Millennium Global Investments Limited

PILLAR 3 RISK DISCLOSURE STATEMENT

Introduction

This document outlines the Pillar 3 disclosures for Millennium Global Investments Limited ("MGIL" or, the "Firm"). MGIL is authorised and regulated by the Financial Conduct Authority ("FCA") as a Full-Scope UK Alternative Investment Fund Manager and is categorised by the FCA for Prudential Regulatory purposes a Collective Portfolio Management Investment Firm ("CPMI").

The Capital Requirements Directive ("CRD") and the Alternative Investment Fund Managers Directive ("AIFMD") have established a regulatory capital framework which outlines the capital requirements for investment firms. The FCA has implemented CRD and AIFMD into the General Prudential Sourcebook ("GENPRU"), the Prudential Sourcebook for Banks, Building Societies and Investments Firms, ("BIPRU") and the Interim Prudential Sourcebook for Investment Business ("IPRU (INV)").

The Firm is required by the FCA to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline. These disclosures aim to provide information on the risk exposures faced by the Firm and the risk assessment process it has in place to monitor these. Known as "Pillar 3" disclosures, they are required to be made under Chapter 11 of BIPRU and are seen as complementary to the Firm's minimum capital requirement calculation ("Pillar 1") and the internal review of its capital adequacy ("Pillar 2").

The FCA's prudential framework for investment management firms consists of three 'Pillars':

- Pillar 1 - minimum capital amount that meets firm's credit, market and operational risk capital requirement;
- Pillar 2 - assesses whether capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and determine whether additional capital, processes, strategies or systems are required; and
- Pillar 3 - disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The AIFMD adds further capital requirements based on the Alternative Investment Fund ('AIF') assets under management and professional liability risks.

The Pillar 3 disclosure document has been prepared by the Firm in accordance with the requirements of BIPRU 11 and is verified by the Board of Directors. Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as practical when the audited annual accounts are finalised / with the annual accounts. MGIL makes Pillar 3 disclosure annually via its website, the information is accurate as at 31st December 2015. The information disclosed does not constitute any form of financial statement.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a Full Scope AIFM, Collective Portfolio Management Investment Firm ('CPMI') Firm' by the FCA for capital purposes.

Risk Management

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. This is overseen by the Head of Risk with respect to operational and the Chairman for investment risk and the Chief Executive Officer taking overall responsibility for this process.

A formal update on operational matters is provided to the Chief Executive Officer through the Operational and Risk Committees. Management accounts demonstrating continued adequacy of the Firm's regulatory capital are monitored by the Finance Manager and provided on a monthly basis to the Chief Executive Officer. Appropriate action is taken where risks are identified which fall outside of the Firm's risk tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's mitigating controls.

Specific risks applicable to the Firm come under the headings of business, operational, credit and market risks.

Business Risk

The Firm's revenue is reliant on the management and performance fees of the existing managed account and funds under management and its ability to gain new managed accounts and launch new funds. As such, the risk posed to the Firm relates to a decline in revenue and adverse market conditions leading to the risk of redemptions from the funds or closure of accounts managed by the Firm. This risk is mitigated by evaluating our capital position and regulatory reserves on an on-going basis to ensure it covers any potential business risk.

Operational Risk

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

For the purposes of Pillar 2 calculations, the operational risks have been calculated based on the excess on an insurance claim, historic losses and the costs of a wind down. However, these operational risks are covered by the Fixed Overhead Requirement, not as an addition and as the management team have considered that all such risks are unlikely to materialise at the same time.

The Firm has identified a number of key operational risks to manage. These relate to systems failure, failure of a third party provider, key man, and the potential for serious regulatory and client mandate breaches.

1. Operational Loss

Due to the large foreign exchange AUM's of its clients, the largest numeric exposure would be the potential for foreign exchange trading errors due to the transaction sizes.

The Firm has implemented and continually reviews its systems and controls in order to seek to mitigate against this risk. However, due to the residual risk of errors occurring the Firm has in place an errors and omissions insurance policy to help mitigate against material costs associated with potential errors. Such policies are not unlimited and the Firm has committed long term investment into its systems and controls in recognition of those limitations.

As control issues are identified, the Firm implements control changes as required. Further, there are appropriate change control processes in place to address the additional risks involved in system enhancement.

2. Business Continuity

From an operational point of view, the Firm would incur increased costs should it be required to implement its business continuity plan as the Firm budgeted for fully functional desks at the disaster recovery site for key personnel and using Citrix remote access to fully configured desktops with the full range of business applications available to a large number of users.

3. Key Man Risk

The risk of key investment management personnel loss is mitigated by having an appropriate remuneration structure in place including equity interests in the parent company. Furthermore, investment personnel are structured in a team based approach across the Firm and hence, the potential for "knowledge loss" is minimised.

Credit Risk

The Firm is exposed to credit risk in respect of investment management fees billed and cash held on deposit.

The number of credit exposures relating to the Firm's investment management clients is limited. Management and performance fees are invoiced monthly or quarterly from the managed account clients and funds managed. The Firm considers that there is little risk of default by its clients. All bank accounts are held with large international credit institutions with credit ratings of A+ (S&P)

Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The Firm uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk weighted exposures in capital terms in respect of its debtors. This amounts to 8% of the total balance due. The Firm's bank balances are subject to a risk weighted exposure of 1.6% in accordance with BIPRU 3.4 of the FCA Handbook.

Credit Risk Exposure	Risk Weighting	Risk Weighted Exposure (£'000)
Cash in the bank	1.6%	£106
Trade Debtor	8%	£187
Prepayments and Accruals	8%	£48
Other assets	8%	£10

Equity Exposure

Disclosure in this area has been omitted because the entity has no equity exposure.

Market Risk

The Firm has no direct market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies other than sterling.

The change in the value of fees due to foreign exchange could potentially be material to the Firm. Since the settlement of debtor balances takes place without undue delay in most cases, the timing of the amount becoming payable and subsequently being paid is such that it is not considered at present to be a material risk to the Firm.

No specific strategies are adopted in order to mitigate the risk of currency fluctuations; however the Firm calculates a market risk charge under its Pillar 1 capital requirement. Losses arising on foreign exchange movements are monitored on a regular basis and reported to senior management via the monthly management accounts.

The Firm calculates its foreign exchange risk by reference to the rules in BIPRU 7.5.1 of the FCA Handbook and applies an 8% risk factor to its foreign exchange exposure.

Professional Liability Risk

The Firm has a legal responsibility for risks in relation to investors, products & business practices including, but not limited to; loss of documents evidencing title of assets of the AIF;

misrepresentations and misleading statements made to the AIF or its investors; acts, errors or omissions; failure by the senior management to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts; improper valuation of assets and calculation of unit/share prices; and risks in relation to business disruption, system failures, process management.

The Firm is aware of, and monitors, a wide range of risks within its business operations and towards its investors. The Firm has in place appropriate internal operational risk policies and procedures to monitor and detect these risks. These procedures and risks are documented, demonstrating how the Firm aims to mitigate these risks. This is reviewed annually.

The Firm has in place appropriate coverage of professional indemnity insurance, where single claims are covered for up to US $15 million , exceeding the required 0.7% of total AIF assets under management, and aggregate cover is US $50 million, exceeding the require 0.9%. The excess of US $250,000 is held in Own Funds.

Liquidity risk

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The Firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds. Additionally, it has historically been the case that all management fee debtors are settled promptly, thus ensuring further liquidity resources are available to the Firm on a timely basis. The cash position of the Firm is monitored by the Finance Manager on a daily basis.

Capital Adequacy

Capital Resources

The ICAAP looks at which risks affect the Firm and if one of those risks were to crystallise, whether the Firm has sufficient capital resources to wind-down in an orderly manner. This is consistent with the capital resources requirement calculation. The AIFMD adds further capital requirements based on the Alternative Investment Fund ("AIF") assets under management and professional liability risks.

Capital Requirement

As a CPMI Firm, the Pillar 1 capital requirement is calculated as the higher of the:

- Fixed Overhead Requirement ("FOR");
- Base Capital Requirement of €125,000; or
- The funds under management requirement (the sum of the Firm's base own funds requirements of €125k plus 0.02% of the amount by which the Firm's funds under management (related to Alternative Investment Funds) exceed €250m); and

Whichever is the applicable of:

- The professional negligence capital requirement ("additional own funds requirement"); or
- The professional indemnity insurance ("PII") capital requirement

0.02% is taken on the absolute value of all assets of all funds managed by the Firm (for which it is the appointed AIFM and / or UCITS operator) in excess of €250m, including assets acquired through the use of leverage, whereby derivative instruments shall be valued at their market value, including funds where it the Firm has delegated the management function but excluding funds that it is managing as a delegate. The FOR is calculated, in accordance with FCA rules, based on the Firm's previous years audited expenditure.

The Firm is not subject to an operational risk requirement.

As at 31 December 2015, the Firm's Pillar 1 capital requirement was £ 2,507,000. This has been determined by reference to the Firm's Fixed Overheads Requirement ("FOR") and the Firms PII capital requirement calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU") at GENPRU 2.1.53.

The FOR is based on annual expenses net of variable costs deducted, which include discretionary bonuses paid to staff. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year. This is monitored by the Finance Manager and reported to the Chief Executive Officer on a monthly basis.

In accordance with the ICAAP, MGIL's calculation of the FOR has been based on annual fixed expenditure in the audited accounts as at 31 December 2015.

Satisfaction of Capital Requirements

The ICAAP (Pillar 2) process indicates that no additional capital is required to be held by the Firm over and above its Pillar 1 capital requirement. The capital resources detailed above are considered to be adequate to accommodate an orderly wind-down if an unexpected event prevented the Firm from being able to continue to operate.

In managing its capital, the Firm considers the variety of requirements and expectations. Sufficient capital is in place to support current and projected business activities, according to both the Firm's own internal assessment and the requirements of its regulator/s.

Capital is also managed in order to achieve sound capital ratios at all times, and it therefore considers not only the current situation but also the projected developments in both its capital base and capital requirements.

The Firm is a Limited Liability Company and its capital arrangements are established in its Articles of Association. The main features of the Firm's capital resources as at 31st December 2015 for regulatory purposes are as follows:

Capital Item	£000
Tier 1 capital	2,507
Tier 2 capital	0
Tier 3 capital	0
Deductions from Tiers 1 and 2	0
Total capital resources	2,507

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STEWARDSHIP CODE DISCLOSURE

Stewardship Code Disclosure

Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook, the Firm is required to include on this website a disclosure about the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the “Code”) or, where it does not commit to the Code, its alternative investment strategy.

The Firm pursues a global currency strategy and, as a result, does not currently invest in single equities. Consequently, while the Firm supports the objectives that underlie the Code, the provisions of the Code are not relevant to the type of trading currently undertaken by the Firm.

If the Firm investment strategy changes in such a manner that the provisions of the Code become relevant, the Firm will amend this disclosure accordingly.

REMUNERATION CODE DISCLOSURE

Millennium Global Investment Limited (the "Firm") is authorised and regulated by the Financial Conduct Authority as a full scope UK AIFM and it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC 19B Sourcebook of the FCA'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 and segregated managed accounts managed by the Firm.

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 FCA has sought to apply proportionality in the first instance by categorising firms into three levels. The Firm falls within the FCA's third proportionality tier and as such this disclosure is made in line with the requirements for a Level three 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 Head of the Compensation Committee in line with the RemCode principles laid down by the FCA.
    - The Firm has a compensation committee headed up by Alan Eisner. The compensation committee seeks the consideration of non-executive Directors where material changes to the compensation framework are being considered.

- The compensation committee review industry compensation benchmarks as part of their annual review.
- The Firm's policy will be reviewed as part of its annual processes 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 a bonus is based on the performance of the Firm and derived after the managed accounts clients and fund's returns have been calculated by client appointed third party administrators and external valuation agents as applicable.
- There is limited involvement of the Firm in deriving asset prices.

2. Summary of how the Firm links between pay and performance.
    - The Firm wishes to align its remuneration policies with its risk profile which attempts to be diversified against the market.
    - The Firm manages investment funds and managed accounts that invest in high liquid assets with low exposure to less liquid instruments. Where the investment funds are exposed to illiquid assets these are valued using independent valuation agents and counterparty banks.
    - The Firm operates a management fee and a performance fee subject to a high water mark in respect to offshore funds and a selection of managed accounts. There are also a number of managed accounts that have a management fee only structure.
    - This means that it is expected that the manager will remain profitable with no performance fee income.
    - The measurement of performance used to calculate bonuses or bonus pools includes an adjustment for current and future risks and takes into account the cost of the capital and the liquidity required.
    - Individuals are rewarded based on their contribution to the overall strategy of the business.
        a. Investment Generation
        b. Investment Trading
        c. Sales & Marketing
        d. Operations
        e. Franchise Development
    - 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.

Code Staff

We have identified Code staff as required by the Remuneration Code, as those staff whose actions have a material impact on the risk profile of the Firm and who have significant influence. We consider that we have one business area, investment management. Within this area we have 13 Code Staff. For the year ended 31 December 2015 the total remuneration of these staff was £7,020,773.

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.