SphereInvest Group Limited

Remuneration Code
Procedures, Systems and Controls Policy

3rd April 2017

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1. Introduction

1.1 Regulatory context

The Remuneration Policy ('**the Policy**') of SphereInvest Group Limited ("**the Firm**") is set out below as required by the Alternative Investment Fund Manager's Directive ("**AIFMD**") and the UCITS V directive ("UCITS V").

As at the date of this Policy, the Firm has been appointed to provide investment management function as an AIFM in respect of the following AIFs (the "**AIFs**") as well as act as a UCITS investment manager for the following UCITS Funds:

AIFs

- SphereInvest Global High Yield Fund Ltd – Class A and Class B;
- SphereInvest Fund Ltd.;
- SphereInvest Benchmark Fund;
- SphereInvest Special Situations Americas Fund;
- MGHY Liquidation SPV – Class A and Class B;
- SphereInvest SPV Ltd.;
- SphereInvest Global High Yield Liquidation Fund.

UCITS Funds

- SphereInvest Global UCITS SICAV Plc

This Policy is itended to cover all the remuneration policy requirements in the AIFMD and UCITS V.

1.2 Background to the Firm

The Firm is incorporated in Malta and is authorised and regulated by the MFSA as an Alternative Investment Fund Manager and as a UCITS Investment Manager. This document covers the Firm on a solo basis.

The Firm has identified itself as not a significantly important financial instituion ("**SIFI**"), and has further identified the AIFs and UCITS Funds as also not being SIFIs. This determination is being made in the context of the EU market, to which the AIFMD is applicable. As a result, the Firm has adopted a proportioned approach to its remuneration policy. It has considered its individual needs on an ongoing basis and where appropriate disapplied certain provisions of the AIFMD remuneration guidelines. The Firm will review any provisions which have been disapplied on at least an annual basis, to ensure that it continues to be appropriate for the Firm not to apply such provisions.

The Firm is 100% owned by SphereInvest Group Holdings Limited ("**SIGHL**"), a limited liability company incorporated in Malta. For the purposes of the AIFMD, the Firm does not operate through branches or subsidiaries in any other jurisdiction.

For the purposes of the AIFMD, the Board of Directors of the Firm is responsible for discretionary portfolio management services to Professional Clients including collective investment schemes. The board of Directors of the Firm has delegated this function to an Investment Committee in order to undertake the discretionary portfolio management services.

2. General Requirements

2.1 Introduction

This Remuneration Policy forms part of the Firm's internal control and corporate governance arrangement. This Remuneration Policy explains the Firm's underlying approach to remuneration, and the roles and responsibilities of the Board of Directors with regard to remuneration of the Firm's personnel.

The aim of this Remuneration Policy is to ensure that the Company has risk-focused remuneration policies and practices that are consistent with and promote sound and effective risk management and do not encourage risk-taking that is inconsistent with risk profiles, fund rules, offering documents, or instruments of incorporation of the AIFs and UCITS Funds that it manages. By aligning its Remuneration Policy with effective risk management it is less likely that the Company's employees will have incentives to act in a manner that is inconsistent with the risk-tolerance of the AIFs and the UCITS Funds and contrary to interests of their investors.

This Remuneration Policy has been adopted in compliance with SLCs 3.05 and 3.06 of the Malta Financial Services Authority's ("**MFSA**") *Investment Services Rules for Investment Services Providers – Part BIII: Standard Licence Conditions applicable to Investment Services Licence Holders which qualify as AIFMS* (the "**AIFM Rules**") including, in particular, *Appendix 12 – Remuneration Policy* to the AIFM Rules (the "**Remuneration Provisions**") and SLCs 3.52 to 3.60 of the MFSA *Investment Services Rules for Investment Service Providers – Part BII: Standard Licence Conditions applicable to Investment Services Licence Holders which qualify as UCITS Management Companies* (the **"UCITS Rules**"). The Remuneration Provisions are principally concerned with the risks created by the way remuneration arrangements are structured, not with the absolute amount of remuneration, which is generally a matter for the Company's Board of Directors (the "**Board**").

In drawing up this Remuneration Policy account has also been taken of the European Securities and Markets Authority's ("**ESMA**") Guidelines on sound remuneration policies under the AIFMD (ESMA/2016/579) and under the UCITS (ESMA/2016/575) (ESMA(the "**ESMA Guidelines**") and the European Commission's Recommendation 2009/384/EC on remuneration policies in the financial services sector (the "**EC Recommendation**").

2.2 Requirements of the Remuneration Policy

The Firm is required under the Remuneration Provisions to establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.

The Firm must ensure that this Remuneration Policy is in line with the business strategy, objectives, values and long-term interests of the Firm.

2.3 The Firm's Risk Management

The Firm has in place policies, procedures and practices in order to identify, measure, manage and monitor risk. These are proportionate given the nature, scale and complexity of the Firm's activities and risk tolerance.

The Firm's risk management is detailed in the Firm's risk management policies and procedures and comprises of:

- Risk tolerance;
- Risk identification;
- Risk documentation;
- Risk monitoring; and
- Risk measurements.

2.4 Statement of Responsibilities

The Governing Body of the Firm consists of the Board of Directors, with the members being:

- Joseph Grioli
- Nicholas Snelling
- Joseph Strubel
- Raymond Stafrace

The Board of Directors has not established a Remuneration Committee pursuant to the exemption based on the proportionality principle applicable in terms of the AIFM Rules and the Remuneration Provisions. The Board of Directors shall be responsible for ensuring that a robust remuneration policy is developed and maintained to align the Company's remuneration practices with its risk tolerance. The Board of Directors is also responsible for the total process of the Firm's risk management, which includes remuneration risk. The Board of Directors sets the risk profile of the Firm and its related policies and procedures. The Remuneration Policy will be reviewed by the Board of Directors at least annually as part of the annual review of the Firm's liquidity and risk management assessments. The Board of Directors should be able to demonstrate that its decisions are consistent with an assessment of its financial condition and future prospects. Mr. Raymond Stafrace is responsible for the proper implementation of the Remuneration Policy.

Following consultation with the Risk Manager and the Compliance Officer (the "**Control Functions**"), the Board of Directors has implemented this Remuneration Policy in accordance with the Remuneration Provisions. In doing so, the Board of Directors and the Control Functions have determined that the Remuneration Policy is line with the risk-profiles, long-term business strategy, objectives, values and interests of both the Firm, the AIFs and the UCITS Funds and does not encourage excessive risk-taking inconsistent with the foregoing considerations.

The Board of Directors will set the overall Remuneration Policy and monitor the Firm's Remuneration Policy in connection with its liquidity and capital requirements. The Board of Directors will ensure the Firm's remuneration policy complies with the relevant AIFM Rules, the Remuneration Provisions and the license conditions of the Company. The Remuneration Policy will be reviewed at least annually, taking account of the current and future risks and the costs and quantity of capital and liquidity required, having regard to the Firm's financial forecasts and any recommendations made by the Control Functions in its annual review.

3. Application

3.1 Identified Staff

The specific requirements of this Remuneration Policy apply only in relation to certain categories of the Firm's employees, namely: senior management, individuals performing functions which have significant influence of the direction and operation of the Firm, 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 (the "**Identified Staff**").

The following is a current list, as of the date of this Remuneration Policy, of the Identified Staff of the Firm, as determined by the Board in accordance with SLC 3 of the Remuneration Provisions:

Category	Identified Staff
Members of Governing Body	Board of Directors
Senior Management	Chief Operating Officer and Group Head of Finance and Risk (Risk Manager)
Control Functions	Compliance Officer Group Head of Finance and Risk (Risk Manager) Financial Controller Risk Officer
Other Risk-Takers	Members of the Investment Committee and Portfolio Managers
Employees within the same Remuneration bracket as Senior Management / Risk-Takers and have material impact on the Risk-Profile of the Company / AIFs and UCITS Funds	N/A

The Compliance Officer maintains a register of all staff members which fall within the category of Identified Staff.

3.2 Proportionality

As with other aspects of the Firm's systems and controls, its remuneration policies, procedures and practices are required to be comprehensive but compliance with the Remuneration Provisions is expected to be proportionate in view of the size, internal organisation and the nature, scope and complexity of its activities (the "**Proportionality Principle**").

In accordance with the Proportionality Principle and SLC 4.01.7 of the Remuneration Provisions, the Firm has disapplied all of the requirements on variable remuneration in instruments, retention, deferral, and ex post incorporation of risk for variable remuneration (the "Pay Out Process Rules").

Having performed an assessment of each of the disapplied requirements, the Board of Directors has determined that such disapplication is reconcilable with the risk-profile, risk-appetite and strategy of the Firm, the AIFs and the UCITS Funds based on the following facts:

- The Firm, its AIFs and the UCITS Funds are not listed;
- The legal, organisational, and internal governance structure of the Firm are not complex;
- The Firm has less than 10 Employees (including all members of the Board);
- The Firm manages 9 AIFs and 1 UCITS Fund with total AUM of less of €1.25 billion;
- The AIFs' and UCITS Fund investment objective and strategies are not considered to be complex.

3.3 Record Keeping

In line with the record-keeping requirements in the AIFM and UCITS V Rules, as well as the Remuneration Provisions, the Firm should ensure that its remuneration policies, practices and procedures are clear and well-documented. In particular, proper documentation should be kept on the procedures to determine remuneration, including on the decision-making process, the determination and selection of Identified Staff and the measures used to avoid conflicts of interest and risk-adjustment mechanisms used.

3.4 Transparency

External Disclosure

The Firm shall, on an annual basis, publish certain information on its remuneration policies and practices in accordance with SLC 12.01 of Appendix 12 to the Rules. This information will be disclosed in the Firm's annual report, through a separate remuneration policy statement, or in any other form that the Firm deems appropriate.

Internal Disclosure

This Remuneration Policy shall be distributed to all Identified Staff. Identified Staff should be informed in advance of other criteria that will be used to determine their remuneration that are not included in this Remuneration Policy except for any confidential quantitative considerations. The performance assessment process and the importance of non-financial assessment factors in the process should be clearly explained to relevant employees.

3.5 Fundamental Considerations, Governance, and Independent Review

This Remuneration Policy, together with the specific corporate governance structure of the Firm (including the clear distinction between operating and control functions as well as the skills and independence requirements of the members of each particular function or committee), have been designed in a manner that ensures the avoidance of, insofar as is practically possible, all potential conflicts of interest between the Identified Staff and the interests of the AIFs and the UCITS Funds and their investors. The Board of Directors is responsible for ensuring that this Remuneration Policy complies with the Remuneration Provisions and where appropriate should take into account all relevant guidance issued.

In this regard, the Board of Directors will periodically review the general principles of this Remuneration Policy to ensure that they remain up-to-date and in compliance with the Firm's remuneration obligations under applicable law and the license conditions of the Firm. In doing so, the Firm shall consult the Control Functions and in particular, shall consider the findings of the annual review of this Remuneration Policy conducted by the Board of Directors.

The Board of Directors shall, in consultation with the Control Functions, be responsible for initiating and facilitating an annual review of the Remuneration Policy and its implementation, which review shall, in addition to a general assessment for compliance with the Remuneration Provisions (and all other applicable law and guidance), be carried out in light of legal and business developments as well as the Firm's experiences in its implementation. Pursuant to the Proportionality Principle, the Board of Directors may choose to outsource the annual review to a qualified independent external consultant such as the Firm's outside legal counsel or auditor.

The results of the annual review and any recommendations will be presented to the Board which shall promptly evaluate the results of the review, address any recommendations, and make any changes to the Remuneration Policy that it deems appropriate. All changes or material exceptions to the Remuneration Policy are to be approved by the Board following consultation with the Control Functions, whether in relation to the annual independent review or otherwise.

4. Remuneration Principles

The Board of Directors has identified **12 Remuneration Principles** to help the firm identify their exposure risks and establish sound remuneration policies, procedures and practices around these risks. These Principles establish a platform upon which risks can be measured and appropriate structures adopted to mitigate risk and ensure the financial soundness of the Firm.

4.1 Principle 1 - Risk Management and Risk Tolerance

The Board of Directors has adopted policies and procedures to align remuneration with effective risk management. These are reviewed by the Board of Directors on at least an annual basis. The Firm's Compliance Officer shall address the Board of Directors where appropriate to ensure that such policies and procedures remain effective and in line with the Firm's strategy.

4.2 Principle 2 - Supporting Business Strategy, Objectives, and Values

In order to support the Firm's long term business strategy, the remuneration strategy adopts a top-down multi-year framework. This ensure that variable remuneration is only paid from risk adjusted profits based upon the performance of the business as a whole, as well as the business line and individual's performance and only after the Firm's liquidity and capital requirements have been considered.

4.3 Principle 3 - Avoiding Conflicts of Interest

The Board of Directors has adopted policies and procedures aimed at mitigating any potential conflicts that may arise between staff and clients, between staff and the Firm and between one client and another/others. The Board of Directors maintains a conflict of interest register which has identified remuneration conflicts and the procedures the Firm has implemented to mitigate these conflicts. In the circumstances where the Firm is unable to mitigate a conflict and it is disclosed to the client and is included in the Firm's risk register, it would also be incorporated in the capital position of the Firm to ensure that if such a risk were to materialise, the business would be able to sustain any consequences.

4.4 Principle 4 - Governance

The Board of Directors has the power and responsibility for developing, maintaining and implementing sound remuneration policies and practices. This document outlines the approach the Board has taken with regard to such policies and practices.

4.5 Principle 5 - Control Functions

The Company seeks to ensure that individuals involved in Control Functions remain independent from the business areas they oversee to avoid any potential conflicts of interest. The Board of Directors determines the remuneration of any individuals in Control Functions with such remuneration linked to the Firm's adherence to its risk profile, provided that any discretionary bonuses to the Control Functions shall be determined primarily by the attainment of their function-specific objectives. The variable remuneration of individuals in Control Functions is only linked to the overall performance of the Firm to the extent that there is a variable remuneration pool.

The Control Functions shall provide appropriate input in setting the individual remuneration for other identified staff, particularly regarding the behaviour of the individuals concerned and the riskiness of the functions they perform. However, the Board shall not involve or consult the Control Functions in discussions or decisions relating to the remuneration of the latter.

In accordance with the Proportionality Principle, the Board (as the governing body and supervisory function of the Firm), shall determine its own remuneration although it shall take into consideration any recommendations made by the Control Functions and shall be able to substantiate any decision not to follow such recommendations.

The variable remuneration of individuals in Control Functions is only linked to the overall performance of the Firm to the extent that there is a variable remuneration pool.

The Firm ensures that it attracts suitably experienced and qualified individuals, whilst ensuring they remain independent from the business areas they oversee, by remunerating these individuals with an appropriate ratio of fixed to variable remuneration, if and where deemed appropriate.

4.6 Principle 6 - Remuneration and Capital

The Firm through its IFR and AFR calculates its ongoing capital requirements. This is reviewed annually by the Board of Directors. In coordination with this review, the Board of Directors determines the size of the variable remuneration pool based on its assessment of each individual member of the Identified Staff and any other considerations that it may deem relevant. This will take into consideration:

- The Firm's regulatory capital requirement;
- the revenues which have been received in cash;
- any revenues which have not yet been received but are guaranteed;
- business cycles; and
- deferred variable remuneration payments.

The Firm's employment contracts are sufficiently flexible to allow the Firm to vary the date of any variable remuneration payments or cease to make any such payment. The Firm ensures that any payment of variable remuneration only occur following risk adjustments to profits and where the Firm is not at risk of being unable to maintain a sound capital base.

The maximum annual variable remuneration that may collectively be paid to Identified Staff shall be the Company's profit for the preceding year less any amounts determined by the Board of Directors to be held as a reserve (the "**Variable Remuneration Pool**"). Any reserves established shall be in order to strengthen the Firm's capital base, taking into consideration the various risks to which the Firm and its AIFs and the UCITS Funds are exposed (as outlined in greater detail in the Firm's Risk Management Policy) and other potential adverse developments that may impact the Firm's financial stability. The Board of Directors shall determine and document, following consultation with the Group Head of Finance and Risk, any profit to be kept in reserve on an annual basis, including the particular reasons for keeping such reserve.

The Board of Directors may determine to disburse the entire Variable Remuneration Pool or none of it. Similarly, the Board is entitled to award no variable remuneration to one or more Identified Staff when it feels that such an award would not be justified.

4.7 Principle 7 - Exceptional Government Intervention

The Firm has not received any exceptional government intervention, nor is it anticipated that the Firm would qualify for such intervention.

4.8 Principle 8 - Profit-based measurement and risk adjustment

The Firm's risk analysis is incorporated into the Firm's IFR and AFR and takes account of actual and potential risks faced by the Firm on an ongoing basis.

The size of the Firm's variable remuneration pool is based upon risk adjusted profits, rather than revenues, which takes account of the risks identified and the cost and need of capital in both the short and long term future.

4.9 Principle 9 - Pension Policy

The Firm's pension policy must be in line with its business strategy, objectives, values and long-term interests of the Firm, the AIFs and the UCITS Funds.

The Firm does not currently have a pension policy for its Identified Staff. Should the Company decide to adopt a pension policy in the future, such policy will be in line with its business strategy, objectives, values and long-term interests of the Firm the AIFs and the UCITS Funds.

4.10 Principle 10 – Personal Investment Strategies

Employees are required to undertake not to use personal hedging strategies or remuneration and liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Subject to any exceptions that may be provided for in the Remuneration Provisions or under any other applicable law, Identified Staff are strictly prohibited from entering into any contract (including but not limited to a contract of insurance) with a third party requiring payment from the third party to them, directly or indirectly, that is linked to the amount by which their variable remuneration may be reduced.

All Identified Staff are required to undertake to the Firm in writing that they will comply with the above principle and the Firm's policy on hedging strategies. An e-mail from each member of the Identified Staff will suffice for this purpose. Any employee found to be in breach of these provisions will be required to repay any variable remuneration paid for the year and will be subject to disciplinary action.

4.11 Principle 11 – Avoidance of the Remuneration Principles of the Directive

The Firm's remuneration policies and procedures are designed to ensure compliance with the Directive. All variable remuneration is paid directly by the Firm, and agreed by the Board of Directors on at least an annual basis.

4.12 Principle 12 – Remuneration Structures

The Firm through its IFR, has conducted a thorough risk and capital planning assessment of the business. The Board of Directors determines the size of the variable remuneration pool available, taking into consideration:

- The remuneration required to retain qualified and experienced staff;
- The capital requirements for the next year;
- Any potential liabilities; and
- The Firm's liquidity requirements;

The variable remuneration of staff is determined on an individual basis by the Board of Directors. Any variable remuneration is subject to an assessment of the individual's financial and non-financial performance. The measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all types of current and future risks.

5. Remuneration Framework

5.1 Individual Remuneration Framework

In establishing the Firm's top-down remuneration framework, the Board of Directors will take into consideration the performance of:

- The overall results of the Firm;
- The business line; and
- The individual (both financial and non-financial performance).

The Firm will ensure that individuals are not remunerated for exceeding the risk tolerances of the Firm. When assessing individual performance, the Firm shall take account of financial as well as non-financial criteria as appropriate.

The Firm's non-financial criteria include a combination of effective risk management and compliance with the Firm's policies and procedures. Poor performance in the Firm's non-financial criteria may pose a threat to the Firm's financial soundness. The Firm shall place weight on the value of non-financial performance, overriding the value of individual financial performance.

Generally, the key performance assessment criteria on which the variable remuneration of Identified Staff shall be based include:

(i) individual performance assessed on the attainment of function-specific objectives, including risk-management performance (particularly with regard to the taking of risk-related decisions and the exercise of their functions in manner consistent with the Risk Management Policy as well as the risk-profiles and long-term interests of the AIFs and the UCITS Funds) and general compliance with regulatory requirements;
(ii) aggregate performance of the AIFs and the UCITS Funds; and
(iii) attainment of the investment objectives of the AIFs and UCITS Funds and the overall objectives of the Firm;
(iv) compliance with regulatory requirements.

While each of the foregoing criteria shall be considered in performance assessments, variable remuneration shall be based primarily on the attainment of function-specific objectives. The Board of Directors also reserves the right to take into account additional criteria on a case-by-case basis.

Poor performance as assessed by non-financial metrics such as poor risk management or other behaviours contrary to the Firm's values will generally override metrics of financial performance. In order to incentivise Identified Staff to manage risk appropriately, variable remuneration will be reduced when;

(i) there is reasonable evidence of employee misbehaviour or material error; or
(ii) there has been a material risk management failure by an individual member or group of Identified Staff.

The Firm shall ensure that individuals making subjective judgements remain objective by having established a framework for making such judgements. This includes:

- Clearly documented parameters and key considerations;
- Documented final decisions regarding risk and any performance adjustments;
- Input from individuals in Control Functions; and
- Sign off by the Board of Directors for any performance adjustments.

The Firm recognises that performance can be exaggerated within any single year resulting in disproportionate results. Consequently, the Firm has adopted a multi-year framework which takes account of the underlying business cycles of the Firm and benchmarks its performance against an industry average.

5.2 Guaranteed Variable Remuneration

The Firm will not award, pay, or provide guaranteed variable remuneration, whether in the context of hiring new Identified Staff or otherwise.

5.3 Ratios between Fixed and Variable Components of Total remuneration

Fixed and variable components of total remuneration must be appropriately balanced and the fixed component must represent a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components including the possibility to pay no variable remuneration component.

The Firm shall pay fixed salaries that are considered reasonable and competitive and will only pay a variable component based only on the Firm's profitability, taking into account performance fees received, and having considered regulatory capital, liquidity requirements, expected financial obligations arising and other such considerations as referred to in the other sections of this Policy. The variable component is fully flexible and therefore ratios between the fixed and variable remuneration components are not considered appropriate.

The Board of Directors will determine appropriate levels of remuneration for all employees. In determining the appropriate ratio between fixed and variable remuneration, the Firm will have regard to:

- the level of pay required to keep and attract, experienced and qualified employees.
- the Firm's fixed overhead requirement
- any financial obligations arising
- individual / team performance

Any adjustments to employee's pay will be reflected in the Firm's IFR and AFR calculations.

The fixed remuneration of Identified Staff must be sufficiently high on its own (without taking into consideration the variable component) to constitute fair remuneration for the professional services rendered by prevailing market standards.

Variable remuneration must not be paid through vehicles or methods that facilitate the avoidance of the Remuneration Provisions.

5.4 Payments Related to Early Termination

In determining early termination payments, the Firm will have regards to the performance of the individual over his career at the Firm benchmarked against general market performance. In reviewing an individual's performance, the Firm will have regards to both financial and non-financial performance and any adjustments must be approved and documented by the Board of Directors. The Firm will ensure any payment does not have a material impact on the Firm's capital or liquidity requirements.

5.5 Retained Remuneration in the Firm's Shares or Other Instruments

The Firm has determined that it is not appropriate for it to apply the requirements of the directive for payment of variable remuneration in shares or other instruments.

Risk is measured on a continuous basis and any payment of variable remuneration is subject to performance adjustments. The Firm considers its policies and procedures ensure that any potential risks are identified early and that individuals are not rewarded for exceeding the Firm's risk profile.

As such, the Firm does not consider it necessary to issue shares or other instruments to mitigate risk, except in the case of discretionary pension payments.

5.6 Deferral

The Firm has determined that it is not appropriate for it to apply the deferral requirements under the directive.

The Firm's remuneration structures are designed to reduce its exposure to liquidity and capital risk. The Firm's fixed remuneration is built into its capital calculations and reviewed by the Board of Directors on at least an annual basis.

Variable remuneration is only paid out of risk adjusted profits. Any variable remuneration paid takes account of the Firm's business cycles.

The Firm has adopted a holistic approach in calculating variable remuneration which can result in none being paid. As such, variable remuneration will not impact on the Firm's long term risk profile.

5.7 Performance Adjustments

The Firm has determined that it is not appropriate for it to apply ex post performance adjustments.

The Firm does not defer employee's remuneration for the purposes of meeting the Directive, and therefore ex post adjustment under the Directive is not applicable.