FROSTROW CAPITAL LLP (“the Firm”)

PILLAR 3, STEWARDSHIP CODE AND REMUNERATION DISCLOSURE

The Capital Requirements Directive (‘CRD’) and the Alternative Investment Fund Managers Directive (‘AIFMD’) of the European Union established a revised regulatory capital framework across Europe, governing the amount and nature of capital that credit institutions and investment firms must maintain.

In the United Kingdom, the CRD and AIFMD have been implemented by the Financial Conduct Authority (‘FCA’) in its regulations through the General Prudential Sourcebook (‘GENPRU’) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (‘BIPRU’) and the Investment Funds Sourcebook (‘FUND’).

The FCA framework for the CRD consists of three ‘Pillars’:

- Pillar 1 sets out the minimum capital amount that meets a firm’s credit, market and operational risk capital requirement;
- Pillar 2 requires a firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet Pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The AIFMD adds further capital requirements, based on the Alternative Investment Fund (‘AIF’) assets under management and professional liability risks.

The Firm benefits from the FCA Capital Requirements Regulation derogation allowing it to carry forward the CRD III rules as at 31 December 2013 and as such, the following disclosures are in accordance with the requirements of Chapter 11 of Building Societies and Investment Firms (“BIPRU”). Rule 11 of BIPRU 11 sets out the provisions for Pillar 3 disclosure. The rules provide that firms may omit one or more of the required disclosures if such omission is regarded as immaterial, proprietary or confidential. The Firm believes that the disclosure of this document meets its obligation with respect to its Pillar 3 obligations, as verified by the Firm’s Board Risk Management Committee (‘BRMC’). Pillar 3 disclosures will be issued on an annual basis after the Firm’s year end and published as soon as practical once the Firm’s audited annual accounts have been finalised, unless there is a material change in the risk profile or characteristics of the Firm. Unless otherwise stated, all figures in this disclosure are as at 31 December 2018.

The Firm is permitted to omit required disclosures if it believes that the information is immaterial and such omission would be unlikely to change, or influence, the decision of a reader relying on that information, for the purpose of making economic decisions about the Firm. In addition, the Firm may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In the Firm’s view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding it to confidentiality with its customers, suppliers and counterparties. Where the

Firm has chosen to omit information because it is proprietary or confidential, it has explained the omission and provided the reason.

Scope and application of the requirements

The Firm is a UK Limited Liability Partnership and is authorised and regulated by the FCA as a full-scope UK Alternative Investment Fund Manager ('AIFM'). In addition, the Firm has permission to provide additional portfolio management services and, as such, is categorised by the FCA as a Collective Portfolio Management ('CPMI') Investment firm and BIPRU firm for regulatory capital purposes. The Firm is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Risk Management

In accordance with the AIFMD, the Firm has an established risk management function, to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business.

The Firm's Governing Body ('the Board') is ultimately responsibility for the monitoring of any risk management issues at the Firm. Whilst maintaining overall responsibility for monitoring risk management, the Board has delegated the day-to-day risk management to the Firm's Chief Risk Officer ('CRO') who is a member of the BRMC, a sub-committee established by the Board to support it in achieving its objectives and responsibilities by providing advice on all risks associated with the Firm's business. The BRMC meets on a quarterly basis and reports to the Board on whether the Firm remains within its risk appetite.

Both the BRMC and the Firm's Board, which also meets on a quarterly basis, discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Firm's Senior Management (the Partners), engage in the Firm's risks though a framework of policies and procedures and robust internal control systems, having regard to the relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework.

The internal resources of the Firm, dedicated to its control functions, are involved in the oversight of activities which are undertaken by entities acting on behalf of either the Firm or the AIF boards. An AAF 01/06 report covering the effectiveness of the Firm's internal control environment is prepared annually by the Firm and reported on by independent external auditors.

The Firm has engaged independent compliance consultants to monitor its compliance arrangements, based upon a risk-weighted methodology, to assess the effectiveness of the Firm's compliance framework, in accordance with the Firm's risk-based compliance monitoring programme. The monitoring programme is executed over the course of each calendar year.

The BRMC and ultimately the Board, have identified that Business, Portfolio, Operational and Counterparty, Financial, Accounting, Legal and Regulatory and Reputational Risk are the main areas of risk, to which the Firm is exposed. The BRMC, at each meeting, formally review the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Appropriate action is taken where risks are identified which fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's mitigating controls. Further information on the identified risks is as follows.

Business Risks

The Firm has developed internal controls appropriate to the size, nature and scope of its activities, which reflect the perceived primary risks to the business. A description of the controls is detailed below. The Firm, as an AIFM, is ultimately responsible for these; however, responsibility also falls on the delegated portfolio managers: OrbiMed Capital LLC, Lindsell Train Limited, Menhaden Capital Management LLP and Augmentum Fintech Management Limited who have been engaged to provide portfolio management services to the Firm's five AIF Clients. The Firm has robust oversight arrangements in place to ensure that the delegated portfolio managers also have similar internal controls in place.

Transaction Controls: The Firm has ensured that the delegated portfolio managers have suitable pre-order checks, within their own firms, as trades are the responsibility of the delegated portfolio managers. The Firm carries out post-trade checks on a daily basis.

Portfolio Controls: Daily checking of portfolio positions against independent brokers and custody reports.

Settlement Controls: Reconciliation and reporting of trades to the Firm by each delegated portfolio manager and ensuring that the settlement process is efficient.

Financial Resources: The Firm is adequately capitalised and it closely monitors its financial resources. The Partners of the Firm have input the required financial resource, to enable the Firm to be able to act as an AIFM and are in a position to provide additional resources when required.

Contingency Plan: The Firm maintains a contingency plan in the form of a business continuity plan which is tested at least on an annual basis.

Regulatory Controls: To ensure compliance with applicable rules and regulations, ongoing monitoring of the Firm's controls is carried out, both internally and independently. The Firm employs only high calibre, appropriately qualified and experienced staff, whose professional development is recorded and assessed on an annual basis.

Conflicts Controls: It is not envisaged the Firm will have any material conflicts outside of those typical of every investment firm.

Compliance: The Firm ensures that its compliance arrangements are suitable and effective and has oversight arrangements in place to ensure that its delegated portfolio managers similarly have in place suitable policies and procedures and that these are properly adhered to.

Senior Management: The Firm has a rigorous framework in place both for internal promotion and external recruitment.

Credit risk

The Firm has *de minimis* exposure to credit risk. The Firm's cash is held at C Hoare & Co, a highly respected family run bank, based in London. The credit risk to the Firm's own invoices is also *de minimis* and all Clients are going concerns with minimal risk of default in the short or medium term.

Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The Firm uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk-weighted exposures of 1.6% (cash in the bank) and 8% in respect of its other assets.

Credit risk summary

Credit risk exposure	Risk weighting	Risk weighted exposure
Cash in the bank	**1.6%**	**£47,009**
Inter-company	**8%**	**£0**
Trade debtor	**8%**	**£80,170**
Prepayments and accrued income	**8%**	**£10,280**
Other debtors (<1 year)	**8%**	**£40**
Other debtors (>1 year)	**8%**	**£0**
Total		**£137,460**

Market risk

The Firm does not have any exposure to either foreign exchange risk or position risk, which together make up market risk.

Professional liability risk

The Firm has a legal responsibility for risks in relation to its AIFS' Investors, products and business practices including, but not limited to: loss of documents evidencing title of assets of the AIF; misrepresentations and misleading statements made to the AIF or its Investors; acts, errors or omissions; failure by the senior management to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts; improper valuation of assets and calculation of unit/share prices; and risks in relation to business disruption, system failures and process management. The Firm is aware of, and monitors, a wide range of risks within its business operations and towards its AIFs' Investors. The Firm has in place appropriate internal operational risk policies and procedures to monitor and detect these risks. These procedures and risks are documented, demonstrating how the Firm aims to mitigate these risks and are reviewed at least on an annual basis.

The Firm has in place appropriate coverage of professional indemnity insurance, where single claims are covered for up to £35,000,000, exceeding the required 0.7% of total assets under management, and aggregate cover is £35,000,000, exceeding the required 0.9%. The excess of £35,000 is held in Own Funds.

Liquidity Risk

As defined in the Firm's Liquidity Management Process, which form's part of the Firm's Risk Management Policy, liquidity risk is the risk that an AIF will encounter difficulty in meeting obligations associated with financial liabilities.

The AIFs' Investors have no right to redeem their ordinary shares from the AIF but may trade their ordinary shares on the secondary market. However, there is no guarantee that there will be a liquid market in the ordinary shares.

The Firm's AIFs are all closed-ended funds and, as such, can only buy back up to 14.99% of shares without obtaining further shareholder approval.

Liquidity risk is not significant, as the majority of the Firm's AIFs' assets are investments in quoted equities and other quoted securities that are readily realisable within one week, in normal market conditions.

Each Board of the Firm's AIFs gives guidance to the relevant delegated portfolio manager as to the maximum amounts of the AIF's resources that should be invested in any one fund or entity. For further details on the management of liquidity risk, please refer to the latest annual report of the relevant AIF.

The Biotech Growth Trust PLC and Worldwide Healthcare Trust PLC each have borrowing facilities with J.P. Morgan Securities LLC. The level of borrowing is reviewed daily by the Firm to ensure the gearing limit investment guideline set by each AIF's Board is maintained.

Finsbury Growth & Income Trust PLC has a borrowing facility with Scotiabank Europe PLC. The level of borrowing is reviewed daily by the Firm and periodically with the delegated portfolio manager, on the level of borrowing drawn down, to ensure the gearing limit investment guideline set by the AIF's Board is maintained.

Menhaden PLC (formerly known as Menhaden Capital PLC) does not currently have a borrowing facility in place but is permitted to use borrowings for both working capital and investment purposes. The level of cash is monitored by the Firm on a daily basis.

Augmentum Fintech plc does not currently have a borrowing facility in place. The AIF is permitted to, from time to time, use borrowings to manage its working capital requirements but not for investment purposes. The level of cash is monitored by the Firm on a daily basis.

A cash summary is produced by the Firm on a daily basis, to record movements and forecasted cash positions of its AIFs and to ensure that the AIFs are compliant in accordance with their liquidity, gearing and investment policies. In the production of the cash summary, all unsettled cash items such as pending trades, outstanding expense invoices, outstanding dividend payments, share issues or buy back of own shares are recorded and monitored. This ensures cash movements are tracked and any delays or issues raised are recorded and resolved in a timely manner.

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk in that its liabilities cannot be met as they fall due, or it can secure additional financial resources in the event of a stress scenario. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the regulatory capital requirements under normal business conditions. The Firm has always had sufficient liquidity within the business to meet its obligations and there are no current perceived threats to this, given the cash deposits it holds and support it receives from one of its corporate Partners, Finsbury Growth & Income Trust PLC. All the Firm's management fee debtors are settled promptly, thus ensuring liquidity resources are available to the Firm on a timely basis. The cash position of the Firm is monitored by the Managing Partner on a regular basis and the Firm is able to call on the corporate Partner for a further injection of capital, if required.

The Firm maintains a Liquidity Risk Policy which formalises this approach.

Operational and counterparty risk

The Firm places strong reliance on its robust operational procedures and controls that it has in place in order to mitigate this risk and seeks to ensure that all its staff are aware of their responsibilities in this respect.

The Firm has identified a number of key operational risks to manage. These relate to the loss of key staff, failure of its and its third party providers' systems, failure of a third party provider; a serious regulatory breach, market abuse, administrative errors and poor customer service. To mitigate against these risks, the Firm has implemented appropriate policies and procedures, which includes the Firm having in place a sufficient level of professional indemnity insurance.

Regulatory capital

The Firm is a Limited Liability Partnership and its capital arrangements are set out in its Partnership Deed.

The main features of the Firm's capital resources, for regulatory purposes, are as follows:

	31 December 2018 £000
Tier 1 capital*	929.5
Tier 2 capital	-
Tier 3 capital**	-
Deductions from Tiers 1 and 2	-
Total capital resources	**929.5**
* No hybrid tier one capital is held ** Note: Tier 3 capital is to be removed under the CRD IV	

The Firm is small with a simple operational infrastructure. It has no market risk and credit risk arising from management and performance fees receivable from the AIFs it manages.

As detailed in the section headed 'Scope and application of the requirements', the Firm is a full-scope UK AIFM that also has permission to provide additional portfolio management services and is thus categorised by the FCA as a Collective Portfolio Management Investment ('CPMI') firm and, as such, its capital requirements are the higher of:

- €125,000 (base capital requirement) + 0.02% of AIF AUM (> €250m) (own funds requirement); or
- The sum of the market & credit risk requirements; or
- The fixed overheads requirement ('FOR') which is essentially 25% of the Firm's operating expenses less certain variable costs; plus
- the Firm's professional indemnity insurance policy excess of £35,000.

0.02% is taken on the absolute value of all assets of all AIFs managed by the Firm (for which it is the appointed AIFM) in excess of €250m, including assets acquired through the use of leverage, whereby derivative instruments shall be valued at their market value, including funds where, it, the Firm, has delegated the portfolio management function, but excluding any AIFs that it is managing as a delegate.

The Firm has adopted the simplified standardised approach to credit and market risk and the basic indicator approach to operational risk. The basic indicator approach, calculates operational risk as a simple 15% of average annual income over 3 years.

The Firm has not identified credit risk exposure classes or the minimum capital requirements for market risk as it is believed that they are immaterial.

The FOR is calculated, in accordance with FCA rules, based on the Firm's previous year's audited expenditure and based on the Firm's annual expenses, net of variable costs deducted, which includes discretionary bonuses paid to staff and administrator fees. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year.

This is monitored by the Managing Partner and reported to senior management on a monthly basis.

Remuneration disclosure

The Firm is authorised and regulated by the FCA as a full-scope UK AIFM, and categorised as a CPMI firm. As such, it is subject to the AIFM remuneration principles ("Principles"). These are contained in the AIFM Remuneration Code ('RemCode') and transposed in SYSC 19B of the FCA Handbook.

The Firm's business is to provide a range of services to its investment trust Clients, including the management of five AIFs.

The Principles cover an individual's total remuneration, comprising of fixed and variable components. The Firm incentivises its staff through a balanced combination of both components.

The Firm's Remuneration Policy also applies, on the basis specified therein, to entities to which the Firm has delegated portfolio management activities. The Firm has therefore put in place a contractual agreement with each delegated portfolio manager, which requires the delegated portfolio manager to either (i) have a remuneration policy that ensures there is no circumvention of the AIFMD remuneration rules, or (ii) to adhere to this Policy on the basis specified herein.

The Firm has therefore put in place a contractual agreement with each Delegate which requires the Delegate either (i) to have a remuneration policy that ensures there is no circumvention of the AIFMD remuneration rules, or (ii) to adhere to the Firm's Remuneration Policy on the basis specified herein.

The Firm's Remuneration Policy is designed to ensure that the Firm complies with the Principles and its compensation arrangements which:

- is consistent with, and promotes sound and effective risk management;
- does not encourage risk-taking which is inconsistent with the risk profiles of the instruments constituting the funds of the AIFs managed;
- is in line with its business strategy, objectives, values and interests and that of the AIFs and the AIFs' Investors and includes measures to avoid any conflict of interest where the Firm:
    - is likely to make a financial gain, or avoid financial loss, at the expense of an AIF;
    - has a distinct interest in the outcome of the service provided to an AIF or of a transaction carried out on behalf of an AIF;
    - has a financial or other incentive to favour the interest of one AIF or group of AIFs over the interests of another AIF;
    - carries on the same business as an AIF; or
    - receives, or will receive, from a person other than an AIF, an inducement in relation to the service provided to an AIF, in the form of monies, goods or services, other than the standard commission fee or fee for that service.

The Firm is owned 70% by four individual Partners, with the residual 30% balance owned by two corporate Partners.

The four individual Partners each receive partnership profits through monthly drawings, with an annual top-up to the agreed percentage split. The two corporate Partners each receive one annual payment.

The thirteen employees at the Firm have a contract of employment and receive a salary and a discretionary bonus.

With respect to the hiring of new members of staff, the Board agrees their reward structure; this is subject to ongoing review.

The implementation of the Firm's Remuneration Policy will be reviewed at least on an annual basis by the Board, to ensure the Firm's compliance with policies and procedures for remuneration.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA have sought to apply proportionality in the first instance by categorising firms into three levels. The Firm falls within the FCA's proportionality level three and, as such, this disclosure is made in-line with the requirements for a level three firm.

<u>Application of the requirements</u>

The Firm is required to disclose certain information, on at least an annual basis, regarding its Remuneration Policy and practices for identified AIFM Remuneration Code Staff ('Code Staff') of the Firm and the delegated portfolio managers, whose professional activities have a material impact on the risk profile of the Firm. The Firm's disclosure is made in accordance with the Firm's size, internal organisation and the nature, scope and complexity of its activities. The Firm's full Remuneration Policy is available at the request of the AIFs' Investors.

1. Summary of information on the decision-making process used for determining the Firm's Remuneration Policy.

    - The Firm's Remuneration Policy has been agreed by the Firm's Board in-line with the Principles.

    - Due to the size, nature and complexity of the Firm, it is not required to appoint an independent remuneration committee.

    - The Firm has disapplied the pay-out process rules in respect to the Firm and to its delegated portfolio managers because, on assessment of the proportionality elements, there is sufficient evidence to demonstrate that the Firm can be considered to be carrying out non-complex activities and is operating on a small scale or based on other rationales outlined in its Remuneration Policy.

    - The Firm's Remuneration Policy, the Principles contained therein and their implementation, is reviewed at least on an annual basis or following a significant change to the business, thus requiring an update to its Internal Capital Adequacy Assessment Process ("ICAAP").

2. Summary of how the Firm links between pay and performance

   In respect of the Firm's staff, the Firm's Board determines the payment of discretionary bonuses following annual staff performance appraisals, which take place at the end of the Firm's financial year. Fixed and variable remuneration considerations, resulting from the performance appraisals are based on both the measurement of the performance of the individual, in the role assigned to them, and the financial performance of the Firm.

3. Aggregate quantitative information on remuneration broken down by significant business division (where such business divisions exist).

Business Area	Aggregate compensation expense for prior fiscal year
Portfolio Management and Trading	†
Non-Trading	†

†The Firm has disapplied the pay-out process rules in respect to the Firm and to any of its Delegates because, on assessment of the proportionality elements, there is sufficient evidence to demonstrate that the Firm can be considered to be carrying out non-complex activities and is operating on a small scale or based on the rationales as detailed in the Firm's Remuneration Policy.

4. Aggregate quantitative information on remuneration, for Code Staff whose actions have a material impact on the risk profile of the Firm/of those Code Staff of the Firm who are fully or partly involved in the activities of the AIFs.

Code Staff	Aggregate compensation expense in 2017
Senior Management:	†
Staff whose actions have a material impact on the AIFs (if applicable)	†

†The Firm has disapplied the pay-out process rules in respect to the Firm and to any of its Delegates because, on assessment of the proportionality elements, there is sufficient evidence to demonstrate that the Firm can be considered to be carrying out non-complex activities and is operating on a small scale or based on the rationales as detailed in the Firm's Remuneration Policy.

5. Amounts of remuneration for the financial year for those Code Staff of the Firm who are fully or partly involved in the activities of the AIFs and the number of beneficiaries (Level 3 only).

Code Staff/Beneficiaries (Number)	Total amounts of remuneration
Fixed Remuneration	†
Variable Remuneration	†

†The Firm has disapplied the pay-out process rules in respect to the Firm and to any of its Delegates because, on assessment of the proportionality elements, there is sufficient evidence to demonstrate that the Firm can be considered to be carrying out non-complex activities and is operating on a small scale or based on the rationales as detailed in the Firm's Remuneration Policy.

6. Total remuneration allocated to relevant AIFs. The Firm currently manages five AIFs.

AIF	Fixed remuneration	Variable remuneration	Total remuneration	Total AuM
Augmentum Fintech plc	†	†	†	†
Finsbury Growth & Income Trust PLC	†	†	†	†
Menhaden PLC	†	†	†	†
The Biotech Growth Trust PLC	†	†	†	†
Worldwide Healthcare Trust PLC	†	†	†	†

†*The Firm has disapplied the pay-out process rules in respect to the Firm and to any of its Delegates because, on assessment of the proportionality elements, there is sufficient evidence to demonstrate that the Firm can be considered to be carrying out non-complex activities and is operating on a small scale or based on the rationales as detailed in the Firm's Remuneration Policy.*

Stewardship Code

The Firm delegates the day-to-day portfolio management activities with regard to its AIF Clients, Augmentum Fintech plc, Finsbury Growth & Income Trust PLC, Menhaden PLC, The Biotech Growth Trust PLC and Worldwide Healthcare Trust PLC.

25 March 2019