

Pillar 3 Disclosures & Remuneration Policy

Pillar 3 Disclosures

Introduction

Goldwinds Asset Management Limited (“Goldwinds”) is authorised and regulated in the UK by the Financial Services Authority (“FSA”) and is therefore subject to the FSA’s Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), specifically BIPRU 11.3.3 R. This follows the introduction of the Capital Requirements Directive (“CRD”), which came into force on 1st January 2007. The CRD rules were designed to generally increase investor protection throughout the market and these rules require the Company to assess the adequacy of its capital resources given its risks.

The CRD requirements have three pillars:

- Pillar 1 establishes the minimum capital requirements given the credit, market and operational risks;
- Pillar 2 requires the Company and the FSA to take a view on whether the Company needs to hold additional capital to cover firm-specific risks not covered by the Pillar 1 minimum requirements; and
- Pillar 3 requires the Company to publish certain details about its risks and risk management process.

The Company’s Pillar 3 disclosures provide transparency about its capital requirements, risk exposures and risk assessment processes and are made for the benefit of the Company’s clients. The FSA generally requests that firms address specific risks pertinent to its business (i.e.: market, credit, liquidity, operational, business, concentration and any residual risks¹), and these items are addressed below.

The rules in BIPRU 11 require a Pillar 3 disclosure. This document satisfies our obligation and the Company will provide its Pillar 3 disclosure annually, covering the previous financial year.

Location

The Pillar 3 will be published on the Company’s website.

Materiality

Information is generally viewed as material if its omission or misstatement could change or influence the assessment or decision of someone relying on that information for the purpose of

making economic decisions. If a certain disclosure is omitted from this statement, we viewed the disclosure to be immaterial or inapplicable to us.

Confidentiality

Information is generally viewed as proprietary if sharing that information with the public would undermine a competitive position. Proprietary information may include information on products or systems that, if shared with competitors, would render the Company's investments therein less valuable. Further, the Company must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Company to confidentiality. In the event that any such information is omitted, the Company shall disclose such and explain the grounds why it has not been disclosed.

Background of the Company

In September 2008 Goldwinds received FSA permission for Managing Investments and has since been providing investment advice and investment management services to range of clients.

Risk Management Objectives and Policies

The Company's general risk management objective is to develop systems and controls that mitigate risk to a level that does not require the allocation of Pillar 2 capital.

The Company's 2011 Internal Capital Adequacy Assessment Process ("ICAAP") did not identify any internal or external risks that resulted in the Company having to increase its capital levels. Accordingly, the Company's business and operational risks are limited in scope and the Company believes that it has a minimal risk profile.

Governance and Risk Framework

The Company oversees and manages its risks through a combination of a Compliance Manual, routine monitoring of policies and procedures, a Business Continuity Plan, an annual independent audit and reporting process, and the use of an independent UK compliance consultant. The Company's policies, procedures and financial controls are regularly reviewed and revised as needed. Changes to the Company's policies for 2011 include adoption of a Remuneration Policy to address the recently expanded scope of the Remuneration Code.

Disclosures

Market Risk

Market risk is the risk that the value of, or income arising from, the Goldwinds's assets and liabilities varies as a result of changes in the market price of financial assets, changes in exchange rates or changes in interest rates.

Credit Risk

Credit risk refers to the potential risk that customers fail to meet their obligations as they fall due. Goldwinds is exposed to the credit risk of its bankers and receivable from its Funds and clients. Goldwinds considers these risks on a continuous basis but does not believe that it is significant.

Liquidity Risk

Goldwinds' liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in fees received/receivable. The Company maintains sufficient cash balances with its banking partners to cover liquidity risk. Furthermore, the Company continuously monitors income and expenditure levels and adjusts plans accordingly.

Operational Risk

The Company has simple systems and data processing requirements and the Company does not require its systems to be available 'real time'. The risk of any systems failures is therefore not high-risk and the Company believes that it has minimal operational risk.

Other risks

Other risks the Company considered included:

- **Business Risk:** failure of business plan, resulting in losses or reduced income
- **Concentration Risk:** whether overly dependent on any customer or group in terms of income or credit risk
- **Residual Risk:** any other material risk specific to the company

The Company does not consider these risks, or any other material risks mentioned above, would require the Company to increase its capital levels.

Capital Resources

Goldwinds is designated as a BIPRU Limited Licence Firm (base capital requirement is €50,000) and is subject to an expenditure requirement.

Remuneration Disclosures

The FSA has amended the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU), and specifically BIPRU 11, to now include a requirement for disclosure of the Company's approach to linking remuneration to risk.

The Company feels that its Remuneration Policy appropriately addresses potential conflicts of interest and that the Company's authorised persons are not rewarded for taking inappropriate levels of risk. Under the Remuneration Code, the Company is classified as a Tier Four firm, which allows the Company to disapply many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing the Company's policy.

The Decision Making Process

On grounds of proportionality Goldwinds' Governing Body also serve as the remuneration committee.

The link between pay and performance

Overall remuneration may include an annual incentive compensation reflecting individual performance and responsibility, both short-term and long-term, as well as the Company's overall performance.

Incentive Compensation

The award of incentive compensation is a qualitative decision where employee and supervisory input are significant components and is currently not used.

Code Staff: Investment Team Members

Due to the size and complexity of Goldwinds' business the principals of the Firm are the investment team and the only Code Staff.

Quantitative Remuneration Data

We are required to disclose the following quantitative data:

- BIPRU 11.5.18R(6) (aggregate quantitative information on remuneration, broken down by business area)
- BIPRU 11.5.18R(7) (aggregate quantitative information, broken down by senior management and members of staff whose actions have material impact on the risk of the firm).

This data will be added to this disclosure in due course and before 31/2/2011.
