ATLANTIC EQUITIES LLP

Pillar 3 Disclosure

Atlantic Equities LLP (the "Firm") was formed in England and Wales on 19 May 2003 and is authorised and regulated by the Financial Services Authority (the "FSA"). The Firm provides research and brokerage execution services in North American equity securities to its institutional clients.

The Firm is categorised as a limited licence firm by the FSA for capital purposes. It reports on a stand-alone basis.

Pillar 3 disclosure fulfils the Firm's obligation to disclose to market participants key pieces of information on a firm's capital, risk exposures and risk assessment processes.

I. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Partners of the Firm determine its business strategy and the risk appetite. The Chief Operating Officer and the Compliance Officer have designed and implemented a risk management framework that recognizes the risks that the business faces. The Partners also determine how those risks may be mitigated and assess on an ongoing basis the controls and procedures necessary to manage those risks. The Partners meet on a regular basis and discuss projections for profitability, liquidity, regulatory capital, business planning and risk management.

As a research provider and broker, the Firm considers the following as key risks to its business:

<u>Business risk</u> – This risk represents a fall in the number of clients, a fall in trading volumes or the loss of key staff which may reduce the fee income earned by the Firm and hinder its ability to finance its operations and reimburse its expenses.

<u>Operational risk</u> – This risk covers a range of operational exposures from the risk of trading errors to the risk of a failure to ensure the firm is remunerated for research services. Legal and reputational risks are also included within the category of operational risk.

<u>Credit risk</u> – This risk relates to the exposure to the Firm for non-payment for research or other services and counterparty exposure to the Firm's clients in delivery versus payment transactions (the Firm being responsible for all client sales and purchases until settlement is effected).

<u>Market risk</u> **-** The risk is the exposure to foreign exchange fluctuations due to fees being denominated in currencies other than sterling or the risk of a lower valuation on equity securities resulting in lower commission levels.

The above risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process ("ICAAP").

II. CAPITAL RESOURCES

The **capital resources** of the business comprise Tier 1 capital with no deductions.

As a limited licence firm **the capital resources requirement** is calculated as the total of Pillar 1 and Pillar 2 capital.

Pillar 1 capital is the greatest of:

1. a base capital requirement of Euro 50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement ("FOR").

Pillar 2 capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP.

It is the Firm's experience that its capital requirement normally consists of the FOR, although market and credit risks are reviewed monthly. The Firm applies a standardised approach to credit risk, applying 8% to the Firm's risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not paid, and bank balances. Having performed the ICAAP it is the Firm's opinion that no additional capital is required in excess of its Pillar 1 capital requirement.

As at 31 March 2011 the Firm's regulatory capital position was:

Capital Item	**£000**
Tier 1 Capital: Members' Capital and Audited Reserves	879
Total Capital Resources Requirement for 2010/11	775

III. MANAGEMENT OF THE ICAAP

The approach of the Firm to assessing the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to the Firm and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital, as relevant. The Firm stress tests potential impacts by considering the Firm's financial forecasts and its breakeven point.

The Firm's ICAAP is formally reviewed by the Partners annually, but will be revised should there be any material changes to the Firm's business or risk profile.

IV. THE REMUNERATION CODE

The aim of the Remuneration Code (the "Code") is to ensure that firms have risk focused remuneration policies which promote and are consistent with effective risk management, and do not expose firms to excessive risk.

Under the Code, the Firm is classified as a Tier Four firm, the lowest risk category as it does not manage or trade proprietary positions. This means that the Firm can dis-apply many of the technical requirements of the Code and proportionately apply the Code's rules and principles.

Under the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU), firms are required to disclosure their remuneration policy and practices, as well as aggregate quantitative disclosure for staff assessed as having a material impact on its risk profile, including senior management ("Code Staff").

The disclosure obligations applicable to remuneration which is subject to the Code includes all forms of fixed remuneration and variable remuneration.

Remuneration Policies

The Firm has adopted policies in relation to the Firm's remuneration arrangements which address potential conflicts of interest arising from such arrangements by taking into account the controls in place to guard against the Firm's authorised persons being rewarded for taking inappropriate levels of risk.

The Firm is satisfied that the policies in place are appropriate to its size, internal organization and the nature, scope and complexity of its activities.

The Decision Making Process

The Firm's remuneration policy is determined by the Remuneration Committee of the Firm, consisting of two designated partners, also the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO"), members of the Management Committee and two independent, external members, Mark Childs of Total Rewards Solutions, as Chairman, and David Miller, a partner of Meteora Partners LLP.

Link between Pay and Performance

Remuneration subject to the Code is based on an assessment of the profitability of the Firm, an individual's performance and their contribution to the business carried on by the Firm.

Atlantic's partners are remunerated by means of partnership fixed drawings, a quarterly profit share or bonus and an annual discretionary bonus. Partners may participate in a Growth Securities Ownership Plan (GSOP) and may be granted options to buy partnership equity at a discounted price at some time in the future in accordance with a Long Term Incentive Plan (LTIP).

Atlantic's employees, who are not also partners, are remunerated by means of salary, a quarterly profit share or bonus and an annual discretionary bonus. Employees are employed by an affiliated service company.

The Firm has a comprehensive appraisal system tailored to the role being undertaken which includes the setting of objectives each year for each member of staff by his/her manager and assessment against those objectives. There are strong qualitative and quantitative elements to the appraisal process under a variety of headings.

Quantitative Remuneration Data

The aggregate Remuneration for staff assessed as Code Staff by virtue of them having a material impact on the risk profile of the Firm for the performance year to 31 March 2011, is equal to 55% of "Members' remuneration charged as an expense" as disclosed in the accounts filed at Companies House.