Securities and Markets Supervision Division
Central Bank of Ireland
North Wall Quay
North Dock
Dublin 1

2 April 2020

APSLEY FUND ICAV – RISK MANAGEMENT PROCESS FOR TARGET GLOBAL EQUITY FUND

Dear Sirs,

This document sets out the risk management process employed by Albemarle Asset Management Limited (the "**Investment Manager**") in relation to Target Global Equity Fund, a sub-fund of Apsley Fund ICAV (the **"ICAV"**) ("**RMP**") to ensure compliance with the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations 2011 (the "Regulations") and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019 (the "Central Bank UCITS Regulations").

Target Global Equity Fund, is a sub-fund of Apsley Fund ICAV, which has three other sub-funds managed by a different Investment Manager, Optima Asset Management LLC.

1. General Information – Investment Team

Pursuant to the investment management agreement dated 2/4/20 between the ICAV and the Investment Manager, the ICAV has delegated the powers of determining investment policy and investment management of the assets of the ICAV to the Investment Manager.

The Investment Manager is an investment company incorporated under the laws of England and is authorised and regulated in the United Kingdom by the Financial Conduct Authority ("**FCA**") as a financial services institution. As at 29 February 2020, the Investment Manager had funds under management of GBP 147 million. The Investment Manager was established in November 2003 and the Directors collectively have a combined experience of more than 60 years' experience in asset management and derivatives. It currently has 8 employees.

Jacopo Castelli is responsible for risk measurement and management. The Investment Manager, Northern Trust International Fund Administration Services (Ireland) Limited (the "**Administrator**") and Northern Trust Fiduciary Services (Ireland) Limited (the "**Depositary**") (together the "**Service**

Providers") will assist Mr. Castelli in the discharge of the risk management function under the supervision of the Board of Directors of the ICAV. The relationship between the ICAV and the Service Providers is set out in schematic form in Appendix I. Mr. Castelli will monitor risk as detailed in this risk management process and will receive reports from the relevant Service Providers to facilitate this monitoring process. He will report to the Board in relation to risk monitoring on a quarterly basis and copies of the reports will be provided to the Board in advance of these quarterly Board meetings. Mr. Castelli joined the Investment Manager in November 2014; he initially worked in the front office dealing desk, while focusing especially on derivative exposure within portfolios. In March 2017 he was appointed Risk Manager. Since February 2015 Mr. Castelli has been registered with the Financial Conduct Authority with the Control Function CF30. Before joining Albemarle Asset Management, Mr. Castelli worked for Edmond the Rothschild where he contributed to the creation of an internal model for bond rating purposes, along with support on asset allocation strategies. He started his career at Mediolanum where he worked in the derivative trading desk that coupled with the overlay management team generated trading ideas for the investment house funds. Mr. Castelli attended Universita' Cattolica del Sacro Cuore and Bocconi university with a focus on Management and Finance and holds a diploma in maths.

It is the policy of the Investment Manager that individuals engaged in any FDI activity have expertise equal to or in excess of the requirements of the Financial Conduct Authority in the UK (the "**FCA**"). The relevant fund managers are all required under the UK investment regulations to be registered individually with the FCA and if their role permits them to make investment decisions on behalf of clients, they are also required to be formally assessed as being "threshold competent" and to have passed one of the required examinations specified by the FCA, or to qualify for an exemption. Specific approval must be obtained from the Chief Investment Officer (CIO) of the Investment Manager to determine the competency to deal or manage FDI.

2. Permanent Risk Management Function

The ICAV has established and maintains a permanent risk management function which is hierarchically and functionally independent from operating units within its organisation. Una Bannon, the Designated Person of the ICAV, with responsibility for risk management monitoring is primarily responsible for the oversight of this function. As the ICAV has outsourced essentially all day-to-day functions to the Service Providers including the Investment Manager, the Board has determined that the Designated Person, in overseeing the permanent risk management function, can place primary reliance upon the risk functions and the documented risk management policy within the Investment Manager. The Board will ensure that all applicable risks pertaining to the ICAV can be identifiably monitored and managed at all times.

The Investment Manager's risk management function must:

(g) implement the risk management policy and procedures;

(h) ensure compliance with the UCITS risk limit system, including statutory limits concerning global exposure and counterparty risk in accordance with Regulations 69(4) and 70(1)(c) of the European Communities (Undertakings for Collective Investment in Transferable

Securities) Regulations, 2011, (S.I. 352 of 2011) as amended (the **"UCITS Regulations"**) and Section 17 of the Central Bank UCITS Regulations;

(i) provide advice to the Board as regards the identification of the risk profile of the ICAV;

(j) provide regular reports to the Board and the Designated Person on:

(ii) the consistency between the current levels of risk incurred by the ICAV and the risk profile agreed for the ICAV;

(iii) the compliance of the ICAV with relevant risk limit systems;

(iv) the adequacy and effectiveness of the risk management process, indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies;

provide regular reports to the Board and the Designated Person outlining the current level of risk incurred by the ICAV and any actual or foreseeable breaches to their limits, so as to ensure that prompt and appropriate action can be taken;

The risk management function must have the necessary authority and access to all relevant information necessary to fulfil the tasks set out in this Section.

3. **Proposed FDI's to be Employed and a Summary of their Commercial Purpose**

The ICAV intends to use a number of FDI's for investment and hedging purposes and for efficient portfolio management. It will use FDI's that are dealt on regulated and recognised markets.

In particular, the sub-fund may purchase or sell, foreign exchange contracts (including options, swaps and forward contracts), equity options, equity index futures, equity swaps, currency futures and cross currency basis swaps. In addition, the Investment Manager may use FDI to take synthetic short positions.

A summary of their commercial purpose is as follows:

(g) the reduction of risk;

(h) the reduction of cost; and

(i) the generation of additional capital or income for the Fund with an appropriate level of risk, taking into account the risk profile of the Fund as described in the prospectus and the general provisions of the UCITS directives.

4. **Valuation Rules and Pricing Methodology**

The FDI used by the sub-fund will be valued and priced in accordance with the following methodology:

The value of any off-exchange derivative contracts shall be the quotation from the counterparty to such contracts and shall be valued daily provided that such valuation is approved or verified weekly by a party, who is independent of the counterparty, approved for such purpose by the Depositary.

The value of any futures contract and option, which are dealt on a listed market shall be the settlement price as determined by the market in question. Where it is not possible to retrieve a settlement price, it's value will be the probable realisation value, which must be estimated with care and in good faith by a competent person appointed by the Directors and approved for such purpose by the Depositary.

5. **Details of Attached Risk**

In relation to investment in FDI, the use of these instruments involves special risks including: (i) dependence on the ability to predict movements in the prices of securities underlying the financial derivative instruments and movements in interest or currency rates; (ii) imperfect correlation between the FDI and the securities or market sectors to which they relate; (iii) greater volatility than the securities and/or markets to which they relate; (iv) liquidity risk when, for example, a particular FDI is difficult to purchase or sell; (v) market risk, where the market value of the FDI changes in a way that is detrimental to the relevant Fund; (vi) counterparty risk, where the counterparty with which the relevant Fund trades becomes insolvent, bankrupt or defaults; (vii) settlement risk, where a counterparty defaults in settling a trade; and (viii) legal risk, where the enforceability of a FDI contract may be an issue.

The sub-fund will take a credit risk on parties with whom they trade and will also bear the risk of settlement default.

Legal risk is the risk of loss due to the unexpected application of a law or regulation or because contracts are not legally enforceable or documented correctly. The legal and documentary policy which the Investment Manager has adopted as investment manager in relation to the management of legal risk for the ICAV is as follows:

All legal agreements including account-opening documents, ISDA Agreements and credit facility agreements are reviewed by the investment committee of the Investment Manager (who will seek legal advice if necessary) before the contracts are executed.

6. Systems and Technology in Place

The Investment Manager calculates the FDI exposures using MS Excel and Linedata Global Hedge (LGH). The spreadsheet calculates Gross and Net Exposure Commitments on a sub fund basis. The Investment Manager considers the use of FDI by the Sub-fund, as non-complex because of the simple instruments used to implement the sub-fund's strategies.

Mr. Castelli will be responsible for the monitoring of the investment limits and restrictions of the sub-fund on a daily basis. The calculation of Global Exposure for the sub-fund will be verified using their third party trade order system named Linedata Global Hedge (LGH). Cash and security positions provided by LGH are reconciled on a daily basis to the Fund Administrator reports.

Mr. Castelli will carry out this role with the assistance of the Service Providers under the supervision of the Board, as part of the daily management of the entire portfolio. The Depositary will also independently monitor the investment limits of the ICAV and the sub-fund.

Any advertent breach of the sub-fund or the ICAV’s investment limits will be immediately notified to the Designated Person and to the Board for resolution who will then take appropriate corrective action having regard to the best interests of the Shareholders.

7. Leverage and Global Exposure

Statement of Policy on Leverage and Global Exposure

As stated at 3 above, the sub-fund may purchase or sell, foreign exchange contracts (including options, swaps and forward contracts), equity options, equity index futures, equity swaps, currency futures and cross currency basis swaps. The Investment Manager would classify sub-fund as a non-complex user of FDI for the following reasons: the FDI used will be exchange traded (other than the forwards used), the use of FDI is for effective portfolio management (“EPM”), non-complex FDI are used and the trading volume will be moderate. Global exposure will be calculated on at least a daily basis as the incremental exposure and leverage by the sub-fund through the use of FDIs including embedded derivatives which will not exceed the total of the Fund's Net Asset Value; i.e. the leverage cannot exceed 100% of the Net Asset value.

7.1 Description of the Methodology Used to Calculate Global Exposure for all Sub-fund

The Investment Manager has adopted the commitment approach in the calculation of global exposure. The commitment approach has been adopted because FDI positions are converted into the equivalent position in the underlying assets and the risk is monitored in terms of any future commitments to which the sub-fund may be obligated (the "**Commitment Approach**").

The reason for the adoption of the Commitment Approach is that this approach is most suitable for put and call options, together with futures contracts while mainly dealing with funds adopting long-only strategies. The same methodology will apply to calculate the global exposure associated with convertible bonds that embed put or call options. The ICAV's global exposure relating to the use of FDI may not exceed total net assets.

The ICAV may take account of netting arrangements when calculating global exposure, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

Netting arrangements are defined as combinations of trades on FDIs and/or security positions which refer to the same underlying asset, irrespective – in the case of FDIs – of the contracts' due date. The ICAV may net positions:

(ii) between FDIs provided they refer to the same underlying asset, even if the maturity date of the FDIs is different; and

(iii) between an FDI (whose underlying asset is a transferable security, money market instrument or a collective investment undertaking) and that same corresponding underlying asset.

In calculating global exposure, position and cover requirements, it is not intended to use FDI hedging transactions to reduce such exposure.

7.1.1 Worked Example on Calculation of Global Exposure Using the Commitment Approach

The following types of derivative strategies will be mainly used by the Sub-fund:

<u>FDI Calculation Methodologies</u>

Equity Index Future

Measurement of Global Exposure

Number of contracts * notional contract size * index level

Example

UCITS purchases 5 Hang Seng Jun 12 Futures (contract size 50) current index level is 19,000, EUR/HKD rate is 9.8

Global Exposure =5*50*19,000/9.8= €484,693

Equity Swap
Measurement of Global Exposure – Positive market value of underlying asset
Number of shares * market value of underlying reference instrument

Example
XYZ Group plc
Number of shares: 170,000
Current Market price: €6.15
Purchase price: €5.50
Global Exposure 170,000*€6.15 = €1,045,000

Plain Vanilla Equity Option
Measurement of Global Exposure
Number of contracts*notional contract size* market value of underlying equity share * delta

Example
UCITS purchases 10 XYZ Equity Options (contract size 100), current price of XYZ Equity €99, delta 0.94

Global Exposure = 10*100*99*0.94 = €93,060

Equity Index Option

Measurement of Global Exposure

Number of contracts * notional contract size * equity index level * delta

Example

A UCITS purchases 100 puts on the Dow Jones Euro STOXX 50. Index level of 10,000 and a notional contract size of 10, the commitment calculation for this index option (assume a delta of 0.5) is:

(100 * 10) * 10000 * 0.5 = €5,000,000

Currency Future

Measurement of Global Exposure

Number of contracts × notional contract size

Example:

UCITS purchases 10 EUR/USD Jun 12 Future (contract size 125,000)

Global Exposure =10*125,000 = €1,250,000

Foreign Currency Swap

Measurement of Global Exposure

Notional value of the currency leg. If used for investment purposes and both legs of the FX swap are in non-base currencies then the Global Exposure is the combined notional of both legs of the FX Swap

Example
Contract Type FX Swap $1,000,000/Yen 80,000,000
Current exchange rate €1/$1.3
Current Exchange rate JPY103/€1

Global Exposure (1,000,000 / 1.3) + (JPY80,000,000 / 103) = €769,231 + €776,699 = €1,545,930

Foreign Exchange Options

Measurement of Global Exposure

Notional Value of Option * delta

Example
A UCITS purchases 5 US$ SPOT OPTION STRIKE 2025 Call (contract size 50), EUR/USD rate is 1.25, Delta 0.75

Global Exposure = 5*50*2025 /1.25*0.75= €303,750

Foreign Currency Swaps

Measurement of Global Exposure

Notional value of the currency leg. If used for investment purposes and both legs of the FX swap are in non-base currencies then the Global Exposure is the combined notional of both legs of the FX Swap

Example
Contract Type FX Swap $1,000,000/Yen 80,000,000
Current exchange rate €1/$1.3
Current Exchange rate JPY103/€1
Global Exposure (1,000,000 / 1.3) + (JPY80,000,000 / 103) = €769,231 + €776,699 = €1,545,930

Foreign Exchange Forward

Measurement of Global Exposure – Notional value of currency leg(s)

Example:

GBP Exposure:	£1,500,000	
Forward FX at contracted rate:	Sell GBP £1,000,000/Buy EUR 1,100,000	
Forward FX at current market rate:	£1,000,000/€1,057,000	
Global Exposure	€1,057,000	
Less hedging		
(as GBP forward is less than GBP exposure)		(€1,057,000)
Net Global Exposure		Nil

7.2 Details of the Procedures and Controls in Place Regarding Global Exposure and Leverage

Please see section 7 above for details of the procedures and controls in place regarding global exposure and leverage.

7.3 Other Risk Measures Used in Addition to the Commitment Approach

N/A

7.4 Cover

The Investment Manager will ensure that it monitors all FDI transactions to ensure that the ICAV will at all times be capable of meeting all its payment and delivery obligations incurred by transactions involving FDIs. Any FDI transaction that gives rise to a future commitment on behalf of the ICAV must be covered as follows:

7.4.1 If cash settled, the ICAV must hold at all times, liquid assets which are sufficient to cover the exposure;

7.4.2 If physically settled, the ICAV must either hold the asset or cover the exposure with sufficient liquid assets whereby the underlying assets consists of highly liquid fixed income securities.

7.5 Issuer Concentration Risk

The ICAV may invest no more than 10% of net assets in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.

The limit of 10% is raised to 25% in the case of bonds that are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. If the ICAV invests more than 5% of its net assets in these bonds issued by one issuer, the total value of these investments may not exceed 80% of the net asset value of the ICAV.

The limit of 10% is raised to 35% if the transferable securities or money market instruments are issued or guaranteed by a Member State or its local authorities or by a Non-Member State or public international body of which one or more Member States are members.

The transferable securities and money market instruments referred to above shall not be taken into account for the purpose of applying the limit of 40% referred above.

The ICAV may not invest more than 20% of net assets in deposits made with the same credit institution.

Deposits with any one credit institution, other than:

7.5.1 a credit institution authorised in the EEA
7.5.2 a credit institution authorised within a signatory state or
7.5.3 a credit institution in a third country deemed equivalent pursuant to Article 107(4) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

held as ancillary, liquidity, must not exceed 10% of net assets.

This limit may be raised to 20% in the case of deposits made with the trustee/custodian.

A combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20% of net assets:

i. investments in transferable securities or money market instruments;
ii. deposits; or
iii. counterparty risk exposures arising from FDI derivative transactions.

The limits referred to above may not be combined, so that exposure to a single body shall not exceed 35% of net assets.

The ICAV will calculate issuer concentration limits referred above on the basis of the underlying exposure created through the use of FDIs pursuant to the commitment and VaR approaches. When calculating issuer concentration risk, the FDI must be looked through in determining the resultant exposure, it will include counter risk exposure arising from FDI counterparty risk.

The ICAV will calculate exposure arising from initial margin posted to and variation margin receivable from a broker relating to exchange-traded derivatives, which is not protected by client money rules or other similar arrangements to protect the ICAV against the insolvency of the broker.

When calculating exposure, the ICAV must establish whether its exposure is to a broker or a clearing house. Position exposure to underlying assets of FDI when combined, where relevant, with positions resulting from direct investments, will comply with the investment concentration limits set out above.

8 Counterparty Exposure

(h) Policy on Counterparty Exposure

Set out below are the policies which the Investment Manager has adopted in relation to counterparty exposure.

(ii) Counterparty Approval

The Investment Manager will ensure that any counterparty to any OTC derivative contract will:

8.0.0.1 be a credit institution listed in the preceding paragraph (Central Bank UCITS Regulation 7 (2) (a), (b) or (c)) or an investment firm, authorised in accordance with MiFID, or a group company of an entity approved as a bank holding company by the Federal Reserve of the United States of America where that group company is subject to bank holding company consolidated supervision by the Federal Reserve.

8.0.0.2 in the case of a counterparty which is not a credit institution, has a minimum credit rating of A-2 or equivalent, or is deemed by the ICAV to have an implied rating of A-2 or equivalent.

8.0.1 Un-rated Counterparties and the circumstances in which they will be deemed to have Implied Ratings

An unrated counterparty will be acceptable where the relevant Fund is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A-2 or equivalent

In the case of subsequent novation of the OTC derivative contract, the counterparty is one of:

8.0.1.1 the entities set out in paragraph 8.0.0.1; or

8.0.1.2 a central counterparty (CCP) authorised, or recognised by ESMA, under Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) or, pending recognition by ESMA under Article 25 of EMIR, an entity classified as a derivatives clearing organisation by the Commodity Futures Trading Commission or a clearing agency by the SEC (both CCP)

8.0.2 Collateral

All assets received by the ICAV in the context of EPM techniques will be considered as collateral.

Where collateral is received by the ICAV, the following criteria will apply:

(a) Liquidity

Any collateral received other than cash will be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation

(b) Valuation

Collateral received will be valued on at least a daily basis and assets that exhibit high price volatility will not be accepted as collateral unless suitably conservative haircuts are in place.

(c) Issuer credit quality

Collateral received will be of high quality. The Investment Manager shall ensure that:

(i) where the issuer was subject to a credit rating by an agency registered and supervised by ESMA that rating shall be taken into account by the responsible person in the credit assessment process; and

(ii) where an issuer is downgraded below the two highest short-term credit ratings by the credit rating agency referred to in (i) this shall result in a new credit assessment being conducted of the issuer by the responsible person without delay.

(d) Correlation

The collateral received will be issued by an entity that is independent from the counterparty and will not display a high correlation with the performance of the counterparty.

(e) Collateral diversification (asset concentration)

Collateral will be sufficiently diversified in terms of country, markets and issuers. The criterion of sufficient diversification with respect to issuer concentration is considered to be respected if the ICAV receives from a counterparty of EPM and over-the-counter financial derivative transactions a basket of collateral with a maximum exposure to a given issuer of 20% of its net asset value. When the ICAV is exposed to different counterparties, the different baskets of collateral will be aggregated to calculate the 20% limit of exposure to a single issuer.

Counterparty risk exposures will be aggregated across both financial derivative instruments and EPM techniques when calculating the counterparty risk limits. Risks linked to the management of collateral, such as operational and legal risks, are identified, managed and mitigated by the RMP.

Any collateral received will be capable of being fully enforced by the ICAV at any time without reference to or approval from the counterparty.

Where there is a title transfer, the collateral received will be held by the Depositary. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

Where cash is received as collateral, it may only be:

1. a deposit with a credit institution referred to in Central Bank UCITS Regulation 7, which are capable of being withdrawn within five working days or such shorter time as may be dictated by the repo contract;

2. invested in high-quality government bonds;

3. used in a reverse repurchase agreement, provided the transaction is with a credit institution referred to in Central Bank UCITS Regulation 7 and the UCITS is able to recall at any time the full amount of cash on an accrued basis;

4. a short-term MMF as defined in Article 2(14) of the Money Market Funds Regulation; and a Short-Term Money Market Fund as defined in Central Bank UCITS Regulation 89 where such investment is made prior to 21 January 2019.

Where a responsible person invests the cash collateral received by the UCITS -

(a) that investment shall comply with the diversification requirements applicable to non-cash collateral, and

(b) invested cash collateral shall not be placed on deposit with the counterparty or with any entity that is related or connected to the counterparty.

Invested cash collateral held at the credit risk of the sub-fund, other than cash collateral invested in government or public securities or money market funds, must be diversified so that no more than 20% of the collateral is invested in the securities of, or placed on deposit with, one institution. Invested cash collateral may not be placed on deposit with, or invested in securities issued by the counterparty or a related entity.

If the sub-fund receives collateral for at least 30% of its assets will have an appropriate stress testing policy in place that prescribes the components set out in Central Bank UCITS Regulation 24 paragraph (8) and to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to enable the UCITS to assess the liquidity risk attached to the collateral.

Non-cash collateral (i) cannot be sold or pledged or re-invested by the ICAV; (ii) must be held at the credit risk of the counterparty; (iii) must be issued by an entity independent of the counterparty and (iv) must be diversified to avoid concentration in one issue, sector or country.

In circumstances where collateral is received, the Investment Manager, on behalf of the ICAV, will adopt a written haircut policy, which will be tailored for each class of assets received as collateral and will take into account the characteristics of the assets such as the credit standing or the price volatility, as well as the outcome of any stress tests performed.

8.0.3 Netting

Counterparty exposures arising solely with respect to OTC FDI entered into with the same counterparty will be netted only where a legally enforceable right of set off exists in accordance with the Central Bank's requirements.

8.1 Description of Quantitative Standards Adopted

The Investment Manager will ensure that:

8.1.1 the risk exposure to a counterparty does not exceed 5% (of its net assets which may be increased to 10% of its net assets where the counterparty is a credit institution that fall under one of the following categories:

8.1.1.1 a credit institution authorized in the European Economic Area;

8.1.1.2 a credit institution authorized within a signatory state, other than a member state of the EEA, to the Basle Capital Convergence Agreement of July 1988

8.1.1.3 a credit institution in a third country deemed equivalent pursuant to Article 107(4) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Notwithstanding the 5% limit, a combination of the following issued by, or made or undertaken with, the same body may not exceed 20% of net assets:

investments in transferable securities ,or money market instruments; deposits; and/or risk exposures arising from OTC derivatives transactions.

8.1.2 it is satisfied that the counterparty will value the transaction at least daily and will close out the transaction at any time at the request of the ICAV at fair value;

8.1.3 it has systems in place to ensure that valuation of an OTC derivative contract is reliable; and

8.1.4 the valuation provided by the counterparty will be verified independently on a weekly basis in accordance with the provisions of the ICAV's articles of association and its prospectus.

8.2 Methodology for Calculating Counterparty Exposure

The methodology used to calculate counterparty exposure is as set out in the Central Bank UCITS Regulation 8. This provides that counterparty exposure will be calculated using the positive mark to market value of the OTC derivative with that counterparty. The ICAV may net the derivative positions with the same counterparty, provided that the ICAV is able to legally enforce netting arrangements with the counterparty. Netting is only permissible with respect to OTC derivative instruments with the same counterparty and not in relation to any other exposures the UCITS may have with the same counterparty.

8.3 Controls and Systems

All FDI positions will be appropriately covered and will be monitored and reviewed on a regular basis.

Please see section 6 above for details of the controls and systems in place.

9 Reporting Requirements - Annual FDI Report

The Investment Manager will report to the Central Bank on its FDI positions on an annual basis in a report called the annual FDI report ("**AFR**") (or more frequently if requested by the Central Bank). The Designated Person is responsible for the production of the AFR. The AFR will be reviewed by the Investment Manager and the Board prior to submission to the CBI.

The AFR for the Sub-fund will contain the following information at a minimum:

- summary review of the year on the use of FDI by the Fund. The purpose of the AFR is to provide the Central Bank with a true and fair view of the types of derivate instruments used by each Fund, the underlying risks, the quantitative limits and methods used to estimate those risks;

- summary of any non-material updates to the RMP with a revised RMP to be submitted including all changes. This will include, inter alia, changes to personnel, systems, procedures and instruments used;

- instances of any breaches of global exposure during the year, with an explanation of remedial action and duration of breach;

- instances of any breaches of counterparty risk exposure during the year, with an explanation of remedial action and duration of breach.

The AFR will be compiled based on the records from the investment accounting system and the records of the Administrator.

Yours faithfully,

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Authorised Signatory for and on behalf of
Albemarle Asset Management Limited

Appendix I

Schematic setting out Service Providers