

Nils Taube Investments Limited

Pillar 3 Disclosure As at 14 December 2011

Nils Taube Investments Limited (the “Company”) was incorporated as a limited company in England and Wales on 6 October 2006 and is authorised and regulated by the Financial Services Authority (the “FSA”). The Company acts as an investment manager to both a regulated and an unregulated collective investment scheme (“the Funds”).

The Company is categorised as a limited licence Company by the FSA for capital purposes.

Pillar 3 disclosure fulfils the Company’s obligation to disclose to market participants key pieces of information on a Company’s capital, risk exposures and risk assessment processes.

I. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Directors of the Company determine its business strategy and the risk appetite. In conjunction with the Investment Manager and the Compliance Officer, they have designed and implemented a risk management framework that recognizes the risks that the business faces. The Directors also determine how those risks may be mitigated and assess on an ongoing basis the controls and procedures necessary to manage those risks. The Directors on a regular basis discuss projections for profitability, liquidity, regulatory capital, business planning and risk management.

As an investment manager, the Company considers the following as key risks to its business:

Business risk – This risk represents a fall in asset under management in the Funds or the loss of key staff which may reduce the fee income earned by the Company and hinder its ability to finance its operations and reimburse its expenses. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process (“ICAAP”).

Operational risk – This risk covers a range of operational exposures from risk of trading errors to risk of breach of a Fund’s investment objectives. Legal and reputational risks are also included within the category of operational risk. Operational risks and mitigants are assessed as part of the ICAAP.

Credit risk – This risk relates to the exposure to the Funds for non-payment of management and performance fees and counterparty exposure relating to the Company’s bank balances and any other debtors. This is monitored by the Company’s accountant and reported monthly to the Directors of the Company.

Market risk - This risk is the exposure to foreign exchange fluctuations due to investment management and performance fees being denominated in currencies other than sterling.

II. CAPITAL RESOURCES

The **capital resources** of the business comprises Tier 1 capital with no deductions.

As a limited licence Company **the capital resources requirement** is calculated as the total of Pillar 1 and Pillar 2 capital.

Pillar 1 capital is the greatest of:

1. a base capital requirement of Euro 50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement (“FOR”).

Pillar 2 capital is calculated by the Company as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP.

It is the Company’s experience that its capital requirement normally consists of the FOR, although market and credit risks are reviewed monthly. The Company applies a standardised approach to credit risk, applying 8% to the Company risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not paid, and bank balances. Having performed the ICAAP it is the Company’s opinion that no additional capital is required in excess of its Pillar 1 capital requirement.

As at the date of this disclosure the Company’s regulatory capital position is:

Capital item	£000
Tier 1 capital: Share Capital and Audited Reserves as at 31 December 2010	443
Total Capital Resources Requirement	121

III. MANAGEMENT OF THE ICAAP

The approach of the Company to assessing the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to the Company and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital, as relevant. The Firm stress tests its forecasts by considering the impact of losing assets under management, its breakeven point, and in order to address the worse case scenario, the costs to close.

The Company’s ICAAP is formally reviewed by the Directors approximately every 6 months, but will be revised should there be any material changes to the Company’s business or risk profile.

IV. REMUNERATION CODE DISCLOSURE

a) The Remuneration Code

The aim of the Remuneration Code (the “Code”) is to ensure that firms have risk focused remuneration policies which promote and are consistent with effective risk management, and do not expose firms to excessive risk.

Under the Code, the Firm is classified as a Tier Four Firm, the lowest risk category as the Firm does not manage or trade proprietary positions. This means that the Firm can dis-apply many of the technical requirements of the Code and proportionately apply the Code's rules and principles.

The FSA has amended the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) - and specifically BIPRU 11 - to include a requirement for disclosure of the Firm's remuneration policy and practices, as well as aggregate quantitative disclosure for staff assessed as having a material impact on its risk profile, including senior management ("Code Staff").

The disclosure obligations applicable to remuneration subject to the Code ("Remuneration") includes all forms of fixed remuneration and variable remuneration but excludes the element of profit share awarded to such individuals as shareholders.

b) Remuneration Policies

The Firm has adopted policies in relation to the Firm's remuneration arrangements which address potential conflicts of interest arising from such arrangements by taking into account the controls in place to guard against the Firm's authorised persons being rewarded for taking inappropriate levels of risk.

The Firm is satisfied that the policies in place are appropriate to its size, internal organization and the nature, scope and complexity of its activities.

c) The Decision Making Process

The Firm's Policy is determined by the Board of the Firm.

d) Link between Pay and Performance

Remuneration subject to the Code is based on an assessment of the profitability of the Firm, an individual's performance and their ability to influence the business carried on by the Firm.

In addition to salary, staff are incentivised with the opportunity of receiving a discretionary bonus subject to the discretion of the Board.

e) Quantitative Remuneration Data

Disclosure of the aggregate remuneration for staff permits firms to take account of the provisions of the Data Protection Directive (Directive 95/46/EC) regarding the protection of individuals in relation to the processing of personal data. Due to the low number of staff assessed as Code Staff for the Firm who receive Remuneration for their activities, the directors have relied upon BIPRU 11.5.20R(2) and determined that aggregate quantitative disclosure for Code Staff is inappropriate.