Objectives of the policy

MAM has designed this policy in line with the FCA rules and expectations on remuneration to deliver sound and effective risk management. The principles underpinning the Policy are consistent with the conservative approach that MAM takes in investing the funds it manages on behalf of its clients. The Remuneration Policy is in line with the business strategy, objectives, values and interests of MAM and the funds it manages, the investors of such funds, and includes measures to avoid conflicts of interest.

Alongside its commitment to investors, MAM is also committed to attracting and retaining the best talent in the industry. Therefore, the Remuneration Policy is designed to meet the following business objectives:

• To provide staff with fair and competitive compensation taking into account experience, skills and performance;
• To provide an incentive to individuals to contribute towards the success and profitability of MAM;
• To promote staff retention as part of an attractive work - life balance;
• To ensure alignment with client interests.

Remuneration - Scope

As per the guidance set out in SYSC 19E.2.2R, those employees subject to the Remuneration Code (Code Staff) are those categories of staff including senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the company’s risk profile.

Remuneration Code Staff should be aware that remuneration that does not comply with certain requirements of the Remuneration Code has the potential to be rendered void and can be recovered by MAM.

MAM keeps a record of all remuneration Code Staff.

MAM’s Approach to Remuneration

In drafting this policy MAM has considered the FCA’s UCITS proportionality guidance outlined in SYSC 19E.2.4 and the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and AIFMD and intends to disapply the UCITS principles on variable remuneration (% deferral and % in units) based on the following:
• **Size** – With total assets under management of £2.6 billion at 31 December 2017, including £1.1 billion in open-ended UCITS funds, MAM can reasonably considered “small”.

• **Complexity of Internal Organisation** – MAM is not a public company and its shares are not listed on a regulated market. MAM is a simple business, albeit with independent Portfolio Management, Risk Management and Compliance functions. The company has one single open-plan office, in London. There are direct reporting lines with clear accountability. Due to its small size and limited complexity it does not have an internal audit function. MAM is fully owned by Charles Montanaro and his family. Ownership is therefore by an individual directly involved in the business without the risks that may arise from external shareholders;

• **Nature, scope and complexity of activities** - MAM manages investments in one single asset class: quoted Small & MidCap. All funds – UCITs and AIFs – are classified as non-complex under the MiFID II definition. In addition, 85% of products are ungeared with the remaining 15% (the two AIFs) having limited ability to lever up through bank borrowings. MAM is categorised as a C4 firm within the FCA conduct framework and a relatively small number of staff fall within scope as Code Staff.

In addition to managing UCITS, MAM is also AIFM for two Investment Trusts comprising 17% of its assets under management. MAM intends to disapply the AIFM payout rules as the total assets under management of the AIFs at 31 December 2018 was £353 million, significantly below the £1 billion limit for leveraged funds set by the FCA’s guidance in the AIFMD remuneration code. This, together with the factors highlighted above with regards to the size of the firm, its internal organisation, and the nature and scope of the firm’s activities, forms the basis for the disapplication of the payout rules.

**Remuneration policy and procedures**

**Measurement of performance**

All employees’ performance is measured continually, culminating in an annual appraisal following which the employees’ fixed and variable remuneration is reviewed by the Remuneration Committee. This assessment is multi-faceted and includes the following factors:

• The performance of the business as a whole and the individual’s business unit;
• The performance of the funds that MAM manages;
• The performance of an individual against their own personal objectives, which includes non-financial elements such as compliance and risk.

All factors are assessed on a current and forward-looking basis to ensure that any potential risks to the business, the funds managed or any other aspect are considered when awarding remuneration.
Remuneration Structure

Remuneration at MAM consists of:
- Fixed Remuneration – a market competitive base salary;
- Variable Remuneration:
  1. Cash bonus;
  2. Deferred portion:
     - Loyalty bonus (in the form of units or shares in MAM’s UCITS funds or AIFs) – vesting over 3 years;
     - Options over the equity of MAM – vesting over 5 years.

Employees are entitled to receive the deferred portion of their Variable Remuneration only if they remain employed by MAM at the time of vesting.

Performance reviews are undertaken bi-annually with the line managers, with the end of year review usually in December. Any discretionary variable remuneration is typically awarded in January or February the following year.

Other benefits, including additional annual leave and health insurance, are awarded after two years of service. Certain senior members of the team may be awarded equity participation in the form of options that will make up part of their variable remuneration.

Remuneration Committee

Whilst proportionality rules and guidance suggest that MAM can disapply requirements to have a Remuneration Committee, MAM has had such a Committee in place since 2008 in line with best practice. This provides independent oversight and governance of remuneration.

The Remuneration Committee undertakes an independent internal review of the Remuneration Policy and its compliance on an annual basis. The Remuneration Committee is also responsible for overseeing and approving the remuneration of all Code Staff, particularly that of any Control Staff for whom it directly oversees the remuneration, in order to ensure its alignment to the principles of the Remuneration Code and that the conflict of interest is appropriately managed.

Aggregate Remuneration of Code Staff

Within the scope of the UCITS Remuneration Code, there are seven Code Staff.

Year end 31.12.2018

<table>
<thead>
<tr>
<th></th>
<th>£000s</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total remuneration</td>
<td>3,081</td>
<td>100</td>
</tr>
<tr>
<td>Base salary</td>
<td>1,514</td>
<td>49</td>
</tr>
<tr>
<td>Variable remuneration</td>
<td>1,567</td>
<td>51</td>
</tr>
</tbody>
</table>

Of the variable remuneration, £206,000 (13%) is deferred for between 3 and 5 years.