



REMUNERATION POLICY

1. INTRODUCTION

1167 Capital LLP ("1167") is authorised by the Financial Conduct Authority ("FCA") as a Markets in Financial Instruments Directive ("MiFID") firm. It is therefore subject to:

SYSC 19C: The FCA BIPRU Remuneration Code contained in the FCA's Handbook of Rules and Guidance (the "BIPRU Remuneration Code") and the FCA's Guidance on Proportionality (the "FCA Guidance").

1167 is not subject directly to SYSC 19E, the UCITS Remuneration Code.

The principal aim of the remuneration rules is to ensure that firms have risk-focused remuneration policies, which are consistent with and promote sound and effective risk management and do not expose firms (or their clients) to excessive risk.

2. 1167'S STRUCTURE AND BUSINESS

1167 was established in 2016 by its Partners. It is structured as a limited liability partnership. The business is managed, owned and controlled by its Partners. 1167 is a small firm, as at 31st December 2018, in addition to its 3 Partners, the firm has a staff of four.

As at 31st December 2018, 1167 was the delegated manager of one UCITS ICAV: the 1167 Active Funds ICAV (the "Funds").

Throughout its business 1167 is focused on delivering superior investment performance at a reasonable cost.

Our investment approach can be described as genuinely active management fundamentally driven, both top-down and bottom-up, with complementary use of technical indicators (especially in the case of currencies). The investment process involves combining analyses of:

- (i) economic conditions at the international and individual country levels;
- (ii) prices and yields in the global bond and currency markets; and
- (iii) technical market indicators;

in order to decide on (A) allocation across the various bond asset classes with a bias to emerging markets, and (B) selection of securities for investment within these asset classes.

The process then proceeds to analysis of investment decisions' impact on the likely risk and return profile of the portfolio as a whole, to facilitate (C) the construction of a portfolio aimed at achieving the Funds' investment objectives.



Effective risk management is also a core element of the investment process. Although the self-managed ICAV has primary responsibility for risk management and has appointed a designated person as a full-time risk manager, 1167 has day to day responsibility for risk management and this lies with the portfolio managers. The Chief Compliance and Risk Officer (“CCARO”) oversees investment risk on a daily basis. These arrangements are designed to ensure that the Funds are managed in accordance with their investment objectives and policies and without excessive risk.

3. 1167'S HIGH-LEVEL ATTITUDE TO REMUNERATION

1167 has adopted a single remuneration policy which governs all personnel across all elements of 1167's business.

1167 seeks to ensure that its remuneration policies and practices:

are consistent with and promote sound and effective risk management;

do not encourage risk taking which is inconsistent with the risk profile and constitution of the Funds;

include measures to avoid conflicts of interest; and

are in line with 1167's business strategies, objectives, values and long-term interests and with those of the Funds which it manages.

The Partners understand that the ultimate objective of the BIPRU Remuneration Code is to ensure that remuneration practices, structures and incentives at 1167 do not encourage any behaviour or activity which could be detrimental to, or conflict with, the long-term interest of the Funds and the investors in the Funds.

The Partners are the sole owners of 1167 Capital LLP. All the Partners have invested their own money into the business. The firm's capital is derived entirely from the Partners' contributions of capital. The Partners are each paid a pre-determined, fixed proportion of 1167's net profits, in accordance with their ownership of the partnership. The Partners do not receive any other form of remuneration from 1167. The Partners do not receive any salary nor are they eligible for an award of a discretionary bonus from 1167. The Partners' profit share is totally dependent on the overall profitability of the firm.

The Partners' interests are therefore totally aligned with and dependent upon the long-term profitability and sustainability of 1167 Capital LLP. Given 1167's single business model, the long-term profitability and sustainability of the firm is inextricably linked to the management and performance fees generated from managing the Funds, as this is the only source of the firm's revenue. 1167 receives a flat rate fee based upon the level of the assets under management within the Funds. In addition, it receives a performance fee on the Global Total Return Bond Fund. This has a lifetime High Water Mark and a substantive hurdle. The assets under management depend on both investors being willing to invest their money (and to continue to do so) and the ongoing investment performance of the Funds. It is, therefore, very much in 1167's interests (and the Partners' interests) to ensure



that the Funds perform in a manner which is consistent with their stated investment objectives and within pre-agreed risk constraints. Thus, there is a natural alignment between Funds' investors' interests, the interests of 1167 and the interests of the Partners.

4. PRACTICAL APPLICATION OF THE REMUNERATION POLICY

This policy applies to all staff (including the Partners) of 1167.

Under the BIPRU Remuneration Code, some of the Remuneration Principles are directed at certain "Remuneration Code Staff", rather than all employees.

Remuneration Code Staff are, except where it is demonstrated that they have no material impact on the risk profile of 1167 or the Fund:

senior management (i.e. those individuals who are FCA Approved Persons performing a Significant Influence Function);

risk takers (i.e. those individuals responsible for making investment decisions);

heads of control functions (i.e. risk management, compliance, internal audit);

staff responsible for heading functions such as marketing, administration and human resources; and

any individuals receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

Remuneration Code Staff include relevant staff employed by any entity to which portfolio management or risk management has been delegated. 1167 Capital LLP does not delegate any such activities. Neither the Partners' profit shares nor their drawings nor employee salaries are deemed to be variable remuneration.

1167 has considered carefully which of its staff are within the definition of Remuneration Code Staff. It has determined that only the Partners, the Chief Operating Officer ("COO") and the CCARO are Remuneration Code Staff. In reaching this determination, the Management Committee took the following into consideration:

The small size of the firm and its simple internal organisational structure.

The only persons with legal authority to bind 1167 as a firm are the Partners and the COO. The Management Committee has day to day responsibility for the management and operation of the firm.

1167's investment selection process is strictly adhered to at all times. Assets are only selected for inclusion in a portfolio if they have already been subject to a detailed rigorous analytical review. Such assets will normally only be added to the portfolio with the agreement of both co-managers.

Portfolio construction (i.e. the process of selecting assets from the investable universe for the Fund portfolio) is only undertaken by the co-managers of the Funds.



None of the employees receives remuneration at a level which takes them into the same remuneration bracket as the Partners.

As explained above, the only remuneration which the Partners receive from 1167 Capital LLP is a pre-determined, fixed proportion of 1167's net profits, against which they may take drawings. The Partners have concluded that as this is not related to individual or Funds' performance and cannot be varied it is not variable remuneration under the BIPRU Remuneration Code. Accordingly, a number of the Remuneration Principles relating to variable remuneration are not relevant to the Partners' profit share in 1167 Capital LLP. However, if it transpires that the Partners were wrong to conclude that their profit share was not variable remuneration, the Partners would have felt justified in dis-applying these requirements on grounds of proportionality. This applies in particular to the requirements described in Principle 4 in respect of a Remuneration Committee, in Principle 12 in respect of payment in shares, deferral and performance adjustment. The concept of proportionality and its current application to 1167 is discussed below in section 5.

5. 1167'S APPROACH TO PROPORTIONALITY

1167 is required to comply with the BIPRU Remuneration Code in a way and to the extent that is appropriate to the firm's size and internal organisation and to the nature, scale and complexity of the firm's activities.

The Management Committee, having considered in detail the Code and the FCA Guidance, have concluded that it would not be proportionate to apply certain of the Remuneration Principles to its Remuneration Code Staff and employees more generally.

In particular, the Partners have determined that the following Remuneration Principles (as described in the BIPRU Remuneration Code) need not be adhered to in their entirety:

Remuneration Principle 4– Governance – dis-applied in so far as it relates to the establishment of a Remuneration Committee and the requirement to have non-executives on the management body taking responsibility for the adoption, implementation and review of the remuneration policy.

Remuneration Principle 12 (b) – Remuneration Structures – Assessment of Performance – requirement not applicable to Remuneration Code Staff and not applied on grounds of proportionality to non-Remuneration Code Staff in so far as it relates to assessing performance in the context of a multi-year framework appropriate to the recommended holding period for investors in the Funds.

Remuneration Principle 12 (f) – Remuneration Structures – A substantial proportion of variable remuneration to be paid by way of Fund units, shares or similar instruments subject to a retention policy – requirement not applicable to Remuneration Code Staff and not applied at all on grounds of proportionality to non-Remuneration Code Staff.

Remuneration Principle 12 (g) – Remuneration Structures – A substantial proportion of variable remuneration should be deferred – requirement not applicable to Remuneration



Code Staff and not applied at all on grounds of proportionality to non-Remuneration Code Staff.

Remuneration Principle 12 (h) – Measurement of Performance including adjustment mechanisms to reflect risks – requirement not applicable to Remuneration Code Staff.

6. REMUNERATION POLICIES

Remuneration Structure and Core Policies

1167's remuneration policies reflect the fact that 1167 is a limited liability partnership. A clear distinction is made between the Partners and the employees of the firm.

1167's approach to remuneration is relatively simple, reflecting the size and internal organisation of the business.

The Partners are each paid a pre-determined, fixed proportion of 1167's net profits, in accordance with their ownership of the partnership. These ownership levels are written into the 1167 Partnership Agreement. The Partners do not receive any salary nor are they eligible for an award of a discretionary bonus from 1167. The Partnership Agreement (being the Firm's constitutional document) has been drafted to support the Firm's continuation, and does not require payment to any exiting Partner.

The employees' remuneration packages may comprise:

a basic salary; a net profit share; the possibility of being awarded an annual discretionary bonus, and certain other benefits including personal pension contribution.

Payment of a bonus is entirely at 1167's discretion and will depend on both the financial position of the firm and the outcome of the individual's performance review which is undertaken at the end of each financial year. The performance review process takes into account a range of factors including the individual's performance and their broader contribution to the business including a range of non-financial measures. Those employees working in control functions such as risk management or compliance have their personal objectives set by reference to their specific functions and will be rewarded according to the achievement of those objectives, rather than the performance of the business more generally. Any bonus payment for an employee is agreed by unanimous consent of the Partners.

1167 does not guarantee any annual bonus award, except where this is absolutely necessary in the context of hiring a new employee in the first year of their employment.

1167's policy is not to pay employees leaving the firm any early termination payments.

1167 staff (including the Partners) are not permitted to undermine the principles of the BIPRU Remuneration Code by using personal hedging strategies, remuneration-related insurance or liability-related insurance. Staff are not remunerated with interests in the



Funds and therefore have no reason to seek to hedge their liabilities. This Remuneration Policy is supplemented by the Personal Account Dealing Policy.

Risk Management

1167 is required to ensure that remuneration practices are consistent with, and promote, sound and effective risk management. The remuneration policy should not encourage risk taking which is inconsistent with the risk profile of the Fund.

1167's investment strategy is described above. Sound and effective risk management is a key element of 1167's investment strategy. The investment process is rigorously adhered to at all times. 1167 Active Funds ICAV has appointed an independent full time risk manager.

The Partner's profit share is dependent upon 1167's overall profitability which in turn is largely dependent upon the management fees received from the Funds. The employees may be awarded an annual bonus, but this is entirely at 1167's discretion, and will depend on both the firm's profitability and the individual's performance.

1167 does not have any practice of remunerating its investment personnel for generating high returns in the short term.

Alignment with Business Strategy and the Interests of the Funds

Remuneration practices must be in line with the business strategy, objectives, values and interests of each of 1167, the Funds and the investors and should include measures to avoid conflicts of interest.

The remuneration policy is in line with 1167's business strategy, objectives, values and interests.

The Partners, as owners of the business, receive a profit share which is totally dependent on the overall profitability of the firm. The alignment of the Partners' interests with those of the Funds and investors is discussed in detail in above.

As far as employees are concerned, 1167 seeks to attract and retain high calibre staff. The employee remuneration package is therefore competitive and reflects industry market practice. As described above, annual bonus awards are entirely discretionary and depend on the performance of the individual as well as the firm itself. In the opinion of the Partners, the pension policy in place does not pose any conflict with the long-term interests of the Funds or with the investors in those Funds.

The Partners have identified two primary types of risk which could arise within a typical asset management business from inappropriate remuneration structures:

incentives related to investment performance, which could give rise to a focus on short term investment performance and potentially increase the risks for the investors; and

incentives related to sales, which could encourage employees to inappropriately sell a Fund to investors for whom it is unsuitable.

The nature of 1167's business, the nature of the Funds which it manages, and the nature of its remuneration practices naturally mitigate these risks. From an investment perspective



the risk identified above is controlled through 1167's investment process and as noted above there is no incentivisation of investment staff based on short term investment performance. Investment decisions are only made by the co-fund managers.

From a sales perspective, given the clear and simple nature of the investment strategy, the Funds are generally suitable for the majority of investor types, including retail investors albeit that 1167 does not market directly to retail investors nor through advisory channels or by making the Funds available or accessible to such investors. 1167's preferred distribution channel is via institutional and professional discretionary managers. 1167 emphasises the long-term nature of the investment strategy in all Fund literature and other documentation and seeks to ensure that investors understand that the strategy is not appropriate for those seeking short term returns. Sales performance is considered in the light of net sales and will therefore be negatively affected if investors fail to retain their investment in the longer term.

The Management Committee believes that the firm's remuneration practices are in line with the interests of the Funds and with investors in the Funds.

7. GOVERNANCE AND REVIEW

This Remuneration Policy has been developed by the Management Committee. The Management Committee is responsible for approving, maintaining and overseeing this policy and for approving any exemptions or changes. The Remuneration Policy will be reviewed by the Management Committee at least annually.

On an annual basis the CCARO reviews the firm's compliance with its Remuneration Policy. Any issues identified as a result of this review will be reported to the Management Committee.

Taking into account 1167's size, internal organisation and the nature, scope and complexity of its activities and the size of the Funds which it manages, the Management Committee has determined that it would not be proportionate for 1167 to establish a remuneration committee. All decisions on the remuneration of personnel are made by the Partners, who own the business and are collectively responsible for remuneration practices of the firm and by the Management Committee.

8. DISCLOSURE

1167 provides summary quantitative remuneration disclosure for Code staff in its annual Pillar 3 document.

This Remuneration Policy contains details of 1167's remuneration policies and practices for the firm as a whole.