

**AVENTICUM CAPITAL MANAGEMENT (UK)
LLP
Members' Report and Financial Statements
2019**

REGISTRATION NUMBER: OC389954

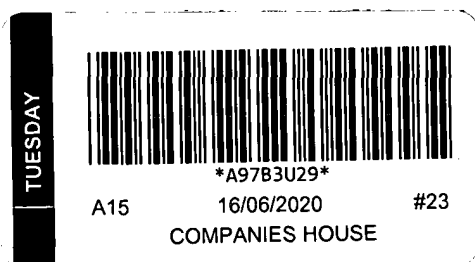


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AVENTICUM
CAPITAL MANAGEMENT

AVENTICUM CAPITAL MANAGEMENT (UK) LLP

Partnership Information

Members as at 6 April 2020

The Ordinary Members are:

Thomas Fitzpatrick
Catherine Campbell
Loic De Robert Hautequere
Sergio Ivan Delgado
Robert Francis Rowe

The Corporate Members are:

Aventicum Capital Management (UK) I Holding Ltd
Aventicum Capital Management (UK) II Holding Ltd

Registered Office

4 Sloane Terrace
London SW1X 9DQ
United Kingdom

Registration Number: OC389954

Independent Auditor

KPMG LLP
Statutory Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Profile

Aventicum Capital Management (UK) LLP ('ACMUK' or the 'LLP'), is a Limited Liability Partnership, incorporated in the United Kingdom ('UK') on 17 December 2013. Aventicum Capital Management (UK) I Holding Ltd. ('ACMH1') and Aventicum Capital Management (UK) II Holding Ltd. ('ACMH2') are Corporate Members of the LLP. Each made 50% of the LLP's total capital contributions and has the right together to appoint the Members of the LLP's Reserved Matters Management Committee ('RMMC'). Both are, in turn, wholly owned by Aventicum Capital Management Holding AG ('ACMH'). ACMH was established as a 60/40 joint venture between Credit Suisse Asset Management International Holdings Ltd ('CSAMI') and Qatar Holding LLC ('QH') in December 2012.

Principal activity

The business of the LLP is to provide investment management services including acting as an Alternative Investment Fund Manager ('AIFM') as defined under Directive 2011/61/EU on AIFM and any related services. The intention is to launch funds with seed capital provided by Qatar Investment Authority and Credit Suisse First Boston (Latam Holdings) LLC and to engage in active marketing for external investors to participate in the funds. On 5 January 2015, the LLP launched a master and a feeder fund:

- AQS Emerging Markets Corporate Debt Total Return Fund ICAV ('master fund'); and
- AQS Emerging Markets Corporate Debt Total Return Feeder Fund I PLC ('feeder fund').

The LLP is authorised and regulated by the Financial Conduct Authority ('FCA') in the UK.

Members

During the year ended 31 December 2019, Kaushik Rambhiya ceased to be a member on 11 February 2019. In addition, Ugo Calcagnini ceased to be a member on 21 February 2019.

The Ordinary Members on the date of signing the accounts are:

Name	Since
Catherine Campbell	April 2014
Loic De Robert Hautequere	June 2014
Sergio Delgado	June 2014
Thomas Fitzpatrick	June 2014
Robert Francis Rowe	January 2015

The Corporate Members are:

Name	Since
Aventicum Capital Management (UK) I Holding Ltd.	December 2013
Aventicum Capital Management (UK) II Holding Ltd.	December 2013

MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Business Review

Results for the year and allocation to Members

The loss for the year ended 31 December 2019 attributable to Members amounted to £550k (2018: loss of £1,111k). The LLP has incurred losses as the fund did not earn a performance fee

The Ordinary Members do not participate in the losses of the LLP. The negative return on total assets for the year 2019 was 22% (2018: negative return of 37%). The LLP's balance sheet as detailed on page 11 shows a satisfactory position with Members' interests amounting to £1,044k.

Return on Total assets	2019	2018
	£000	£000
Net profit / (loss)	(550)	(1,111)
Total Assets	2,556	2,992
% Return on Total assets	(22)	(37)

Future developments

As the terms of the United Kingdom's withdrawal from the European Union have not yet been finalised, the full impact of UK's exit from the EU cannot be predicted, and in particular, it is not clear whether and to what extent European Union regulations will continue to apply to the Manager following Brexit.

The Central Bank of Ireland has stated that it is reasonable for firms to plan on the basis that Memorandum of Understandings will be in place in a no-deal scenario. The Central Bank added that firms that delegate portfolio management to the UK can have sufficient confidence that this will continue to be allowed post the UK's exit from the European Union.

The situation regarding distribution into the European Union is currently less clear and will need an update on this position in order to continue the marketing and distribution of the Fund into European Union States if the AIFMD marketing passport were to be removed.

The rapid spread of COVID-19 during the first quarter of 2020 has led to the introduction of tight government controls on movement and travel that have quickly closed down activity in large parts of the world's economy. Global markets have been impacted negatively, with the travel and tourism and the transportation sectors being the worst affected. The deterioration in risk appetite and in the UK growth outlook have resulted in a significant reduction in asset and commodity prices and government bond yields during March 2020. Members of the LLP continue to assess the implications of the outbreak on its business plan for 2020 and remain committed to providing seamless service and support to all clients during this challenging time.

Risk management

The LLP's financial risk management objectives and policies are outlined in Note 18 – Risk management.

Capital

During the year, the Corporate Members made a further equity capital contribution of £400k (2018: £1,000k) and can make further capital contributions to the LLP in accordance with the Limited Liability Partnership Agreement of the LLP (the 'Partnership Agreement'). No Member is entitled to interest on their capital contribution.

MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern

The outbreak of COVID-19 has resulted in a very sharp shock to global activity and the measures taken by governments and regulators have evolved significantly in the first quarter of 2020. Economic measures taken by the UK and other governments along with the deterioration in asset and commodity prices will impact clients' investment decisions and the valuation of LLP's investments. The impact of these economic and other measures cannot be estimated precisely and the members will continue to monitor the situation closely.

Credit Suisse AG continues to provide confirmation that it will provide sufficient funding to the LLP to ensure that it maintains a sound financial situation to satisfy its debt obligations for the foreseeable future. In addition, the Corporate Members made capital contributions of £700k into the LLP in January 2020. Consequently, the members of the LLP are confident that the partnership will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have prepared the financial statements on a going concern basis.

Auditor

In December 2018, following a tender of the CSG audit mandate and structured evaluation and selection process, the CSG Board of Directors approved that PricewaterhouseCoopers LLP ('PwC') be proposed as the new statutory auditor to the CSG Annual General Meeting in April 2020. The appointment is proposed to be effective for the fiscal year ending 31 December 2020 and is subject to CSG shareholder approval.

The Board furthermore appointed PwC as regulatory auditor for the Group and the Company, effective for the fiscal year ending 31 December 2020. The appointment is conditional upon shareholder approval of PwC as statutory auditor.

Statement as to disclosure of information to auditors

The Members are not aware of any relevant audit information (as defined by section 418 of the Companies Act 2006) of which the LLP's auditor is unaware. The Members also confirm that they have taken all steps required to make themselves aware of any relevant audit information and establish that the LLP's auditor is also aware of that information.

Signed on behalf of the LLP by Designated Members on 23 April 2020.



Stephen Foster
Aventicum Capital Management (UK) I Holding Ltd



Stephen Foster
Aventicum Capital Management (UK) II Holding Ltd

4 Sloane Terrace
London SW1X 9DQ
United Kingdom

23 April 2020
Registration Number: OC389954

STATEMENT OF MEMBERS RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND FINANCIAL STATEMENTS

The Members are responsible for preparing the LLP financial statements in accordance with applicable law and regulations and have elected to prepare a Members' Report. The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the Members to prepare LLP financial statements for each financial year. Under that law, the Members have elected to prepare the LLP financial statements in accordance with UK Accounting Standards (UK GAAP) and applicable law, including FRS 102.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the 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 the financial statements, the 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;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matter related to going concern;
- use the going concern basis of accounting, unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the 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 enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVENTICUM CAPITAL MANAGEMENT (UK) LLP

Opinion

We have audited the financial statements Aventicum Capital Management LLP ("the LLP") for the year ended 31 December 2019, which comprise statement of financial position as at 31 December 2019, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, including the summary of significant accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards (UK GAAP) and applicable law, including Financial Reporting Standard 102; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the members' conclusions, we considered the inherent risks to the LLP's business model and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the LLP will continue in operation.

Other information

The members are responsible for the other information, which comprises the Members' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVENTICUM CAPITAL MANAGEMENT (UK) LLP

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required 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.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 7, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP'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 they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's 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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Alison Allen

Alison Allen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London
24 April 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Management fees	3	1,622	1,485
Net change in fair value		13	14
Reimbursed expenses		46	—
Total revenues		1,681	1,499
Staff costs	4	(146)	(171)
Depreciation	9	(8)	(15)
Audit fees	5	(20)	(20)
Rental of buildings under operating leases	6	(204)	(198)
General and administrative expenses	7	(885)	(920)
Net foreign exchange loss		(37)	(54)
Total expenses		(1,300)	(1,378)
Profit for the financial year before Members' remuneration and profit shares		381	121
Members' remuneration charged as an expense	8	(931)	(1,232)
Profit/(Loss) for the financial year available for discretionary division among Members		(550)	(1,111)

Results for the year are from continuing operations.

The notes on pages 14 to 27 form an integral part of these financial statements.



STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Non-current assets			
Furniture and equipment	9	—	8
Investments	11	290	598
Non-current assets		290	606
Current assets			
Cash at Bank	10	1,313	1,452
Investments	11	350	539
Other assets*	12	603	395
Current assets		2,266	2,386
Creditors: amounts falling due within one year			
Amounts owed to CS group companies		765	553
Accruals and deferred remuneration	13	457	492
Current liabilities		1,222	1,045
Net current assets		1,044	1,341
Total assets less current liabilities		1,334	1,947
Creditors: amounts falling due after one year			
Accruals and deferred remuneration	13	290	438
NET ASSETS ATTRIBUTABLE TO MEMBERS		1,044	1,509
REPRESENTED BY:			
Members' other interest			
Members' capital classified as equity	14	13,000	12,600
Members' other interest - other reserves	14	(11,956)	(11,091)
Total Members' interest		1,044	1,509

*Other assets include £59k of rental deposit with a maturity of more than one year (2018: £59k).

The notes on pages 14 to 27 form an integral part of these financial statements. The financial statements were approved by the Members of the LLP and authorised for issue on 6 April 2020.

Stephen Foster
Aventicum Capital Management (UK) I Holding Ltd

Stephen Foster
Aventicum Capital Management (UK) II Holding Ltd

23 April 2020
Registration Number: OC389954

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Members' capital classified as equity £000	Members' other interest - other reserves £000	Total members' equity £000
Balance as at 1 January 2019		12,600	(11,091)	1,509
Loss for the year		—	(550)	(550)
Additional capital contribution by Corporate Members	14	400	—	400
VAPP allocation to Ordinary Members	14	—	(315)	(315)
Balance as at 31 December 2019		13,000	(11,956)	1,044

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Members' capital classified as equity £000	Members' other interest - other reserves £000	Total members' equity £000
Balance as at 1 January 2018		11,600	(9,042)	2,558
Loss for the year		—	(1,111)	(1,111)
Additional capital contribution by Corporate Members	14	1,000	—	1,000
VAPP allocation to Ordinary Members	14	—	(938)	(938)
Balance as at 31 December 2018		12,600	(11,091)	1,509

The notes on pages 14 to 27 form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the financial year before Members' remuneration and profit shares		381	121
Adjustments to reconcile net profit to net cash (used in)/generated from operating activities			
Non-cash items included in profit Profit for the financial year available for discretionary division among members			
Depreciation	9	8	15
Net foreign exchange loss		64	84
Net change in fair value		(13)	(14)
Cash generated before changes in operating assets and liabilities		440	206
(Increase)/decrease in other assets	12	(208)	1,698
Total net (increase)/decrease in operating assets		(208)	1,698
Increase in amounts owed to CS group companies		212	146
(Decrease) in other accruals and deferred remuneration		(433)	(147)
Total net decrease in operating liabilities		(221)	(1)
Net cash (used in)/generated from operating activities before transactions with Members		11	1,903
Members' remuneration charged as an expense	8	(931)	(1,232)
Net cash (used in)/generated from operating activities		(920)	671
Cash flows from investing activities			
Forfeiture of Shares		—	289
Purchase of investments in class M shares		(158)	(855)
Sale of investments in class M shares		713	—
Net cash (used in)/generated from investing activities		555	(566)
Cash flows from financing activities			
Capital introduced by Corporate Members	14	400	1,000
Cash bonus paid to Ordinary Members		(157)	(614)
Net cash (used in)/generated from financing activities		243	386
Net (decrease)/increase in cash and cash equivalents		(122)	491
Cash and cash equivalents at the beginning of the year		1,452	986
Effect of exchange rate fluctuations on cash and cash equivalents held		(17)	(25)
Cash and cash equivalents at the end of the year	10	1,313	1,452

The notes on pages 14 to 27 form an integral part of these financial statements.

Notes to financial statements

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General

ACM UK LLP is a limited liability partnership incorporated in England and Wales. The address of the LLP's registered office is 4 Sloane Terrace, London SW1X 9DQ. The financial statements were authorised for issue on behalf of all Members by Ordinary Members and the Corporate Members (pursuant to the terms of the Partnership Agreement) on 6 April 2020.

2. Accounting policies

a) Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the Statement of Recommended Practice on Accounting by Limited Liability Partnerships (December 2018) ('SORP') and in accordance with the FRS 102 as amended in December 2017. The financial statements are presented in Pound Sterling ('£' or 'GBP'), rounded to the nearest thousand. They are prepared on the historical cost basis.

Certain reclassifications have been made to the prior year Financial Statements of the company to conform to the current year's presentation and had no impact on net profit/(loss) or total shareholders' equity.

Going concern

Credit Suisse AG continues to provide confirmation that it will provide sufficient funding to the LLP to ensure that it maintains a sound financial situation to satisfy its debt obligations for the foreseeable future. Consequently, the members of the LLP are confident that the partnership will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have prepared the financial statements on a going concern basis.

The outbreak of COVID-19 has resulted in a very sharp shock to global activity and the measures taken by governments and regulators have evolved significantly in the first quarter of 2020. Economic measures taken by the UK and other governments along with the deterioration in asset and commodity prices will impact clients' investment decisions and the valuation of LLP's investments. The impact of these economic and other measures cannot be estimated precisely and the members will continue to monitor the situation closely.

The members prepare cash flow forecasts on a quarterly basis for a period of at least 12 months. Such forecasts include an assessment of the adequacy of capital resources and liquidity and take account of a reasonable downside scenario involving no new investments into the funds and no performance fee. In the most recent forecast available as at 31 December 2019, the LLP has sufficient capital and liquidity for at least 12 months from the date of these financial statements in both its baseline and downside scenarios.

Financial forecasts are dependent on ongoing financial support from CSG. Credit Suisse AG continues to provide confirmation that it will provide sufficient funding to the LLP to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future. Consequently, the members of the LLP are confident that the partnership will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore, have prepared the financial statements on a going concern basis.

b) Revenue

Revenue for the LLP represents mainly Asset Management fees and Performance fees and is based on different services provided by the LLP. Asset Management fees are calculated as a percentage of the value of the underlying assets under management. Performance-linked fees or fee components are those that are earned by the LLP once the AQS Emerging Markets Corporate Debt Total Return Fund delivers the required performance and are recognised upon receipt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

c) Furniture and equipment

Furniture and equipment are stated at historical cost, less depreciation and any recognised impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the LLP and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Furniture and equipment: 5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

d) Investments

The buyout shares and VAPP deferred share awards have been invested by the LLP in the name of the Ordinary Members in class M shares of the master-feeder fund. ACM UK LLP has economic ownership of class M shares during the vesting year; hence the LLP has recognised the investments on the Statement of Financial Position. The investments are designated as at fair value through profit or loss. A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are subsequently measured at fair value through profit and loss and changes therein are recognised in the Statement of Comprehensive Income.

On forfeiture of the unvested class M shares, the shares continue to be recognised on the LLP's Statement of Financial Position. If the LLP decides to sell the forfeited shares then the unrealised gain or loss which had been recognised is booked as realised gain or loss in the Statement of Comprehensive Income.

e) Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example, if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash at bank

Cash and due from banks is defined as short-term, highly liquid instruments with original maturities of three months or less and that are held for cash management purposes. Cash at bank comprises cash deposited with related companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

f) Leases

The lease entered into by the LLP is an operating lease. The total payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the year of the lease. There are no incentives attached to individual leases.

g) Members' remuneration

Discretionary VAPP awards (cash and deferred) are debited directly to equity in the year in which the division occurs. A discretionary division of profits that takes place after the balance sheet date is a non-adjusting event under section 32 of FRS 102 *Events after the End of the Reporting Period*.

The Ordinary Members are also subject to a deferred variable remuneration arrangement. For certain Ordinary Members, it was agreed to buy out the deferred compensation from their previous firm ('buyout shares'). These shares have a three year vesting period. The LLP recognises the corresponding compensation expense over the vesting period on a front loading basis. The buyout shares have been invested in the shares of an unconsolidated fund launched by the LLP. The deferred compensation liability is measured at fair value through Statement of Comprehensive Income with reference to the valuation of class M shares.

The share of profits and losses is governed by the Partnership Agreement.

Under the Partnership Agreement, net profits shall be divided up among the Members in the following manner:

- firstly, to each Ordinary Member, a Fixed Annual Partnership Profit ('FAPP');
- secondly, to each Ordinary Member, a Variable Annual Partnership Profit ('VAPP'); and
- thirdly, a share of the Residual Annual Partnership Profits, if any ('RAPP'). RAPP is first divided among the Ordinary Members (as a whole) and the Corporate Members (as a whole). The portion of RAPP allocated to the Ordinary Members as a whole may then be allocated to one, some or all the Ordinary Members. Part of RAPP allocated to an Ordinary Member (if any) is deferred over a three year period.

The Members shall draw the following to the extent of funds in their capital accounts:

- on account of FAPP, up to an amount equal to one twelfth of such Ordinary Members' FAPP;
- on account of VAPP, up to an amount equal to the vested cash portion of such Member; and
- on account of RAPP, up to an amount equal to the vested cash portion of such Member.

h) Income tax

The taxation payable on the partnership profits is the personal liability of the Members. Consequently, neither partnership taxation nor related deferred taxation are accounted for in the financial statements.

i) Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the year in which they are incurred.

j) Foreign currency translation

The LLP's functional currency is Pound Sterling ('£' or 'GBP'). Transactions denominated in currencies other than the functional currency of the LLP are recorded by re-measuring to the functional currency of the LLP at the exchange rate ruling at the date of the transaction. At the reporting date, monetary assets and liabilities such as



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

receivables and payables are reported using the spot exchange rates applicable at that date. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates. Foreign exchange differences arising from re-measurement are recognised in the Statement of Comprehensive Income.

k) Interest income

Interest income is accounted for on accrual basis.

3. Management fees

	2019	2018
	£000	£000
Management fees	1,622	1,485

The LLP earns asset management fees on the feeder fund.

4. Staff costs

Staff costs during the year were as follows:

	2019	2018
	£000	£000
Salaries and bonuses	(95)	(120)
Social security costs	(12)	(15)
Pension costs	(10)	(1)
Other personnel costs	(29)	(35)
Total staff costs	(146)	(171)

The average number of employees (excluding Ordinary Members) during the year was 2 (2018: 2).

The average number of Ordinary Members during the year was 5 (2018: 7).

5. Audit fees

	2019	2018
	£000	£000
Audit fees	(20)	(20)

6. Rental of buildings under operating leases

The LLP leases office space under an operating lease arrangement. The lease term is 2.5 years.

The future aggregate minimum lease payments under operating leases are as follows:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£000	£000
Up to 1 year	(286)	(135)
From 1 year up to 5 years	(429)	—
At 31 December	(715)	(135)

The following table sets forth details of rental expenses for all operating leases:

	2019	2018
	£000	£000
Minimum rentals	(204)	(198)

7. General and administrative expenses

	2019	2018
	£000	£000
Legal fees	(30)	(2)
Other outsourced services	(212)	(239)
Occupancy costs	—	36
Travel and entertainment	(43)	(68)
Information technology expenses	(247)	(259)
Amount payable to CS group companies	(314)	(363)
Other expenses	(39)	(25)
Total General and administrative expenses	(885)	(920)

8. Ordinary Members' remuneration charged as an expense

	2019	2018
	£000	£000
FAPP paid to Members	(919)	(1,218)
Pension costs	(12)	(14)
Total Members' remuneration charged as an expense	(931)	(1,232)

Members' share of losses

Losses are shared by the Corporate Members at the end of the year in accordance with agreed profit and loss sharing arrangements governed by the Partnership Agreement. The Ordinary Members do not participate in losses.

The average number of Members, including Ordinary and Corporate Members, during the year was 7 (2018: 9).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

9. Furniture and equipment

	2019	2018
	£000	£000
Cost		
As at 1 January	96	96
Additions	—	—
Cost as at 31 December	96	96
Accumulated depreciation		
As at 1 January	(88)	(73)
Charge for the year	(8)	(15)
Accumulated depreciation as at 31 December	(96)	(88)
Net book value		
As at 1 January	8	23
As at 31 December	—	8

10. Cash at bank

	2019	2018
	£000	£000
Cash at bank	1,313	1,452

The book value of cash at bank approximates its fair value.

11. Investments

	2019	2018
	£000	£000
Amount due after one year	290	598
Amount due within one year	350	539

Investments represent Class M shares of underlying funds launched by the LLP to finance deferred compensation pay out to the Members which comprise buyout shares and VAPP. Based on the vesting schedule of the class M shares to Members these investments have been categorised into current and non-current. The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12. Other assets

	2019	2018
	£000	£000
Amount due within one year		
Management fees receivable	269	127
VAT receivable	82	15
Amounts owed by CS group companies	156	156
Prepayments	37	38
Total amount due within one year	544	336
Amount due after one year		
Rental deposit	59	59
Total Other assets	603	395

None of the above are deemed impaired therefore no provision is required for bad and doubtful debts.

13. Accruals and deferred remuneration

	2019	2018
	£000	£000
Accruals: amounts falling due within one year		
Accrual for employees' bonus	11	26
Accrual for pension costs for Members and employees	19	14
Accrual for deferred remuneration	349	396
Accruals for operating expenses	76	52
Other payables	2	4
Total accruals and deferred remuneration due within one year	457	492
Accruals: amounts falling due after one year		
Accrual for deferred remuneration	290	438
Total accruals and deferred remuneration	747	930

Accrual for deferred remuneration represents deferred compensation pay-outs to the Ordinary Members which comprise VAPP. The categorisation into less or more than one year is based on the vesting schedule of the class M shares.

The amount in other payables is unsecured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

14. Members' interests

£000	2019			2018
	Equity			
	Members' other interests			
	Members' capital (Classified as equity)	Other reserves	Total Equity	
Amounts due to Members	12,600	(11,091)	1,509	2,558
Balance as at 1 January	12,600	(11,091)	1,509	2,558
Profit /(Loss) for the year available for discretionary division among Corporate Members	—	(550)	(550)	(1,111)
Members' interests after loss for the year	12,600	(11,641)	959	1,447
Equity capital introduced by Corporate Members	400	—	400	1,000
VAPP allocation to Ordinary Members	—	(315)	(315)	(938)
Amounts due to Members	13,000	(11,956)	1,044	1,509
Amounts due from Members	—	—	—	—
Balance as at 31 December	13,000	(11,956)	1,044	1,509

Capital is repayable in accordance with the terms set out in the Partnership Agreement. Members' capital and other debts rank after unsecured creditors in the event of liquidation.

15. Capital adequacy

The LLP's capital adequacy and capital resources are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union directives and regulations. These directives and regulations are implemented in the UK by the FCA and incorporated within its prudential sourcebooks. The LLP's overall capital needs are reviewed continually to ensure that its capital base can support the anticipated needs of its business. The capital management framework at CSG is designed to monitor the sufficiency of capital resources to support underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants

Available capital

The LLP must at all times monitor and demonstrate compliance with all the relevant regulatory capital requirements of the FCA. The LLP has put in place processes and controls to monitor and manage its capital adequacy and no breaches were reported to the FCA during the year. Regulatory capital resources comprise a number of 'tiers'. Tier 1 capital principally comprises Members' other interests classified as equity. This is supplemented by Tier 2 capital, which consists mainly of subordinated debt instruments. Total capital resources equal the sum of these, less regulatory deductions and adjustments specified by the regulators. The LLP currently has no Tier 2 capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

The following table sets out details of LLP's regulatory capital resources at 31 December:

	2019	2018
	£000	£000
Capital contribution reserve	13,000	12,600
Accumulated losses	(11,956)	(11,091)
Total Members' contribution	1,044	1,509
Tier 1 capital	1,044	1,509
Total regulatory capital resources	1,044	1,509

16. Pillar 3 disclosures

Pillar 3 disclosures can be found separately at www.aventicum.com

17. Related party transactions

The copies of group financial statements of CS AG and CSG AG, which are those of the smallest and largest groups in which the results of the LLP are consolidated, are available to the public and may be obtained from Credit Suisse Group AG, Paradeplatz 8, 8070 Zurich, Switzerland and UK Companies House, Crown Way, Cardiff CF14 3UZ, United Kingdom.

The Ordinary and Corporate Members are also treated as related parties of the LLP.

a) Related party assets and liabilities

2019			£000
	Ordinary Members	Holding Companies	Fellow group companies
Assets			
Cash at bank	—	—	1,313
Other assets	—	124	32
Total assets	—	124	1,345
Liabilities			
Amounts owed to CS group companies	—	—	765
Accruals and deferred remuneration	653	—	—
Total liabilities	653	—	765

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2018			£000
	Ordinary Members	Holding Companies	Fellow group companies
Assets			
Cash at bank	—	—	1,452
Other assets	—	138	18
Total assets	—	138	1,470
Liabilities			
Amounts owed to CS group companies	—	—	553
Accruals and deferred remuneration	848	—	—
Total liabilities	848	—	553

Accruals and deferred remuneration for Ordinary Members represent pension costs and deferred compensation accruals.

b) Related party revenues and expenses

2019			£000
	Ordinary Members	Holding Companies	Fellow group companies
Members' remuneration charged as an expense	(931)	—	—
General and administrative expenses	—	—	(314)

2018			£000
	Ordinary Members	Holding Companies	Fellow group companies
Members' remuneration charged as an expense	(1,232)	—	—
General and administrative expenses	—	—	(363)

18. Risk management

Introduction

The LLP's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an integral role in the LLP's business planning process and is strongly supported by senior management and the RMMC.

The primary risks faced by the LLP are operational and investment risks. The LLP does not trade on its own behalf and does not take proprietary market risk positions. The LLP is exposed to investment and market risk to the extent that market valuations impact the value of assets under management which in turn impacts investment management fees received.

The LLP may be adversely affected by a change in the business environment, which may impact in one or more of the following areas:

- i. Operational risk; and
- ii. Investment risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

The LLP will seek to mitigate risks in these areas by way of a thorough and detailed business plan, leveraging the long term experience and knowledge of the RMMC, partners and employees and the establishment of policies and procedures wherever applicable.

The LLP has an in-house risk management function run by a dedicated Chief Risk Officer ('CRO') who is responsible for establishing policies and procedures to identify measure, manage and monitor risks relating to the LLP and also to the funds managed by it. In addition, Credit Suisse Asset Management, Risk Management provides independent risk oversight across the business.

Risk Management is an integral part of the LLP's core culture, and the LLP's Members are relentless in the pursuit of the best possible ways to manage risk for the LLP and the funds managed. The LLP's risk management framework is designed to identify, monitor and manage risks present in its activities and also provide portfolio exposure reporting to the Investment Team, the Managing Member as well as risk and compliance reporting to the Joint Venture Stakeholders as required.

The LLP will establish and implement quantitative and/or qualitative risk limits for each fund managed. These limits will take into account all the relevant risks to which the LLP considers that each Fund is exposed (i.e. market, credit, liquidity, counterparty and operational).

The LLP adheres to global best-practice standards to ensure investors can rely on appropriately robust risk management within all Funds managed and the LLP itself.

Risk Systems

Bloomberg Asset and Investment Manager ('AIM') is the front office portfolio management and trading system used by the LLP. AIM features an integrated compliance monitoring function and risk system - Enterprise Risk. Additionally, as part of their oversight role, Credit Suisse Asset Management, Risk Management generates regular risk reporting from Risk Metrics.

Credit Risk

Credit Risk only arises in respect of management fees receivable from master-feeder fund.

The LLP has adopted the Standardised Approach to risk weights for the purposes of calculating Pillar 1 credit risk capital requirements. Under this approach, ratings published by External Credit Assessment Institutions ('ECAIs') are mapped to Credit Quality Steps ('CQS') according to mapping tables laid down by the European Banking Authority. The CQS value is then mapped to a risk weight percentage. The ECAIs used by the LLP are Standard & Poor's, Moody's.

No credit risk mitigation techniques are applied, and no exposures are covered by funded or unfunded credit protection.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, systems or external events. The LLP mitigates such risk through early identification, recording, assessment, monitoring and management reporting to prevent operational risk, wherever possible.

Operational risk framework

The LLP's operational risk framework is a network of processes, procedures, reports and responsibilities that are used to monitor and manage the operational risks of the firm. These include governance committees, day-to-day management practices such as the collection and analysis of loss data and strategic and cultural practices.\

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Roles and responsibilities

The LLP's Operational Risk model works on three levels:

- Level 1 => Individuals' Responsibilities
- Ultimate risk ownership resides with the Managing Member; and
 - Each staff member should own, understand and take active role in management of their business risks; and
 - Operational risks should be identified and addressed early.
- Level 2 => Independent Checks
- An independent perspective from the investment level helps to ensure operational risks are adequately owned, understood, assessed, monitored, mitigated and escalated if necessary in a timely manner; and
 - This level is supported by other functions such as Operations, Financial Accounting, Compliance and Risk Management; and
 - Additionally, the LLP outsources Administration, Custody and Middle Office duties to a leading, experienced third party provider. The LLP meets regularly with the third party providers' teams to ensure systems, controls and processes are appropriate and performing satisfactorily.
- Level 3 => Internal and External Audit, Regulator
- Internal Audit performs intensive reviews and operates as an independent check on the effectiveness of internal controls; and
 - External Auditors and the Regulator provide additional feedback on effectiveness of controls.

The LLP applies a structured approach to identify, assess, monitor, and mitigate operational risks across the business working closely with third party service providers on a daily basis to ensure early identification of any potential events of failure.

The LLP operates an operational risk framework and identifies operational risk events on an internal register. An analysis of operational risk is considered as part of the LLP's assessment of capital adequacy and related insurance cover which it will review at least annually. The LLP conducts Risk & Control Self Assessments and is subject to a regular internal audit programme.

The diverse nature of Operational Risk requires many different disciplines, policies and skills for it to be effectively managed. Most Operational Risks are best controlled where the risks arise and it is the LLP's approach that Operational Risk management is the responsibility of every staff member.

Investment Risk

Investment Risk with respect to the LLP is the risk of non-performance of the funds managed which may impact growth of AUM and in turn may reflect in declining management fees. Contribution to Investment Risk may come from the following other risks:

- Counterparty Risk – The funds' transactions in investments expose it to the risk that a trading counterparty may fail in its obligation to settle a trade and deliver the investment or cash. To minimise this, all trading counterparties are subject to the Counterparty Approval process and must be approved prior to any dealings.
- Market Risk – The uncertain direction of future price movements of the Fund's investments is a major risk. The Investment Committee analyses and discusses market risk frequently and formally at regular



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Investment Committee meetings. Appropriate hedges may be put in place to mitigate risks as and when required and decided by the Portfolio Risk Committee.

- iii. Liquidity Risk – The risk that the Fund may not hold sufficient liquidity to settle trading obligations will be monitored in accordance with the Liquidity Management policy. The CRO will receive daily cash reports detailing holdings and weekly and monthly forecasts for cash management purposes and discuss positions on a regular basis with the Funds' Administrators and Middle Office providers.
- iv. Currency Risk – The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund enters into transactions and earns its revenue predominately denominated in USD while majority of the expenses are incurred in GBP. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than its base currency.
- v. Legal and Regulatory Risk – The LLP and the Fund face legal risks in their operations. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the Fund participates; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the Fund participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of countries in which the Fund's investments are located; and disputes with the LLP's staff. Some of these transactions or disputes may result in potential or actual litigation that either the Fund or the LLP may incur legal expenses to defend.

The LLP seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, staff training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance departments and outside legal counsel.

Risk Declaration

The CRO is responsible for reviewing the effectiveness of risk management, systems and internal controls. These are designed to manage rather than eliminate the risks of not achieving business objectives and as such offer reasonable but not absolute assurance against fraud, material misstatement and loss. The CRO considers that adequate systems and controls are in place with regard to its profile and strategy and an appropriate array of assurance mechanisms, adequately resourced and skilled, has been established to avoid or minimise loss.

19. Events after the balance sheet date

In January 2020, the LLP received capital contributions amounting to £700k from its Corporate Members.

VAPP allocations of £353k were approved by the Credit Suisse Executive Compensation Committee and the RMMC in January 2020 out of which 50% was drawn in cash (£176.5k) by Ordinary Members in February 2020 and the remaining 50% was deferred and invested in shares of the master-feeder fund and shall vest in equal annual installments on each of the first three anniversaries of the relevant award date.

The rapid spread of COVID-19 during the first quarter of 2020 has led to the introduction of tight government controls on movement and travel that have quickly closed down activity in large parts of the world's economy. Global markets have been impacted negatively, with the travel and tourism and the transportation sectors being the worst affected. The deterioration in risk appetite and in the UK growth outlook have resulted in a significant reduction in asset and commodity prices and government bond yields during March 2020. Members of the LLP continue to assess the implications of the outbreak on its business plan for 2020.