momentum

Pillar 3 disclosures

Capital Requirements Directive

global investment management

Version

June 2018

table of contents

1 Introduction

The Capital Requirements Directive (the "**Directive**") of the European Union established a regulatory capital framework for the financial services industry, governing the amount and nature of capital that must be maintained. The Financial Conduct Authority ("**FCA**") is responsible for the implementation of the Directive.

The framework consists of three pillars:

- Pillar 1 specifies the minimum capital levels that a business is required to carry to cover the risks to its business
- Pillar 2 sets out the supervisory review process to be used by both the business and the FCA to determine whether additional capital should be maintained against any risks not adequately covered under Pillar 1
- Pillar 3 specifies the disclosure requirements which a business is required to make with respect to its capital, risk exposures and risk assessment procedures

This document is designed to meet the Pillar 3 obligations of Momentum Global Investment Management Limited (the "**Company**") as at 30 June 2018, following review and sign-off from the Board of Directors. The Company is authorised and regulated by the United Kingdom FCA. For regulatory purposes, the Company is classified as a BIPRU firm.

2 Business Structure

The Company is a wholly-owned subsidiary of Momentum Asset Management (PTY) Ltd, a South African asset manager, the ultimate parent of which is MMI Holdings Limited ("**MMI**"). MMI, is listed on the Johannesburg Stock Exchange.

The Company provides international investment solutions / products and an advisory service to institutional clients in South Africa and selected global markets, in response to their specific requirements and mandates. The Company also offers UK Retail products, which are distributed via a network of IFAs.

MMI is unable to transfer capital exceeding the total value it receives in dividends from the Company, without first obtaining permission from the South African Reserve Bank.

There is no deficit of capital and there are no subsidiaries that should be included in a regulatory consolidation.

3 Risk Management Objectives & Policies

The Company is managed via a number of committees.

The Board is responsible for setting the risk management policy and the risk appetite of the Company and for formulating the risk management policy of the Company.

The Company's Audit and Risk Committee is independent from its operational activities, and reports directly to the Board. The Audit and Risk Committee is responsible for oversight of the Company's risk policies and mitigating processes as well as assessing the adequacy thereof and making recommendations for improvements thereto.

The Company's management is responsible for managing the Company's risk exposure in accordance with the company's risk management policies. Management is responsible for fostering a risk-aware culture in the Company that emphasises and demonstrates the benefits of a risk-based approach to internal controls and management.

The Head of Risk Management is responsible for the implementation of the risk management policy. The Company adopts the MMI Enterprise Risk Management methodology and framework, which is based on best practice frameworks such as the COSO Enterprise Risk Management Framework.

In addition, the Company has also established a number of forums for the purpose of gathering information, agreeing and tracking actions and, where necessary, escalating findings or recommendations to the Audit and Risk Committee.

- **The Risk & Issues Forum**. This forum meets regularly to identify, evaluate and manage significant risks which are immediate to the Company, and to oversee all required actions to mitigate or resolve these in the most appropriate manner.
- **The ICAAP Forum**. This forum is responsible for reviewing, amending and updating the ICAAP on at least an annual basis. At present the Company does not use an economic capital model, but where management identify material risks, they consider the financial impact of these risks as part of the Company's capital management and conclude whether additional regulatory capital is required. In addition, stress testing is performed to assess the adequacy of its available capital. Such stress testing has been performed in conjunction with the analysis of the Company's risk profile.

Key risks associated with not achieving business objectives are identified through strategic and process risk assessments. The Company's internal controls include appropriate levels of authorisation and segregation of duties. Financial reports are presented to the Board every quarter, detailing the results, variances against budget and other performance data.

4 Risk Categories and Definitions

The Company is exposed to various financial risks – market risk (including foreign exchange risk, price risk, and investment performance risk), credit risk and operational risk. The Company's overall risk management programme focuses on all these risks and seeks to minimise potential adverse effects on the Company's financial performance.

5 Operational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Operational risk can never be eliminated, but the Company seeks to minimise the probability and impact of operational events.

The Company's business areas manage this risk through applicable controls and loss mitigation techniques, including insurance. These activities are governed by a range of documented policies, procedures and internal controls to ensure compliance with laws and regulations. Management, through the risk management process, continually identifies measures, and monitors significant operational risks. For each operational risk identified, management has agreed an appropriate action (accept the risk, reduce the impact of the risk, transfer the risk or avoid the risk entirely). These actions are assessed by management at least on a quarterly basis. The main operational risks affecting the Company relate to a breakdown in controls and processes relating to trading activity. Further assurance is provided in the form of independent internal audit reviews, performed by MMI's internal audit department.

The Company uses process risk assessments which score risk events as to probability and impact, as well as evaluating the design and performance of controls that have been put in place to mitigate that risk.

6 Market Risk

Market risk can materialise due to fluctuations in market prices, foreign exchange rates and interest rates. The Company does not hold client assets or money and does not have a trading book; however it does on occasion seed funds with its own money. The Company's revenue is also derived from the assets it manages, the value of which is subject to market risk.

The Company earns interest from its cash balances, and is therefore exposed to fluctuations in interest rates. The Company aims to minimise exposure to this risk through active management of cash deposits with a range of depositories and over different time periods.

The Company has exposure to foreign currency movements as a significant proportion of fees earned are in USD, whereas expenses are generally incurred in GBP. This currency exposure is not hedged, but rather revenue converted to GBP on receipt.

7 Credit Risk

Credit risk represents the risk of loss through default by a counterparty. The Company is exposed to credit risk in respect of investment management fees billed and cash held on deposit.

Credit exposure relating to the Company's investment management clients is limited. Management fees are drawn monthly from the funds managed and performance fees are drawn annually where applicable. The Company considers that there is little risk of default by its clients. All bank accounts are held with large international credit institutions.

The provision for non-payment of fees is governed by client agreements.

Given the nature of the Company's exposures, it is not deemed necessary to implement specific hedging and credit risk mitigation policies. The Company uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk weighted exposures in respect of its debtors.

8 Capital Resources Requirement

The approach taken by the Company to assess the adequacy of its capital to support current and future activities is contained in the Internal Capital Adequacy Assessment Process, known as the ICAAP. This is the process which assesses the risks specific to the business and the internal controls in place to mitigate these risks. Those risks deemed to be material are tested under different scenarios in order to assess the impact on the business and its capital. Through the ICAAP process, management then assesses what level of capital is required. The ICAAP document is formally reviewed, updated and approved by the Board at least annually.

As a limited license firm, the consolidated capital resources requirement is calculated as the greater of Pillar 1 and Pillar 2 capital.

Pillar 1 capital is the greatest of:

- a base capital requirement of €50k;
- the sum of market and credit risk requirements, calculated as £1,556k; and
- the Fixed Overhead Requirement ("FOR"), calculated as £2,344k.

The sum of the Fixed Overhead Requirements, at £2,344k, is currently the greatest and therefore represents the Company's Pillar 1 capital.

Pillar 2 capital is an independent calculation by the Company to determine the net wind down cost of the Company and the operational and market risk capital to be held applicable for Company.

Pillar 2 capital is the greatest of:

- net wind down cost plus process management and insurance excess risk (£2,344k)
- the sum of market and process management and insurance excess risk (£983k)

The net wind down cost plus process management and insurance excess risk is currently the greatest and therefore represents the Company's Pillar 2 capital.

The capital required to be held by the Company has been determined as the greater of the Pillar 1 and Pillar 2 figures, or £2.34 million.

9 Capital Resources

The capital resources of the Company at 30 June 2018, and forecast for 30 June 2019 following approval of the ICAAP are as follows:

Summary capital resources £'000	Jun-17 Actual	Jun-18 Actual	Jun-19 Forecast
Tier one capital	**9,802**	**10,913**	**7,131**
Ordinary Shares	8,000	8,000	8,000
Reserves	1,802	2,913	(869)
Capital deductions	(1,399)	(862)	(771)
Total capital resources	**8,403**	**10,051**	**6,360**
Total capital required (pillar two)	2,388	2,344	2,506
Excess regulatory capital	**6,015**	**7,707**	**3,854**
Capital Adequacy Ratio	352%	429%	254%

10 Pillar 3 Disclosure Health Warning

This information has been prepared solely for the purpose of explaining the basis on which the Company has prepared and disclosed certain capital requirements and information about the management of risks relating to those requirements. It does not constitute any form of financial statement in respect of the Company nor does it constitute any forward looking opinion of the Company.

These disclosures are based on the financial position of the Company as at 30 June 2018.

The information has been subject to internal review but has not been audited by the company's external auditors.

11 Important Notes

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Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, Momentum GIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at 62 Queen Street, London, EC4R 1EB.

Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.