



1. Overview

Introduction

This document sets out the Pillar 3 market disclosures for Majedie Asset Management Ltd ('MAM', 'the Company'). MAM is an FSA regulated Limited Licensed UCITS Investment firm incorporated in the UK. MAM does not hold client money. All references in this document to financial requirements, especially GENPRU or BIPRU, relate to the appropriate sections of the UK Financial Services Authority rules. The Accounting Reference date for this disclosure is 30 September 2011.

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 Financial Services Authority ('FSA') through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). The rules are built on three Pillars:

Pillar 1: Minimum capital requirements, calculated in accordance with the FSA's prudential rules.

Pillar 2: The process for assessing capital adequacy in relation to the Company's own specific risk profile. This process is overseen by the Board of Directors through the Internal Capital Adequacy Assessment Process ('ICAAP').

Pillar 3: The purpose of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on 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

MAM is currently owned 30% by Majedie Investments PLC and 70% by founding employees and other staff. It is not consolidated with any other entities. Its authorised permissions include the management of segregated mandates for institutional clients as well as portfolio management of collective investment schemes.

The Company acts as investment manager to:

- (a) Majedie Asset Management Investment Fund Company PLC ('**MAMIFCo**'), a UK-domiciled Open Ended Investment Company with four sub-funds:
- UK Equity Fund
 - UK Focus Fund
 - UK Opportunities Fund
 - Special Situations Investment Fund

MAM also acts as the Authorised Corporate Director to MAMIFCo.

- (b) Majedie Asset Management (International) Investment Fund Company PLC ('**MAMIIFCo**'), an Irish domiciled Open Ended Investment Company with two sub-funds:
- Tortoise Fund (a UCITS IV long/short fund)
 - Global Focus Fund



The Company principally acts for pension schemes, institutions and various multi manager funds. Limited involvement is conducted with retail investors through independent financial advisers and various platforms. It does not provide any advice or market directly to retail investors.

The strategy is to manage UK and global equities, principally for institutional clients, and to build towards a long term, sustainable business by serving the needs of its investors.

Materiality

The Pillar 3 disclosure requirements permit a firm to omit certain disclosures where it believes the information to be immaterial. 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 MAM has decided something meets this criterion and has therefore been omitted.

Publication

Disclosures are required to be made at least annually. MAM will make its disclosure as soon as reasonably possible after the annual accounting date. Certain disclosures may be made more frequently if required. Publication will be on the website at www.majedie.com

2. Risk Management

Governance

It is the responsibility of the Board of Directors, its Risk & Audit Committee and the management team 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, as part of the annual ICAAP, reviews and approves the risk appetite statement for areas of actual or potential significant risk to the business. MAM has considered all relevant risks, including all those categories suggested by the FSA, 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 Risk & Audit Committee, it has developed a Risk Matrix of all risks along with a qualitative appetite for those risks. It has also overseen the development of a Control Framework which 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 control environment is demonstrated in a Control Framework which provides:

- An overview of the risk governance structure;
- The clear role of the Board of Directors and Audit & Risk Committee;
- The assignment of control function responsibilities between senior staff and their areas;
- The Company's risks, risk appetite and a log of crystallised risks, through the Risk Matrix;
- Cross references of the procedures, processes and IT which deliver the necessary monitoring, transparency and control;
- A useful vehicle to assist the due diligence by clients, key suppliers and regulators through helping them understand and gain confidence in the Company's controls;
- An explanation of the risk control framework and the relationship between the first business functions, the second line control functions and the third line external review.

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 approved by the Board of Directors.

Market Risk

Market risk arises for MAM as a result of its practice to providing its own capital to seed new funds in their early stages. The Company's investment in the US dollar based Global Focus Fund (a Collective Investment Units exposure) also presents a foreign exchange exposure. MAM does not have other market risk exposures.

Credit Risk

Credit risk is defined as the risk of loss caused by the failure of a counterparty to meet its contractual obligations. The main elements of credit risk arise from;

- Cash - while MAM does not hold client money, it does hold short dated UK gilts and its own cash (in Sterling) with its bankers, 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.

The table below illustrates the credit and counterparty risk exposures as at 30 September 2011:

Cash deposits and short term gilts	£27.4m
Investment in the form of CIUs	£11.0m
Institutional	£20.4m
Other	£5.0m
Total	£63.8m

MAM does not undertake risk mitigation techniques, as defined in BIPRU 5.



Operational Risk

Operational risk is defined as the loss resulting from inadequate or failed internal processes, people, systems or from external events. Examples of significant operational incidents which could arise are: fraud, IT failure, regulatory issues and reputational damage.

MAM is exempt from calculating an Operational Risk Capital Requirement through BIPRU 6.1.1 R. It does however use the Fixed Overhead Requirement ('FOR') approach.

Financial impacts arising under a variety of scenarios and stresses, including an orderly wind down of the Company, have been analysed and evaluated. The extra capital resource over and above the Fixed Overhead Requirement that would be required to undertake such a wind down has been reflected as an additional Pillar 2 capital resource requirement.

Liquidity Risk

MAM is a non-ILAS firm which has to meet general liquidity standards.

Sufficient liquid resources (predominantly cash and cash equivalent) are maintained to meet requirements under normal and stressed conditions. Other than in a wind down scenario (as above) there are no severe threats to MAM's liquidity positions. The liquidity risk is therefore considered low.

Remuneration Risk

The Company has established a Remuneration Policy Statement and list of Code Staff in line with FSA regulatory requirements. The Policy addresses issues specific only to Remuneration Code Staff as well as firm-wide issues. 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. As a Limited Licence firm, MAM falls within Tier 4 under the FSA guide on proportionality.

Aggregate levels of variable elements of remuneration are determined directly by the profitability of the Company. Revenue is earned through periodic management fees and, from some investors, performance fees on surpassing agreed hurdles, normally when sustained over a prolonged period.

A proportion of profits may be available for variable remuneration. If the Company is not profitable, variable payments are not made. The award of variable remuneration is discretionary, overseen by the Remuneration Committee, and linked to each individual's performance through an annual appraisal process.

During the year to 30 September 2011, the total remuneration paid to all employees, including salaries, cash bonuses, deferred bonuses, equity incentives, pension contributions and health insurance was £22.7m, of which almost 90% was awarded to Remuneration Code staff.

As a small firm which makes extensive use of outsourced services, the Company has a very high percentage of Remuneration Code staff and this is reflected in the figures given here. The disclosure of further detail is limited by the provisions of the Data Protection Directive as envisaged by BIPRU 11.5.20R.



3. Capital Resources & Capital Adequacy

The Company maintains sufficient capital to meet UK 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 as at 30 September 2011:

	£m
Tier 1 Capital (after deductions)	24.3
Tier 2 Capital	0
Tier 3 Capital	0
Total Capital (after deductions)	24.3
Pillar 1 Capital Requirement	3.9
Additional Requirement under Pillar 2	0.6
Total Pillar 1 & Pillar 2 Capital Requirement	4.5
Surplus Capital	19.8
Total Capital as a percentage of Pillar 1	621%
Total Capital as a percentage of Pillar 2	534%