Remuneration Policy

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Executive Summary

The Remuneration Policy (the "**Policy**") of Abalone Asset Management Limited (the "**Company**") applies to all employees. The Board of Directors has adopted the Policy and shall apply to remuneration earned from the date of the Policy. The Policy reflects the Company's objectives for good corporate governance as well as sustained and long-term creation for shareholders and clients. In addition, it ensure that:
The Company is able to attract, develop and retain high-performing and motivated employees in a competitive international market;
Employees are offered a competitive and market aligned remuneration package making fixed salaries a significant remuneration component; and
Employees feel encouraged to create sustainable results and that a link exists with the Company's clients.

The Policy focuses on ensuring sound and effective risk management through
a stringent governance structure for setting goals and communicating these goals to employees;
alignment with the Company´s business strategy, values, key priorities and long-term goals;
alignment with the principle of protection of clients, investors and Funds managed by the Company ensuring prevention of conflict of interests; and
ensuring that the total bonus pool does not undermine the Company´s capital base.

1.0 – Introduction

The objective of this Policy is to establish, implement and maintain remuneration policies, procedures and practices that support the Company's business objectives and corporate values, including promoting sound and effective risk management, by attracting, retaining and motivating the key talent to achieve its objectives. Furthermore, the Company, due to the scale and lack of complexity of its business will not:
Establish a remuneration committee; or
Apply the pay-out process rules.

This will be reviewed in the event of material changes to the Company.

2.0 – SCOPE

This Policy applies to the Company's identified employee (see Appendix A). It covers all aspects of remuneration including salaries, bonuses, incentive plans, hiring and severance packages, pension arrangements, etc. The Company shall avoid creating any incentive for employees to take any inappropriate risks and in general all remuneration-related decisions are approved by the Board; indeed, currently the Company only pays fixed remuneration to its employee.

3.0 –RISK MANAGEMENT AND RISK TOLERANCE

It is the Company's policy to promote sound and effective risk management and to discourage risk-taking that exceeds the level of tolerated risk of the Company. As such the Company shall maintain:
Strong disclosure practices, which provide investors with the information they need to determine whether to invest in a fund, to monitor their investment and to make a decision whether to redeem their investment, based on the risk profile of the investment strategy;

Robust valuation policies and procedures to provide for clear and consistent valuations of the investments in the funds' portfolio, with independent oversight provided by the funds' Board or other governing body, third party administrators, independent auditors ;
Comprehensive risk management processes to measure, monitor, report and manage risk, including stress testing of the portfolio and liquidity risk management;
Sound operational and regulatory systems and controls; and
A strong culture of compliance, sponsored by Senior Management with specific practices to address conflicts of interest.

Due to the nature of the market, and sensitivity of investors to both risk and performance, the Company has determined that its offering is based on its ability to provide an agreed balance between risk and reward. This balance is to be respected in the Company's risk management and remuneration policy. The Company shall not manage portfolios which become systemically important as this brings with it additional risks that the Company would not be in a position to manage as their determination is outside the control of the Company.

As this is part of the Company's strategy, the Company shall not operate risk policies which may result in mirroring the risk profile of other investment pools, or being involved in investment propositions which result in the strategy being operated in line with a group of other managers which may result in a policy having a systemic impact on the market. Therefore, the Company shall align its remuneration policies with its risk profile which attempts to be diversified against the market.

4.0 –RISK MANAGEMENT AND RISK TOLERANCE

The Policy shall be in line with the business strategy, objectives, values and long-term interests of the Company and its investors:
The Company's business objective is to provide investors with absolute returns within a reasonable risk profile that protects their assets from significant falls in the market.
The Company operates management fees, performance fees and high water marks.

This means that it is expected that the manager will cover its costs even during poor performance having a sufficient income to be able to look after the assets during adverse market conditions.

The Company considers its wind down process as part of its Internal Capital Adequacy Assessment process to ensure that it would take such steps to protect the assets before it runs out of resources. The performance fees accrue only once the funds under management earn positive returns for investors and there are high watermarks. Absolute returns promised are only rewarded when achieved.

In order to achieve principles 1 and 2 the Company is required to attract appropriate talent which creates a balance of people who take risk and those who can manage it. As such the Company needs to provide some flexibility and retain confidentiality in respect of some of the terms it introduces. However, these terms are appropriate and respect the principles in this policy. In line with its business objectives, the Company needs to manage its fixed costs against this background and ensure that any variable costs are only payable once actual performance targets are achieved.

5.0 – AVOIDING CONFLICTS OF INTEREST

The Company considers all conflicts within its Conflicts of Interest Policy. This requires the Company to review potential conflicts of interest on a regular basis.

Conflicts of interest involve a failure by the Company to act in the best interests of its clients and will typically involve a material risk of damage to the interests of any client. Either the Company (and connected persons) may gain a benefit at the expense of a loss or disadvantage to a client; or one client may gain a benefit at the expense of a loss or disadvantage to another client. When assessing a potential conflict of interest the Company must consider whether it:

Is likely to make a financial gain, or avoid financial loss, at the expense of the client;
Has a distinct interest in the outcome of the service provided to the client or of a transaction carried out on behalf of the client;
Has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
Carries on the same business as the client; or
Receives, or will receive, from a person other than the client an inducement in relation to the service provided to the client, in the form of monies, goods or services, other than the standard commission fee or fee for that service.

Individuals may act unfairly between clients if their remuneration structure encourages them to favour one fund over another. The Company ensures fair treatment of clients by having an investment policy and ensuring that it adheres to that policy; investment opportunities are allocated in line therewith.

The Company aligns its interests with the interest of its clients by the operation of this policy. Senior Management's holdings in the funds align their interests with that of investors. Furthermore, remuneration is designed to ensure return is achieved in line with risk management. The long term objectives of the Company and the clients are to achieve absolute returns throughout the life time of the funds. Therefore, the objective of long-term returns aligns the interests of both parties.

The Company also operates a high-water mark to ensure such long term alignement. Lastly, the Company has a Conflicts of Interest Policy to avoid undue influence on the trade allocation process.

6.0 – GOVERNANCE

The Company, based on its size, internal organization and the nature, scope and complexity of its activities,[1] has elected **not** to establish a Remuneration Committee. Given required material changes to the Company a separate Remuneration Committee shall be established. The members would include:
Mr Tonio Fenech (Chairman)
Mr Roberto Colapinto (Director)
Ms Silvia Bon (Company Secretary)

[1] Namely due to:

(i) **Size** - AUM <€500 million and <15 employees;

(ii) **Internal Organization** – multiple but simple legal structures, simple internal fund manager governance, limited fund public listings, segregation of duties via delegation to independent third-parties;

(iii) **Nature, scope and complexity of activities** – multiple but clearly structured activities, high-risk (emerging and frontier markets) but non-complex fund strategies & products, well-defined risk restrictions, high-quality risk management and no UCITS; and.

(iv) **Remuneration** – No employee has either variable remuneration exceeding 50% of total remuneration, or total remuneration exceeding €600k.

The objectives, constitution and responsibilities of the Remuneration Committee would include:

- Oversight of the Remuneration Policy, to ensure these are operated in a way that promotes effective risk management and does not encourage risk taking which exceeds the stated risk appetite and framework;
- Ensuring that the risks associated with the operation of remuneration policies are considered;
- Giving due regard to any relevant legal and regulatory requirements, and associated guidance, as well as to the risk and risk management implications of its decisions;
- Reviewing and, if thought fit, approving remuneration proposals who are impacted by any local regulations from time to time.

The above-listed objectives, constitution and responsibilities are currently handled by the Board. The Company monitors fund performance against its own risk profile and will ensure that individual reward is linked to appropriate risk management practices. This Policy will be reviewed on an annual basis as part of annual process and procedures.

7.0 – INDEPENDENT CONTROL FUNCTION

The Company has some control functions undertaken by entities appointed by the Board. As such the internal resources dedicated to control functions are involved in the oversight of activities (listed hereunder) which are already being undertaken by independent entities:

- External Book-Keeping;
- Independent External Auditors;
- Fund Appointed Administrators (External Middle Office);
- Fund Appointed External Auditors;
- Fund Appointed Compliance Officer;
- Independent IT Service Providers;
- Risk Management; and
- Marketing.

Any issues which arise as result of the overlap of responsibilities or a conflict of interest can be raised to the Board for determination.

The relevant control functions (i.e. risk management, compliance, etc.), whether delegated or not, are aware of their responsibility to review the remuneration policy and its implementation.

8.0 – COMPLIANCE AND RISK

The Company's Compliance Officer has drafted this Policy for the consideration of the Board. The Board has reviewed this Policy and confirmed its implementation and that it also applies to the senior officer(s) in the risk management and compliance functions. The Senior Management team authorises changes to remuneration payments in line with this policy and payments are assessed by the Board as conducted in line with this Policy.

Due to the relatively small number of people in the organisation and the commercial and personal sensitivity of the information on a person's income, the Company aims to restrict the distribution of such information as much as possible and in line with this Policy and requirements.

9.0 –REMUNERATION AND CAPITAL (COMPANY-WIDE)

The Company, based on its size, internal organization and the nature, scope and complexity of its activities, has also elected **not** to apply the pay-out process requirements.

Senior Management agree with individuals the nature of their reward structures, when they are hired, and this is subject to on-going review by the Board. The Board decides, and annually reviews, whether hired individuals fall under Identified Employee (and document why this should not be so).

The Company ensures that any material change in remuneration is only effected after the Company has satisfied its capital resource requirements under Pillar 1 and following a Pillar 2 assessment of its capital position. This includes a consideration of direct and indirect risks to the Company and stress and scenario testing.

10.0 –PROFIT-BASED MEASUREMENT AND EX-ANTE RISK ADJUSTMENT

Fixed based remuneration, i.e. salary, is agreed at the point of hiring the individual and is in line with prevailing market conditions for the specific condition. Salaries are reviewed on an annual basis.
. Individuals are reviewed based on their contribution to the overall strategy in the following areas:

- Investment Generation;
- Investment Trading;
- Sales and Marketing; and
- Operations.

The review also assesses the competencies for both financial and non-financial metrics, and specific behavioural competencies including compliance matters. Competencies assessed are:

- Contribution and Effectiveness;
- Business and Technical Knowledge;
- Attitude and Commitment;
- Communication;
- Ability to carry out relevant role without supervision, taking into account the individual's experience, knowledge and skills;
- Ability to pass the MFSA's fit and proper test for approved persons (for senior positions); and
- Compliance with and provision of all records required by the Company's policies and procedures.

At the end of each financial year performance reviews are completed by Senior Management and these feed into the compensation review. Compensation recommendations for all of the Company's identified employee will ultimately be reviewed and approved by the Board prior to finalization.

When reviewing salaries, the following will be considered:

- Overall Funds' performance, with appropriate stress testing;
- Overall Company performance;
- Collective performance of the relevant team;
- Individual performance relative to job requirements and with specific attention to stand-out performance;
- Competitive market benchmarking data; and
- The duty of the Company's employees to act honestly, fairly, professionally and in the best interest of Clients and investors.

The review shall be discussed with individuals and is in line with both Clients' and investors' requirements and the Company's requirements – in terms of both current and potential risks. This aligns the risk profile appropriately to remuneration. The Company shall also operate a high watermark.

11.0 – PENSION POLICY

The Company does not operate a company pension scheme.

12.0 – PENSION POLICY

Employees must not use personal hedging strategies or contracts of insurance relating to remuneration which could undermine the risk alignment effects embedded in their remuneration arrangements.

Employees will be required to undertake on an annual basis that they will not use such personal hedging strategies/insurance. Breach of this undertaking and/or the use of such personal hedging strategies/insurance may constitute gross misconduct and will render the individual liable to immediate removal from employment, without notice or payment in lieu.

The Company will review on an annual basis the personal account dealing records of employees to ensure that employees are not using personal hedging strategies in breach of their undertakings.

13.0 – AVOIDANCE OF REMUNERATION CODE

The Company will not pay remuneration through any vehicles or methods that will facilitate the avoidance of the Remuneration's Policy.

14.0 – REMUNERATION STRUCTURES

As mentioned in Section 10, individuals are reviewed based on their contribution to the overall strategy, which is assessed on an annual basis, taking into account their contribution to investment generation, investment trading, sales and marketing and operations, but the Company's ability to maintain competitive salaries is based on the performance of the Funds it manages.

(a) Guaranteed Bonuses
The Company does not award, pay or provide guaranteed variable remuneration.

(b) Reward Bonuses
The company will not pay variable remuneration.

(c) Deferral of Annual Discretionary Bonuses
The company will not pay variable remuneration

(d) Buy-Out Awards
Buy-out awards will only be offered exceptionally and will reflect the amount and terms (including any deferral or retention periods) or the variable remuneration awarded or offered by the individual's previous employer.

(e) Severance
Severance pay is at the Company's absolute discretion, unless contractually defined. Any payments related to early termination of contracts or retirement from employment will reflect performance

achieved over time and will be designed in a way which does not reward failure. Severance packages for employees and any material severance payments are subject to the approval of the Board.

(f) Enhanced Pensions.
The Company does not provide any enhanced pension benefits to employees.

15.0 – TRANSPARENCY / EXTERNAL DISCLOSURE

The Company will disclose the total amount of remuneration for the financial year, split into fixed and variable remuneration[2], paid to its employee, indicating the number of beneficiaries and, where relevant, performance fees paid by the Funds. The disclosure will indicate:

1. Total remuneration of the identified employee, indicating the number of beneficiaries;
2. Total remuneration of those employee who are fully/partly involved in the activities of the Fund indicating the number of beneficiaries; and
3. The proportion of the total remuneration of the employee attributable to the Fund and the number of beneficiaries (pro rata allocation).

The annual report must also disclose the aggregate amount of remuneration of senior management and members of employee of the Company “whose actions have a material impact on the risk profile of the Fund”.
The remuneration disclosure will also be made in the annual report of each Fund managed by the Company, where applicable (i.e. an allocation of the Company’s remuneration to the Fund insofar as this information exists or is readily available, including a description of how the allocation has been provided).

This Policy shall furthermore be made available to clients.

16.0 – BREACHES OF THIS POLICY

Any significant breach of this policy or proposed changes to the policy that could have a significant impact on the Company’s risk profile or resources will be promptly notified to the MFSA in accordance with their rules.

17.0 – REVIEW

The Board will review this policy on a yearly basis. As part of this process the Board will seek the input from Risk, Compliance and other control functions and independent third parties as required.

[2] Should the Company reverse its policy not to provide variable remuneration