IKOS CIF LTD

DISCLOSURES IN ACCORDANCE WITH BASEL II, PILLAR 3

YEAR 2013

May 2014

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A. SCOPE OF APPLICATION

The information below is disclosed in accordance with Directive DI144-2007-05 of 2012 of the Cyprus Securities and Exchange Commission ("CySEC") for the Capital Requirements of Investment Firms.

The principal activity of IKOS CIF Limited ("IKOS CIF"; "the Company") is the provision of financial services within the meaning and terms of the Investment Services and Activities and Regulated Markets Law of 2007.

IKOS CIF Limited has been contracted by IKOS Asset Management Limited ("the Client"), a related investment management company incorporated in the Cayman Islands, to provide sub-investment management services.

IKOS CIF Limited does not have any subsidiaries and therefore the information presented in this report relates solely to the Company.

The Company has chosen to make this report available on its website.

B. OWN FUNDS

The Company's own funds as at 31 December 2013 were €4.110 thousand, as presented in the table below:

Table: Capital Base of IKOS CIF Limited

Own Funds	**31 December 2013 (€000)**
Share Capital	257
Other instruments eligible as capital	19.075
Reserves	(11.744)
Loss from current year (audited)	(1.622)
Intangible assets	(4)
Original Own Funds (Tier 1)	***5.962***
Deductions	***(1.852)***
Total Eligible Own Funds	**4.110**

Share Capital

The Company's issued share capital as at 31 December 2013 amounts to €256.500, divided into 256.500 ordinary shares of €1 each.

Other instruments eligible as capital

This category consists of non-reciprocal shareholder's contributions provided in 2012 and 2013 by the sole shareholder of the Company, Felix Holdings Limited, without the Company having any obligation to repay these funds.

Reserves

The Company's reserves as at 31 December 2013 comprise of its retained earnings.

Large Exposures in the Banking Book

As at 31 December 2013 the Company's total exposure to the group of its related entities amounted to €3.342.699, which exceeded its capital base by €1.852.391. The excess was deducted from own funds. The exposure resulted from the provision of services and was fully settled by May 2014.

Capital Adequacy Ratio

The Capital Adequacy Ratio of the Company as at 31 December 2013 was 9,40%, based on total Eligible Own Funds of €4.110 thousand and total Minimum Capital Requirements of €3.496 thousand (see Section D).

C. RISK MANAGEMENT OBJECTIVES AND POLICIES

IKOS CIF seeks to organise and maintain the requisite administrative structure, personnel and technical resources in order to manage the Company's affairs responsibly and effectively, with adequate risk management systems to determine, evaluate and efficiently manage risks inherent in the provision of its services.

The Company's approach to risk management is built on formal governance processes and relies on individual responsibility and collective oversight. A risk management framework has been implemented, which sets out the governance structure for risk management activities and specifies the respective reporting lines, responsibilities and control mechanisms intended to ensure that risks remain within the Company's risk tolerance and applicable laws and regulations.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors ("BOD") of IKOS CIF has ultimate responsibility and performs the critical function of designing, developing and implementing the strategic plan and risk management framework for the Company. At the same time, the BOD oversees how the Risk Management Function, headed by the Company's Risk Manager, monitors compliance within the Company's risk management policies and procedures.

The Company's risk management processes aim to provide IKOS CIF with wide industry knowledge of risk matters, in order to assist the Company in evaluating and managing, *inter alia*, strategic, operational, credit, liquidity and market risks.

C.1. CREDIT RISK AND COUNTERPARTY CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's prepayments and receivables from related and other counterparties and from bank balances.

The Company does not require collateral in respect of amounts receivable from counterparties but monitors on a continuous basis the ageing profile of its receivables.

Where appropriate, IKOS CIF operates a three-bid tender process as part of its service provider selection mechanism, and performs due diligence and credit worthiness reviews on key short-listed service providers. Enactment, regular monitoring and review of contracts and agreed service level agreements are conducted with industry best practices which are ascertained from independent industry bodies and regulators.

C.2. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external service providers or events, which can lead to financial losses and/or failure of delivery of services by third parties.

The Company analyzes operational risk into the following categories:

C.2.1. Systems, Processes and Controls

IKOS CIF carries out regular reviews to ensure that its internal systems and controls adhere to best practice and operate efficiently and effectively. Clear segregation of duties exists between investment management and other business functions and operations (with clear reporting lines and different authorisation levels). The Company seeks to ensure that material aspects of its procedures are adequately documented and ongoing training is provided to staff.

An internal audit function, via a risk-based audit plan, provides independent and objective assurance to the Board of Directors on the design and effectiveness of the internal controls relating to operational and other risks. External independent auditors also assist management and the Board of Directors by providing an assessment of the Company's internal control environment.

C.2.2. Trading and Execution

In order to try to prevent trading and execution failures within the Client's trading process, where required as part of the portfolio management services offered to the Client, IKOS CIF has put effective trading and counterparty procedures in place for its Client. These include, amongst other things: qualified and authorised trader lists; system access controls; best execution, conflicts of interest and personal account dealing policies; and client confidentiality.

C.2.3. Business Continuity

IKOS CIF recognises the importance of ensuring the continuity of essential (or critical) functions in the event of an emergency or significant business disruption and interruption of services, which may result from natural disaster (such as fire, flood, earthquake), utilities failure or disruption (electricity, telecommunications), equipment or system failure, security breaches, or other emergency situations (such as terrorism, war, or organised or deliberate destructions).

The design of a comprehensive business continuity strategy and the development, implementation, testing and maintenance of an effective business continuity programme are essential to sustain the objectives of protecting the IKOS brand, mitigating risk and safeguarding. the interests of the Company's Client (and, where applicable, the Client's customers).

As a result, IKOS CIF has adopted a Business Continuity Plan, which incorporates a system and event impact analysis together with resulting recovery procedures. IKOS CIF has put in place measures designed to ensure that the provision of portfolio management services to the Client will remain possible in the event of an emergency or significant business disruption, with the minimum possible disruption to operations, systems and connectivity during such disaster recovery scenarios.

C.2.4. Information Technology ("IT") Security

IT and all technical and business functions operate in a controlled security environment. IKOS CIF has multi-layered security designed to safeguard and protect the security of its systems, network, programmes and data from internal or external breaches (such as unauthorised access or unwanted intervention), as well as to prevent physical access to IT hardware.

The Company uses a combination of in-house information security policies, virtualisation software, firewalls and outsourced/specialised vendor facilities and services to ensure the provision of security against malicious activity as well as disaster recovery solutions.

As part of its data management processes, the Company uses a combination of storage area network ("SAN") and file replication. This replicates all relevant trading and business data to high capacity servers in data recovery sites. The integrity of this data is continuously tested.

Data and applications on IKOS CIF servers are also backed up and stored securely on hard drives and tapes to facilitate the retrieval of data, documents and other important information.

C.2.5. Legal and Regulatory Compliance

IKOS CIF continually assesses the applicable laws and regulations that both itself and, where applicable, its Client operate under, and believes that it has adequate and effective systems in place to act on this.

The IKOS CIF employment contract, employee confidentiality agreement, employee handbook, compliance manual, in-house and external training workshops and international regulatory exams and registrations, collectively provide a professional framework for the Company's workforce, set expectations regarding levels of integrity, ethical behaviour and competence, and help to maintain regulatory compliance and the highest standard of client service.

Compliance oversight and administration is performed by the Company's Compliance function, headed by the CCO and supported by IKOS CIF's in-house legal team and external counsel.

During 2013, the Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the

“Troika”), for financial support, which resulted in an agreement (“Memorandum”) and decision of the Eurogroup on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment programme, which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion.

The programme includes plans for the restructuring of the financial sector to ensure its long-term viability, and it aims to address the exceptional economic challenges that Cyprus is facing, with a view to restoring sustainable economic growth and sound public finances in the coming years. In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations. Most notably, the programme included the immediate restructuring of the two largest banks in Cyprus (namely Laiki Bank and Bank of Cyprus) and, on the basis of a number of decrees relating to the two banks, Laiki Bank was placed into resolution (with the bank’s assets in Cyprus, the insured deposits and its financing from the Eurosystem being transferred to Bank of Cyprus), while Bank of Cyprus was recapitalized through a “bail-in” process, that is through the partial conversion of uninsured deposits into shares. In addition, the holders of shares and debt instruments in Bank of Cyprus as at 29 March 2013 have contributed to the recapitalization of the bank through the absorption of losses.

On the basis of the decrees of the Central Bank of Cyprus and the final measures for the recapitalization of Bank of Cyprus, the amount of the affected bank deposit with Bank of Cyprus held by the Company has been converted and was recognized as follows:

a) 15% of the affected deposit has been released.

b) 37,5% of the affected deposit has been converted into time deposits of six, nine and twelve months with an option for the Bank of Cyprus to renew the time deposits once for the same duration.

c) 47,5% of the affected deposit has been converted into shares of Bank of Cyprus.

On 12 April 2013 the Eurogroup welcomed the agreement that was reached between Cyprus and the Troika institutions, and following completion of all required procedures (including ratification by Eurozone member states) the first tranche of the financing of the Republic of Cyprus was released in line with the provisions of the Memorandum. Furthermore, during 2013, following the positive outcome of the first and second quarterly reviews of the Cyprus economic programme by the Troika, the Eurogroup endorsed the disbursement of the further scheduled tranches of financial assistance to Cyprus.

During the course of the year, the above events have also resulted in temporary restrictive measures in respect of transactions executed through banking institutions operating in Cyprus (including in relation to cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad, as well as compulsory partial renewal of certain maturing deposits). The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus, they are reviewed and assessed on a regular basis, and have been gradually withdrawn or relaxed in recent months.

The Company's management has assessed that any potential unavailability of financing from the Cypriot banks or any instability of the banking system and the economy will not significantly disrupt the Company's cash flow, operations, financial position or its ability to continue as a going concern because:

a) The Company's funds held with the two largest banks of Cyprus are insignificant.

b) The Company does not obtain short term or long term financing from banks.

c) The types and nature of the capital controls in place and their limits do not restrict the Company's ability to conduct its trading activities.

d) The Company's sole client is not resident in Cyprus, does not hold any bank accounts with any Cypriot banking institutions and as a result will not be affected from the events in Cyprus.

Nevertheless, the Company's management is continuously monitoring the developments in Cyprus and has taken measures to detain and control any risks arising from the developments in Cyprus even further.

C.3. LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Company also relies on the financial support of its shareholder in managing liquidity. During the year the shareholder provided to the Company non-reciprocal contributions of around €3.103 thousand.

C.4. MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and security prices may have an effect on the Company's income or the value of its holdings in financial instruments.

Since IKOS CIF does not trade on own account, market risk and associated risks (including price risk) arising from taking market positions are not material.

C.4.1. Interest Rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income, expenses and operating cash flows are substantially independent of changes in market interest rates as the Company's financial assets and financial liabilities at the year-end are not materially affected by changes in the interest rates. Even so, the Company's management monitors interest rate fluctuations on a regular basis, in particular with respect to any cash management activities via the use of short-term deposits.

C.4.2. Foreign Exchange risk

The Company is exposed to currency risk from creditors and borrowings, as well as from bank balances, that are denominated in a currency other than the Euro. As at 31 December 2013, the principal currencies giving rise to such risk were primarily the British pound and the United States dollar.

D. CAPITAL REQUIREMENTS

The Company follows the Standardised Approach for the calculation of the Pillar 1 capital requirement for credit risk and foreign exchange risk, and the Basic Indicator Approach for operational risk. The capital requirements as at 31 December 2013, analyzed by risk area, are presented in the table below:

Table: Capital Requirement by risk area

31 December 2013 (€000)	
Risk Category	**Minimum Capital Requirement**
Credit Risk	520
Foreign Exchange Risk	20
Operational Risk	2.956
Total Minimum Capital Requirements	**3.496**

D.1. CAPITAL REQUIREMENT FOR CREDIT RISK

IKOS CIF has adopted Basel II as of January 2008, in accordance with the provisions of the CySEC Directive DI144-2007-05, as revised or updated from time to time. IKOS CIF has used the Standardised Approach for calculating the level of risk-weighted exposures for credit risk. This requires the classification of exposures into predefined asset classes and the use of specific risk-weights, which vary depending on the asset class and credit rating of the exposure.

The minimum capital requirements for credit risk are calculated for all relevant asset items, using a Minimum Capital Adequacy Ratio of 8% as defined by the Capital Requirements Directive.

The credit risk exposures, Risk-Weighted Assets (“RWA”) and capital requirements of IKOS CIF, broken down by asset class, are presented in the table below:

Table: Credit risk exposures, RWA and capital requirements by asset class

31 December 2013 (€000)			
Asset Class	**Total exposure value**	**RWA**	**Minimum Capital Requirements**
Institutions	282	193	16
Corporates	2.605	2.605	208
Other Items	3.730	3.704	296
Total	**6.617**	**6.502**	**520**

The following table shows the Company's average credit risk exposure in 2013 (calculated using the average between the closing values of 2012 and 2013), broken down by asset class:

Table: Average exposure by asset class

31 December 2013 (€000)	
Asset Class	**Average exposure value**
Institutions	1.141
Corporates	2.586
Other Items	3.496
Total	**7.223**

The table below provides information on the geographical distribution of the Company's credit risk exposures, analyzed by asset class:

Table: Geographical distribution of credit risk exposures

31 December 2013 (€000)					
Asset Class	**Cyprus**	**United Kingdom**	**Cayman Islands**	**United States of America**	**Total exposure**
Institutions	271	11	-	-	282
Corporates	731	362	1.438	74	2.605
Other Items	3.552	178		-	3.730
Total	**4.554**	**551**	**1.438**	**74**	**6.617**

The following table presents the distribution of the exposures by industry, broken down by asset class:

Table: Credit risk exposures by industry

31 December 2013 (€000)			
Asset Class	**Financial**	**Non-Financial**	**Total**
Institutions	282	-	282
Corporates	1.523	1.082	2.605
Other Items	-	3.730	3.730
Total	**1.805**	**4.812**	**6.617**

The table below presents the residual maturity breakdown of the credit risk exposures, broken down by exposure class:

Table: Residual maturity of credit risk exposures

31 December 2013 (€000)			
Asset Class	**Residual Maturity ≤ 3 months**	**Residual Maturity > 3 months**	**Total**
Institutions	223	59	282
Corporates	1.536	1.069	2.605
Other Items	26	3.704	3.730
Total	**1.785**	**4.832**	**6.617**

Credit Quality Steps

Institutions

For the credit ratings of institutions, the Company has used the Fitch rating of the Republic of Cyprus and the UK[1] (which were CCC and AA+ respectively as at 31 December 2013), according to the provisions of the Central Government risk weight based approach required by CySEC. Nevertheless, due to the fact that the original maturity of most exposures to institutions is less than 3 months, the Company was able to apply the original maturity provision and allocate a reduced risk weight of 20% to these exposures in the Institutions asset class. The Company only had a balance of €59 thousand with an original maturity of greater than 3 months, and a risk weight of 150% was applied to this amount, since this is held with a Cyprus bank. In addition, a 100% risk weight was applied to the Company's Available-For-Sale financial assets (shares) of Bank of Cyprus.

Corporates

Receivables from the Client and other related parties are presented under this category, as well as receivables from former and current directors and prepayments and deposits for services. A risk weight of 100% has been applied on the entire corporate exposure amount, since all exposures to this asset class relate to unrated companies.

Other Items

The Other Items category includes Fixed Assets, VAT and Corporate Tax Receivables, Deferred Tax and Petty Cash. A risk weight of 100% has been applied to other items, with the exception of cash in hand, for which a risk-weight of 0% has been applied.

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[1] This has been used in relation to the Cyprus branch of a UK bank, which - according to Basel II rules - is risk weighted in accordance with the credit rating of the central government of the country in which its parent company is incorporated

Impairment

A financial asset is considered to be impaired if objective evidence exists to indicate that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

D.2. CAPITAL REQUIREMENT FOR FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of losses or volatility in the value of balance sheet assets and liabilities arising from foreign exchange movements.

Based on foreign currency balances which existed on the balance sheet as at 31 December 2013, and using the standardised approach, the capital requirement for foreign exchange risk is as shown in the following table:

Table: Capital Requirement for Market Risk

31 December 2013 (€000)	
Foreign Exchange Risk	**Minimum Capital Requirement**
Standardised Approach	20

D.3. CAPITAL REQUIREMENT FOR OPERATIONAL RISK

IKOS CIF is using the Basic Indicator Approach for calculating the amount of capital required under Pillar 1 for Operational Risk. The minimum capital requirement under this approach, which is based on the gross average income of the last three years, is shown in the table below:

Table: Capital Requirement for Operational Risk

31 December 2013 (€000)	
Operational Risk	**Minimum Capital Requirement**
Basic Indicator Approach	2.956

E. HUMAN RESOURCE MANAGEMENT AND REMUNERATION PRACTICES

At the core of the Company's longevity and success is the ability to recruit and retain the best talent from across the world, which enables the organisation to simultaneously develop and invigorate its skill set on an ongoing basis.

E.1. RECRUITMENT

The Company has a well-defined recruitment policy and a very thorough and stringent recruitment process, designed to assist the organisation to respond to its human resource requirements, to recruit the best talent pool and, ultimately, to meet its business objectives. A variety of recruitment channels are used, including direct referrals, independent recruitment agents and posting vacant positions on the Company's website.

Recruitment guidelines include required levels of education and professional experience, while also placing emphasis on core competencies (such as technical expertise and communication skills). Upon initial screening, all applicants go through an interview process and have to complete a series of psychometric and technical tests.

Background screening and reference checks are conducted on all successful applicants prospective employees prior to employment. This function is performed by an independent consulting firm. Any discrepancies identified during the process are notified to management, investigated fully (including, where appropriate, via discussions with the prospective employee) and resolved prior to entering into an employment contract or equivalent contractual arrangement.

E.2. SETTING OF OBJECTIVES AND PERFORMANCE APPRAISAL PROCESS

As part of the Company's performance management and its commitment to the ongoing development of its people, IKOS CIF has implemented a process of Management by Objectives ("MBO") as a systematic and organized approach that allows senior management, team leaders and all employees to have a clear understanding of the aims and objectives of the Company, to focus on achievable goals and to attain the best possible results from available resources. The process aims to increase organizational performance by aligning goals and objectives throughout the Company. It is vital that all staff, individually and collectively, recognize and embrace the ultimate goal of the organization, which is to provide IKOS' investors and clients with an unrivalled level of operational service, portfolio performance and regulatory compliance.

The Company has a formal performance appraisal procedure which is linked to the MBO process, and which again aims to align the goals of every individual with IKOS' overall management objectives and strategy. It is a balanced process that focuses on what has been achieved to date, on future objectives and the means for achieving them.

The process includes an interim and year-end appraisal:

- The objective of the interim review is to note achievements to date, address needs and obstacles that have arisen, identify and respond to changes and re-establish focus and direction if required

- The formal year-end appraisal requires each individual to review overall performance with their team leader. This process is facilitated through an online appraisal system, allowing the individual and the manager to provide comments and ratings for each objective set at the beginning of the year. Performance is also evaluated with respect to a range of competencies, such as technical expertise, personal effectiveness, initiative, communication skills, relations and teamwork, leadership and contribution to management. The system produces a formal weighted average rating for each individual that is taken into account in the annual salary review and incentive awards.

It is important to note that this appraisal process is not designed to replace ongoing feedback and discussion, but to enhance the communication that is already taking place between line managers and the individuals in their teams.

E.3. TRAINING AND DEVELOPMENT

IKOS CIF is committed to providing opportunities to all employees to reach their full potential and develop their professional expertise. The Company, therefore, actively promotes a culture of continuous development throughout the business. Training and development needs are linked with the performance appraisal process and the Company strongly encourages all employees to take a proactive approach in their training and development.

Employees are given the opportunity to be trained and kept up-to-date with developments through lectures, seminars, professional conferences, career development programmes and other in-house and external courses, as well as team building events. On an annual basis, a training needs assessment is prepared by the HR team and progress is monitored throughout the year. Compliance-related training (for example, with respect to Ethics Training) also forms an important aspect of the training calendar.

E.4. REMUNERATION PRACTICES

The Company's Board of Directors and the Remuneration Committee ("RemCom") which has been set up by the Company, are responsible for the design and application of the Company's overall remuneration policy and practices.

The Remuneration Committee consists of a mixture of Directors and senior employees. The RemCom reports to the Board of Directors, and changes to its composition can be made by the Board of Directors. Its responsibilities include, inter alia: Advising the Board on the design and application of the Company's overall remuneration policy and practices (including the Employee Incentivisation Scheme – see below); managing risks (including legal and liquidity risks) associated with the Company's remuneration policy; advising on HR budgets, salaries and bonuses; and ensuring adoption of, and adherence to, all regulatory rules and guidelines associated with employee remuneration.

In order to continue to attract and retain talented professionals, and in addition to the competitive remuneration packages offered by IKOS CIF, an Employee Incentive Scheme ("EIS") is in the process of being set up by the Company to appropriately incentivise employees and to align employee goals with those of the Company, whilst also ensuring adherence to regulatory guidelines and adoption of industry standards. It is anticipated that the EIS will include both a short-term and long-term incentive element (which will provide, for example, for the deferral of bonus payments and vesting of such deferred bonuses within a 3-5 year horizon, subject to certain conditions).

Quantitative data

The aggregate remuneration for those categories of staff whose professional activities have a material impact on the risk profile of the Company, broken down by business area, is as follows:

Table: Aggregate Remuneration by Business Area

31 December 2013 (€000)	
Business Area	**Aggregate Remuneration**
Portfolio Management & Research	605
Control Functions	1.196
Total	**1.801**

The aggregate remuneration broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the Company, is as follows:

Table: Aggregate Remuneration by Senior Management and Other Risk-Taking Staff

31 December 2013 (€000)				
Personnel	**No. of people during 2013**	**Fixed (Cash)**	**Variable (Cash)**	**Aggregate Remuneration**
Senior Management	4	858	69	**927**
Other Staff	5	752	122	**874**
Total	**9**	**1.610**	**191**	**1.801**