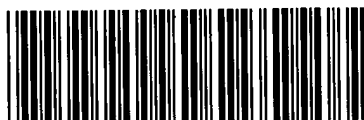


MCAP Global Finance (UK) LLP

Report and Financial Statements

31 December 2020

TUESDAY



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27/07/2021

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COMPANIES HOUSE

MCAP Global Finance (UK) LLP

Registered No. OC 347221

Members

MCAP Global Finance Limited
Louis Hanover

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Ernst & Young U.S. LLP
5 Times Square
New York
New York
10036

Bankers

HSBC Bank plc
2-4 St Ann's Square
Manchester
M2 7HD

Solicitors

Simmons & Simmons
CityPoint
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EC2Y 9SS

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16 Palace Street,
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SW1E 5JD

MCAP Global Finance (UK) LLP

Registered No. OC 347221

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Members' Report

The members present their annual report and audited financial statements of MCAP Global Finance (UK) LLP (the 'LLP' or 'Partnership') for the year ended 31 December 2020.

Results, distributions and contributions

The results for the year are shown in the statement of comprehensive income on page 10. The members' interests as detailed on page 11 shows a satisfactory position, amounting to £5,934,189 (2019 – £5,420,604).

Principal activity and review of the business

The principal activity of MCAP Global Finance (UK) LLP is to provide sub advisory services to Marathon Asset Management LP. The profit prior to distributions for the year to 31 December 2020 was £513,585 (2019 - £527,514).

Future Developments

Members do not see that the business activity will change.

Members' profit allocation

Any profits are shared among the members as decided by the Members and governed by the Limited Liability Partnership Agreement dated 1 July 2012 (the 'Partnership Agreement').

Policy for members' drawings, subscriptions and repayments of members' capital

Policies for members' drawings, subscriptions and repayment of members' capital and transfers between equity and debt are governed by the Partnership Agreement. Member's drawings, subscriptions and repayment of members' capital are subject to the approval of at least a majority of members.

Going concern

The members have indicated that in their judgement there is reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future and the members continue to adopt the going concern basis in preparing these financial statements. The members believe that reliance on one customer, as discussed below, does not inhibit the LLP from continuing as a going concern into the foreseeable future.

On 30 January 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

The full extent to which the COVID-19 pandemic may impact Partnership's results, operations or liquidity is uncertain. Members will continue to monitor the impact that the COVID-19 pandemic has on the firm, the asset management industry and the economies in which the firm operates. Members have performed a COVID -19 impact analysis. The details and conclusion from this are provided in Note 1 to the financials statements.

Members' Report (continued)

Principal risks and uncertainties

The members regularly review the risks and uncertainties facing the LLP. The LLP effectively relies upon only one customer and is consequently exposed to that customer's willingness and capacity to provide capital for management by the LLP. The LLP is also exposed to legal and regulatory risks, as a Financial Conduct Authority regulated investment firm and as an investment manager active in many markets. The members continuously review their compliance procedures.

The United Kingdom ("UK"), left the European Union (EU) at the end of 31 January 2020 and the transition ended on 31 December 2020. The LLP will continue to assess any relevant considerations in the context of its risk management framework.

Pillar 3

Details of the LLP's unaudited Pillar 3 disclosure required under Chapter 11 of the Financial Conduct Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') is disclosed in the unaudited appendix to the financial statements on page 19.

Members

The members of the LLP during the year were as follows:

MCAP Global Finance Limited*

Louis Hanover*

(* indicates a Designated Member)

Disclosure of information

So far as the members approving this report are aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. The members have taken all the steps that they are obligated to take as members in order to have made themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the next members meeting.

By order of the members



Louis Hanover
Designated Member

20 May 2021

Statement of Designated Members' Responsibilities

The Designated Members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

Legislation applicable to limited liability partnerships (Companies Act 2006 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006 Regulations 2008) requires the members to prepare financial statements for each financial year. Under that regulation the Designated Members have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under these regulations, the Designated Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that year. In preparing these financial statements, the Designated Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The Designated Members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. The Designated Members are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Designated Members confirm that they have complied with the above requirements in preparing the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCAP GLOBAL FINANCE (UK) LLP ('LLP')

Opinion

We have audited the financial statements of MCAP Global Finance (UK) LLP for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Members' Capital, Statement of Cash Flows and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2020 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCAP GLOBAL FINANCE (UK) LLP ('LLP') (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 5, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCAP GLOBAL FINANCE (UK) LLP ('LLP') (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

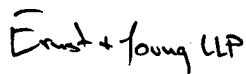
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the limited liability partnership and determined that the most significant are those that related to the reporting framework (United Kingdom Generally Accepted Accounting Practice; including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland in conformity with the requirement of Companies Act 2006, the Companies Act 2006 as applied to limited liability partnerships and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships". In addition, the LLP is required to comply with relevant Financial Conduct Authority's (FCA) rules and regulations relating to its operations.
- We understood how MCAP Global Finance (UK) LLP is complying with those frameworks by making enquiries of management and by seeking representation from those charged with governance. We corroborated our understanding by reviewing members' meeting minutes and policy and procedures manuals. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the LLP's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by designating revenue recognition as a fraud risk. We recalculated the revenue based on the transfer pricing arrangement applied by management and tested a sample of inputs in the calculation back to source documentation. We also used our internal transfer pricing specialists to review the appropriateness of the transfer pricing arrangement.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, review of legal and professional expenses, review of breaches and complaints register, and review of members meeting minutes.
- The LLP is a regulated investment management firm under the supervision of the FCA. As such, the Senior statutory auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCAP GLOBAL
FINANCE (UK) LLP ('LLP') (continued)**

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ahmer Huda (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

20 May 2021

Statement of Comprehensive Income
for the year ended 31 December 2020

		2020	2019
	Notes	£	£
Income			
Sub advisory fees	2	12,309,488	11,400,788
Administrative expenses		(11,795,903)	(10,873,274)
Operating profit		513,585	527,514
Profit for year available for discretionary division amongst members		513,585	527,514

All amounts arose from continuing operations.

The accompanying notes 1 to 12 form part of the financial statements

MCAP Global Finance (UK) LLP

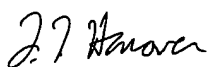
Registered No. OC 347221

Statement of Financial Position

as at 31 December 2020

		2020	2019
	Notes	£	£
Current assets			
Debtors	5	5,986,967	5,428,217
Cash		6,903	55,437
		5,993,870	5,483,654
Creditors: amounts falling due within one year	6	(59,681)	(63,050)
Net current assets		5,934,189	5,420,604
Total assets less current liabilities		5,934,189	5,420,604
Net Assets attributable to members represented by:			
Equity			
Members' capital	7	750,000	750,000
Other reserves/net income		5,184,189	4,670,604
		5,934,189	5,420,604
Total members' interests			
Amounts due to members		(2,801,743)	(1,002,062)
Members' other interests		5,934,189	5,420,604
Total members' interests		3,132,446	4,418,542

The financial statements on pages 10 to 18 were approved by the managing member on 20 May 2021 and signed on its behalf by:



Louis Hanover
Designated member

The accompanying notes 1 to 12 form part of the financial statements

MCAP Global Finance (UK) LLP

Registered No. OC 347221

Statement of Members' Capital

For the year ended 31 December 2020

	<i>Members' capital</i>	<i>Other reserves</i>	<i>Total members' other interests</i>	<i>Loans and other debts due to/(from) members</i>	<i>Members' total interests</i>
	£	£	£	£	£
At 1 January 2020	750,000	4,670,604	5,420,604	(1,002,062)	4,418,542
Profit for allocation among members	-	513,585	513,585	-	513,585
Other movements	-	-	-	(1,799,681)	(1,799,681)
At 31 December 2020	750,000	5,184,189	5,934,189	(2,801,743)	3,132,446

Previous Year

	<i>Members' capital</i>	<i>Other reserves</i>	<i>Total members' other interests</i>	<i>Loans and other debts due to/(from) members</i>	<i>Members' total interests</i>
	£	£	£	£	£
At 1 January 2019	750,000	4,143,090	4,893,090	1,678,174	6,571,264
Profit for allocation among members	-	527,514	527,514	-	527,514
Other movements	-	-	-	(2,680,236)	(2,680,236)
At 31 December 2019	750,000	4,670,604	5,420,604	(1,002,062)	4,418,542

The accompanying notes 1 to 12 form part of the financial statements

Statement of Cash Flows
for the year ended 31 December 2020

	<i>Note</i>	<i>2020</i> £	<i>2019</i> £
Net cash outflow from operating activities	8(a)	(48,534)	(150,102)
Decrease in cash for the year	8(b)	<u>(48,534)</u>	<u>(150,102)</u>

The accompanying notes 1 to 12 form part of the financial statements

Notes to the Financial Statements

for the year ended 31 December 2020

1. Accounting policies

MCAP Global Finance (UK) LLP is a United Kingdom Limited Liability Partnership. It is both incorporated and domiciled in England and Wales. The address of its registered office is 16 Palace Street, London, SW1E 5JD.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with applicable United Kingdom accounting standards, including FRS 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), Companies Act 2006 as applied to the LLP by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and the requirements of the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, updated on 26 January 2017 and subsequently on 14 December 2018. The LLP is not a financial institution. The financial statements are presented in sterling (GBP), the primary currency of operations of the partnership.

The Members’ Report for the LLP describes the COVID-19 pandemic. Members have performed a COVID-19 impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The most likely expected financial impact is in respect to Marathon Asset Management LP’s future management fee income as this is calculated based on a percentage of assets under management and this has fallen since the year end due to the impact of COVID-19 on listed global equity and debt markets. It is not possible to quantify the overall impact of COVID-19 as financial markets continue to react to developments and management has a number of actions that they are able to take to protect profitability and solvency.

Having performed this analysis members believe that the firm’s regulatory capital requirements will continue to be met and that the firm will have sufficient liquidity to meet its liabilities for 12 months from the financial year end and that the preparation of the financial statements on a going concern basis remains appropriate as the company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Expenses

Expenses incurred have been recognised on an accrual basis.

Income

Income, which is stated net of VAT, represents fees receivable for investment advisory services provided during the year and arising from continuing activities in the UK. Fees are allocated from Marathon Asset Management LP and are recognised when the LLP obtains the right for consideration in exchange for its performance and are measured at the fair value of the consideration received.

Financial Instruments

Trade receivables

Trade receivables are measured at fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

Cash

Cash in the Statement of Financial Position comprises of cash at bank. For the purpose of the cash flow statement, cash is stated net of outstanding bank overdrafts.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

1. Accounting policies (continued)

Members' profit allocations

Discretionary and non-discretionary profit allocations are recognised when formally approved by the managing member in accordance with the Partnership Agreement.

Taxation

No provision has been made for taxation in the financial statements. Each partner is exclusively liable for any tax liabilities arising out of their interest in the LLP, which will be assessed on the individual partners and not on the LLP.

Critical accounting estimates and judgments

The preparation of the financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Income

	2020	2019
	£	£
Income is comprised as follows:		
Sub advisory fees	12,309,488	11,400,788

All of the income in the year is from the sub advisory service to Marathon Asset Management LP.
All income is derived from the United States of America in GBP.

3. Operating profit

This is stated after charging:

	2020	2019
	£	£
Auditors' remuneration:		
Audit services	22,338	22,900
Taxation services	27,092	29,900

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

4. Members' remuneration and allocation of profits

	2020	2019
	£	£
Profit for the year before members' remuneration and profit share	513,585	527,514
Profit for the year available for division among the members	513,585	527,514
Profit allocated in respect of the highest paid member	-	-

The highest percentage holding member was entitled to an allocation of 98.67% (£506,737) but no allocation was made. (2019 - £520,480 and no allocation was made)

	2020	2019
	No.	No.
The average number of members during the year was	2	2

5. Debtors

	2020	2019
	£	£
Amounts due from group undertaking	5,986,967	5,428,217
	5,986,967	5,428,217

6. Creditors: amounts falling due within one year

	2020	2019
	£	£
Due to parent undertaking	-	-
Accruals	59,681	63,050
	59,681	63,050

7. Members' financial statements

Capital account

	Corporate member	Other members	Total
	£	£	£
At 31 December 2020	740,000	10,000	750,000
At 31 December 2019	740,000	10,000	750,000

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

8. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash flow from operating activities:

	2020	2019
	£	£
Operating profit	513,585	527,514
(Increase)/Decrease in debtors	(558,750)	1,007,959
Decrease in creditors	(3,369)	(1,685,575)
Net cash outflow from operating activities	(48,534)	(150,102)

b) Reconciliation of net cash:

At 1/1/2020	Cash outflow	At 31/12/2020
£	£	£
55,437	(48,534)	6,903

At 1/1/2019	Cash outflow	At 31/12/2019
£	£	£
205,539	(150,102)	55,437

9. Other financial commitments and contingencies

There are no other financial commitments or contingencies. (2019: Nil)

10. Related party transactions

During the period the LLP provided investment advisory services to its ultimate parent undertaking, Marathon Asset Management LP of £12,309,488 (2019 - £11,400,788). The amount due from Marathon Asset Management LP at 31 December 2020 and 2019 is disclosed in note 5. In addition, the LLP obtained services from its parent, MCAP Global Finance Limited for £11,707,939 (2019 - £10,788,622). The amount due to MCAP Global Finance Limited at 31 December 2020 and 2019 is disclosed in note 6. All transactions are done at arm's length.

11. Intermediate and ultimate parent undertaking

The LLP is a majority-owned subsidiary of MCAP Global Finance Limited which is a wholly-owned subsidiary of Marathon Asset Management LP, incorporated in the United States of America. Marathon Asset Management LP has included the LLP and MCAP Global Finance Limited in its group accounts.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

12. Subsequent events

These financial statements were approved by the members and available for issuance on 20 May 2021. Subsequent events have been evaluated through this date and the members have determined that no additional subsequent events have occurred that would require disclosure in the financial statements or accompanying notes.

Unaudited Appendix to the Financial Statements

at 31 December 2020

Pillar 3 Disclosures - MCAP Global Finance (UK) LLP (MCAP)

Disclosure Policy

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the Financial Conduct Authority (FCA), MCAP Global Finance (UK) LLP (MCAP) will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis. The Pillar 3 disclosure will be made via Companies House (we will enclose it as an addendum to the Annual Audited Accounts) and on the website www.marathonfund.com.

MCAP may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be unlikely to change or influence the decision of a reader relying on that information. Accordingly where MCAP has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then MCAP may take the decision to exclude it from the disclosure. In MCAP's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding MCAP to confidentiality with our customers, suppliers, counterparties or staff. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

Introduction

MCAP is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. MCAP is categorised by the FCA, for capital purposes, as a BIPRU limited licence firm. MCAP is an investment management firm but it has no trading book exposures. It is not required to prepare consolidated accounts for prudential purposes.

The FCA's current prudential regime can be split into three "pillars":

- Pillar 1 – prescribes the minimum capital requirements that authorised firms need to hold. This is the higher of €50k; a quarter of the firm's annual adjusted expenditure (the Fixed Overheads Requirement) or the sum of the firm's prescribed Credit risk + Market risk.
- Pillar 2 – requires firms to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. If the firm feels that the risks are not adequately mitigated then they should allocate capital against those risks. Stress and scenario tests are conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.
- Pillar 3 - requires firms to develop a set of disclosures which will allow market participants to assess key information about the firm's underlying risks, risk management controls and capital position.

The Fixed Overheads Requirement determines MCAP's Capital Resources Requirement.

MCAP is a limited liability partnership and its capital arrangements are established in its limited liability partnership agreement. Its capital is summarised as follows:

	£000's
Partners' capital	750
Revenue reserves	<u>5,167</u>
Partners' capital and other reserves	<u>5,917</u>

Unaudited Appendix to the Financial Statements (continued)

at 31 December 2020

The main features of MCAP's Capital Resources Requirement are as follows:

Capital Item	£'000s
Tier 1 capital less innovative tier 1 capital	5,917
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	5,917

Risk Management

Due to the size, nature, scale and complexity of MCAP, there is no independent risk management function. Senior management of the firm determine the business strategy and risk appetite along with the risk management policies and procedures. An identification of risks to the firm is considered and MCAP's resultant exposure is assessed after the application of both management and mitigation of these risks. Furthermore, MCAP then undergoes a series of stress tests and scenario analyses on these risks to determine the effect they would have on the firm.

If necessary MCAP would allocate extra capital to the relevant risk, as per the Pillar 2 requirement: this has not been deemed necessary. This process is conducted at management meetings which are held on a semi-annual basis and the relevant policies and procedures are updated where necessary.

Senior management has identified operational risk as the main area of risk to which the firm is exposed.

MCAP has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements

Remuneration disclosure for the 2020 financial year - MCAP Global Finance (UK) LLP

Governance

The purpose of the Remuneration Code is to ensure firms establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management.

The Remuneration Code applies to 'Remuneration Code Staff' ('Code Staff'). This includes 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 firm's risk profile.

MCAP has considered the contribution that can be made by a remuneration committee. In order to take a proportionate approach given the size and non-complex nature of both the activities undertaken and the organisation, MCAP has decided that the governing body will undertake the role which would otherwise been undertaken by a remuneration committee. This is in line with guidance provided by the FCA for level 3 firms under the Remuneration code. The governing body will be responsible for setting MCAP's policy on remuneration.

MCAP's Remuneration Policy will be reviewed, at least, annually by the governing body to ensure that it remains consistent with the Remuneration Code Principles and MCAP's objectives. The governing body will use all information available to it in order to carry out its responsibilities under the code, for example, information on risk and financial performance. In addition, the Compliance Officer, as part of MCAP's regulatory monitoring, will include a review of the implementation of this Policy by the firm.

Unaudited Appendix to the Financial Statements (continued)

at 31 December 2020

Link between pay and performance

Remuneration at MCAP is made up of fixed ('salary') and variable ('bonus') components.

Salary is set in line with the market at a level to retain, and when necessary attract, skilled staff.

Any bonus paid is designed to both reflect the performance of a person in contributing to the success of the firm and their success in meeting, or exceeding, targets that have been set by the firm on an individual basis.

Where remuneration is performance-related then in addition to the performance of the individual MCAP will also take into account the performance of the business unit concerned and the overall results of the firm. Performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations and adherence to effective risk management. In keeping with MCAP's long term objectives, the assessment of performance will take into account longer-term performance and payment of any such performance related bonuses may need to be spread over more than one year to take account of the firm's business cycle.

The measurement of financial performance will be based principally on profits and not on revenue or turnover.

Awards will reflect the financial performance of MCAP and as such variable remuneration may be contracted where subdued or negative financial performance occurs. MCAP will not ordinarily make any variable remuneration awards should the firm make a loss. In exceptional circumstances such payments may need to be considered. In such cases the governing body, in conjunction with the Compliance Officer, will consider and document whether such an award would be in keeping with the Remuneration policy.

Quantitative remuneration information

MCAP is required to disclose aggregate information on remuneration in respect of its Code Staff, broken down by business area and by senior management and other Code Staff. The relatively small size and lack of complexity of the firm's business is such that MCAP only has the one business area (investment management) and does not regard itself as operating, or needing to operate, separate 'business areas' and the following aggregate remuneration data should be read in that context.

Aggregate Remuneration

All Code Staff	*
Number of Code Staff	2

**as identified, due to the number of individuals and the structure of remuneration, disclosure of the remuneration amount would constitute the disclosure of sensitive personal data.*

This remuneration disclosure is made under the FCA Pillar 3 framework. Our non-remuneration Pillar 3 disclosures can be found at Companies House (as an addendum to the Annual Audited Accounts).

Unaudited Appendix to the Financial Statements (continued)

at 31 December 2020

Stewardship Code - MCAP Global Finance (UK) LLP

The Financial Conduct Authority's Conduct of Business Sourcebook, COBS 2.2B SRD requirements and 2.2.3R Disclosure of commitment to the FRC's Stewardship Code, requires MCAP Global Finance (UK) LLP (MCAP) to include a disclosure on its website stating the nature of its commitment to the UK Stewardship Code (the Code) issued by the Financial Reporting Council. The Code sets out various principles relating to the level of engagement by institutional investors with UK listed companies. The Financial Reporting Council recognises that not all parts of the Code will be relevant to all institutional investors and that some institutions may judge some of the principles and guidance to be disproportionate. As MCAP does not commit to the Code, it must state in general terms its alternative investment strategy.

MCAP's alternative investment strategy is a multi-strategy approach covering various jurisdictions and asset classes. This strategy does not have significant investments in UK equities. Therefore, although MCAP supports the objectives set out within the Code, the provisions are not deemed to be relevant to the type of investment strategy and trading currently undertaken. Should any material changes occur to the strategy which would make the Code relevant, MCAP will amend this disclosure.

MCAP has only one client, Marathon Asset Management, LP (client). MCAP does not have a website on which it can post this disclosure statement; therefore, this memorandum will be published on the website of Marathon Asset Management, LP.