational issues, including cause, resolution and process enhancement (where applicable) are discussed weekly by the Management Group and reported to the Majedie Board and/or Audit & Risk Committee for consideration of the Risk Matrix.

Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process (ICAAP) documents the approach and assessment of the risk profile of the Company and the adequacy of its internal capital. It includes an assessment of all the material risks faced by the Company, the controls in place to identify, manage and mitigate those risks and ensures that sufficient capital is maintained to withstand the resulting residual risk. The ICAAP is reviewed and approved by the Board of Directors, who have identified the following key risk categories;

Market Risk
Market risk is the risk of loss caused by a decline in the value of assets. As Majedie is an investment management firm trading as agent rather than principal, market risk exposure is low, limited predominantly to immaterial foreign currency bank accounts and non-sterling seed capital investments in recently established collective investment vehicles managed by the Company.

Credit Risk/Counterparty Risk
Credit risk is the risk of loss caused by the failure of a counterparty to meet its contractual obligations. The main elements of credit risk for the Company arise from:

- Cash - while Majedie does not hold client money, it does hold its own cash (mainly sterling) and short dated UK gilts, which both attract a low degree of credit risk;
- Investment - credit risk arising from the seeding of new funds, specifically, whether the investment could be redeemed in a particularly adverse market situation; and
- Institutional - credit risk arising from the non-payment of income due from clients.

Majedie does not undertake credit risk mitigation techniques, as defined in BIPRU 5/ IFPRU 4.

Liquidity Risk

Majedie is a non-ILAS firm, so must meet general liquidity standards. Sufficient liquid resources (predominantly cash and cash equivalent) are maintained to meet requirements under all normal and stressed conditions. There are no identified severe threats to Majedie's liquidity positions. The liquidity risk is therefore considered low.

Business Risk

Business risk encompasses threats to the long term sustainability of the business model, including the exposure to uncertainty in the wider economic and competitive environment and the impact of that environment on the Company's core business focus on long-only equities, predominantly in the UK. Threats include long-term bear markets, a major switch in asset allocations from equities or further significant shifts in the savings model (for example, beyond the defined benefit to defined contribution shift). Common to all asset managers, persistent negative investment performance may result in the Company losing clients and/or reduced fees from those retained. In this context, business risk is construed as those risks that the Company has only some or less immediate control over but which are part of the external economic environment or inherent in its business strategy. The company seeks to mitigate these risks by limiting its economic dependency on any individual investors, customer type, investment strategy or individual employees.

Conduct Risk

This is the risk of poor customer outcomes arising from inappropriate actions or conduct of Majedie and its employees. Customer detriment, or potential customer detriment, could lead to compensation awards, the risk of regulatory action or reputational damage leading to asset and revenue loss. The Company seeks to establish the correct "tone from the top", with senior management setting and articulating expectations of conduct, and a governance structure designed to enable escalation without delay of issues for their proactive and timely resolution. Individual and firmwide competency and training needs are assessed on a regular basis. The customer is put near the heart of the organisation through product design and governance, identification and management of potential conflicts. Performance fee structures are designed where possible to align the interests of the Company and its customers, whilst equity ownership throughout the firm helps to align the interests of employees and the Company. We look to provide investors and professional intermediaries with a high quality service, including relevant, detailed and up-to-date information needed to make good investment decisions or provide suitable advice to their clients.

Operational Risk

Operational risk is defined as the risks resulting from inadequate or failed internal processes, people and systems or from external factors such as failure of a supplier, service provider or cyber security threat. Any disruption or financial loss incurred by an investor may have a direct impact on the financial position and/or reputation of the Company. The Company's operational risks include failure of key systems, control procedure failure and transaction processing errors, somewhat reduced by the scale and flexibility of the organisation. Clear differentiation of control functions, reconciliation processes and layered oversight of control effectiveness all support operational risk mitigation. There is a further risk that the business could suffer reputational damage, financial loss or operating issues in the event of severe business disruption at Majedie or an outsource partner, rendering the Company unable to deliver critical services for a period. The firm has implemented a Business Continuity Policy and reviewed similar contingencies of its outsource partners, which it validates on an on-going due diligence basis to address this risk. With specific regard to cyber threat, the Company maintains multiple system locations and back-ups, undertakes appropriate staff training, has in place an IT Handbook (documenting policies and procedures) and has received the Cyber Essentials Plus accreditation.

Investment Risk

The Company embraces investment risk as necessary to achieve investment goals, provided the levels of risk are appropriate to the confines of the investment objectives as defined in Investment Management Agreements or fund documentation. Adherence to investment rules and restrictions is monitored real time by the Operations Team and daily by the Compliance Team. The Investment Oversight Committee, a sub-committee of the Board, reviews investment risks pertinent to each portfolio on a monthly basis.

Remuneration Risk and Remuneration Code Disclosure

The Company has established a Remuneration Policy and list of Code Staff in line with FCA regulatory requirements. The Remuneration Committee, a sub-committee of the Board, has been delegated the necessary authority, powers and duties for the implementation and periodical review (at least annually) of the Remuneration Policy, in compliance with the latest policies and procedures of the Remuneration Code. The policy is available at www.majedie.com.

Majedie is, by reason of being an AIFM, subject to the AIFM Remuneration Code ("AIFM Code") contained in SYSC 19B of the FCA Handbook. In accordance with FCA guidance, compliance by an AIFM with the requirements of the AIFM Code is deemed to constitute compliance with the BIPRU Remuneration Code. Consequently, and in accordance with that guidance, Majedie has elected to apply the AIFM Code to its entire book of business, not just the AIF.

Under the AIFM Code, a management company must establish and apply remuneration policies and practices that:
(a) are consistent with and promote sound and effective risk management;
(b) do not encourage risk taking which is inconsistent with the risk profiles of the AIFs it manages; and
(c) do not impair the management company's compliance with its duty to act in the best interests of the AIFs.

In accordance with FCA guidance, compliance by an AIFM with the requirements of the AIFM Code is deemed to constitute compliance with the BIPRU Remuneration Code. Consequently, and in accordance with that guidance, Majedie has elected to apply the AIFM Code to its entire book of business, not just the AIF.

In addition to the AIFM Code, the remuneration policy has been prepared taking into account the ESMA Guidelines on sound remuneration policies under the UCITS Directive and AIFMD and the draft proportionality guidance ("SYSC 19B Proportionality Guidance") issued by the FCA.

Proportionality
Under the FCA Rules, when establishing and applying AIFM Code policies, an AIFM must comply with the AIFM remuneration principles in a way and to the extent that is appropriate to:
(a) its size;
(a) its internal organisation; and
(b) the nature, scope and complexity of its activities.

Having analysed the relevant conditions set out by the FCA in the SYSC 19B Proportionality Guidance, Majedie has determined that the standard AIFM Code rules governing remuneration deferral, the form of variable remuneration and performance adjustment (known collectively as the "payout process rules") may be disapplied. Nonetheless, whilst not deemed to be a regulatory necessity, certain of these principles have been incorporated as described in this policy with the aim of further enhancing the alignment of the long-term interests of Majedie and its employees with its investors.

Description of how remuneration and benefits are calculated
The remuneration and benefits (fixed and variable) of each employee are determined by the Company's Remuneration Committee. The policy (available at www.majedie.com) details the decision-making process in relation to setting any variable remuneration that may be payable. All employees of the Company (including the executive directors) are subject to this remuneration policy.

The maximum aggregate level of remuneration (fixed and variable combined) that may be payable to all staff is calculated as a fixed percentage of revenues after deducting all non-remuneration expenses. A variable remuneration pool will only arise if the Company is profitable before and after the award of variable remuneration.

The Remuneration Committee is responsible for:
(a) calculating the maximum variable remuneration pool, utilising analysis of the Company's full-year financial position, identified current and future risks and the Company's prospects; and
(b) deciding how much (if any) of the maximum variable pool should be distributed.

The award of individual variable remuneration, the amount, the nature and the timing of any variable remuneration and the terms upon which such variable remuneration may be payable are at the discretion of the Remuneration Committee. In determining individual remuneration, the Remuneration Committee takes into account:

(a) the Company's full-year financial position;
(b) the evaluation of individual contributions through the annual appraisal process;
(c) for investment managers, contribution to investment returns over (where applicable) three-year periods;
(d) the performance of the AIF and the other assets under management.

Basic salary and other fixed remuneration is taken into account when allocating any variable component of remuneration. The Company seeks an appropriate balance between fixed and variable remuneration.

The deferred element of variable remuneration may take the form of interests in the Company's shares and/or relevant investments managed by the firm. The Company considers that long-term employee ownership of the Company's shares provides an effective alignment of interest with its clients. Applying the principle of proportionality, the deferred element is generally 30% of variable remuneration, typically vesting after three or more years.

For the year to 30 September 2020, the total remuneration awarded to all sixty one employees including salaries, pension contributions, cash bonuses, deferred bonuses, equity incentives and other taxable benefits was £22.5m, of which £7.4m was fixed and £15.1m was variable. As a small firm which makes extensive use of outsourced services, the Company has a naturally high percentage of Remuneration Code staff; the total remuneration awarded to thirty eight Remuneration Code staff was £19.9m, of which £5.6m was fixed and £14.3m was variable.

Majedie expects to be subject to the AIFMD Remuneration Code contained in SYSC 19B of the FCA Handbook for the financial year ending on 30 September 2020 and subsequent financial years.

MAJEDIE
Asset Management

Capital Resources & Capital Adequacy

The Company maintains sufficient capital to meet regulatory requirements. In line with these requirements, it maintains Pillar 1 based on the higher of the Market plus Credit risks requirement and the Fixed Overhead Requirement, plus an additional amount under Pillar 2. The adequacy of capital requirements is formally assessed by the Board of Directors through its ICAAP process.

The table below illustrates the Company's capital resources and ratios as at 30 September 2020:

	£m
Tier 1 Capital	45.7
Tier 2 Capital	-
Tier 3 Capital	-
Total Capital	**45.7**
Pillar 1 Capital Requirement	4.2
Additional Requirement under Pillar 2	4.0
Total Pillar 1 & Pillar 2 Capital Requirement	**8.2**
Surplus Capital	**37.5**
Total Capital as a multiple of Pillar 1 Capital Requirement	10.9x
Total Capital as a multiple of Pillar 1 + 2 Capital Requirement	5.6x