



ERAAM (Europanel Research and Alternative Asset Management)
Form ADV Part 2 Brochure

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ITEM 1: Cover Page

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This brochure provides information about the qualifications and business practices of EUROPANEL RESEARCH AND ALTERNATIVE ASSET MANAGEMENT (“ERAAM”). If you have any questions about the contents of this brochure, please contact us at +33 1 53 43 20 80 or contact@eraam.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about ERAAM is also available on the SEC’s website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for ERAAM is 142299.

ERAAM is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

ITEM 2: Material Changes

This document is the Brochure prepared ERAAM. The Brochure is updated on an annual basis. And there have been no material changes since its adoption.

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EUROPANEL RESEARCH AND ALTERNATIVE ASSET MANAGEMENT (“ERAAM”) is an investment company focusing on alternative multi-management.

ERAAM provides investment management or advisory services in relation to funds of hedge funds and portfolios of hedge funds, in line with each client's investment objectives, investment restrictions and risk parameters. ERAAM is responsible for implementing its investment advice for a client by causing the investment or redemption of client assets in Investment Funds and other appropriate investments. ERAAM does not currently provide such services in relation to any other kind of investment products. Investment advices are tailored to meet clients’ needs and investment objectives. Clients may impose restriction on investing in certain types of securities and certain types of strategies.

ERAAM is focusing exclusively on hedge funds managed by European based asset managers.

ERAAM invests client assets in securities issued by unregulated, privately offered non-US and US hedge fund vehicles and European regulated funds.

In addition, ERAAM may enter into derivative transactions on behalf of its clients in order to hedge currency risks.

ERAAM is a “Société Anonyme”, ie French equivalent of a Limited Liability Company and is domiciled in PARIS (FRANCE). ERAAM has been incorporated in 1998 under the name BCAI and has been renamed ERAAM in 2002.

ERAAM has been regulated by the AMF (“Autorité des Marchés Financiers”) in France since June 2002 and by the SEC as Investment Adviser since January 2007.

The principal owners of ERAAM are Cyril JULLIARD and Olivier KINTGEN.

ERAAM assets under management as of December 31st, 2011 are USD 398.600.000.

ITEM 5: Fees and Compensation

Fees for each Fund are described in the applicable governing document.

ERAAM's basic fees schedule includes an annual management fee of a client's net assets under management and a performance fee based on the over-performance of the client over a determined threshold.

Management fees are generally payable quarterly in arrears and are deducted from the assets of the client. Management fees are up to 2.1% per year.

Performance fees are payable annually and are calculated and deducted (if any) from the assets of the client and are discussed in Item 6.

ERAAM's fees may be negotiable depending on the size of the client account. Compensation is not payable in advance.

Certain charges and expenses on top of management fees and performance fees shall also be borne by clients: costs associated to the set up of a fund including legal, incorporation, registration shall be treated as preliminary expenses and be amortized over a multi-year basis. On a recurring basis, clients shall also bear administration fees, custody fees, auditor fees, transactions costs on the purchase and sale of underlying assets, interest costs on borrowing, registration fee, any potential director's fee and any potential liability insurance fee.

ITEM 6: Performance-Based Fees and Side-by-Side Management

As part of the standard fee schedule, ERAAM is entitled to receive performance fee from the clients. Performance fees are based on over-performance of the clients' accounts over a determined threshold. This threshold is usually linked to money market benchmarks (eg Euro-Libor 3 months or money market performance index). Performance fees levels are up to 12%.

Performance Compensation arrangements may create an incentive for ERAAM to make investments that may be riskier or more speculative than would be the case if such arrangement were not in effect. In addition, because Performance Compensation is generally calculated on a basis that includes unrealized capital appreciation, it may be greater than if such compensation were based solely on realized gains.

ITEM 7: Types of Clients

ERAAM provides investment advice and investment management services to Funds, which may be structured as US limited partnerships or European regulated funds that are exempted companies or Private Funds, which are pooled investment vehicles that are organized as offshore corporations. Investors in the funds may include some or all of the following: individuals; banks; investment companies; pension and profit sharing plans; trusts, estates or charitable organizations; and corporations or other business entities.

Minimum investment amount for the set up of a new client account shall depend on the identity of the investor but shall be at around USD 15 million.

Minimum investment amount in European regulated funds ranges from EUR 10,000 to EUR 50,000 according to respective governing documents.

ERAAM is an investment adviser or manager in relation to portfolios of hedge funds. The primary decision-making body at ERAAM is its Investment Committee. The Investment Committee exercises its judgment both in the selection of hedge funds and in the construction of portfolios. Investment decisions are made by senior members of the team who have extensive and direct experience in financial markets and personal familiarity with the hedge fund managers under consideration.

The investment process involves 5 steps: sourcing, selection and qualitative analysis, quantitative analysis, legal and operational due diligence and portfolio construction.

1) Sourcing:

Manager selection process aims to identify talented hedge fund managers with a superior business model that will consistently add value to clients' portfolios in the long-run.

The members of the Investment Committee (3 portfolio managers) as well as analysts focus a significant part of their effort on manager sourcing. Their deep network is the main source of new funds that are considered for investing. ERAAM relies heavily on its network of past relationships and the fund managers in its portfolio for new investment sourcing ideas.

2) Selection and Qualitative Analysis

Qualitative analysis comprises on-site visits by portfolio managers. The experience of the company's portfolio managers, each specialised in their own strategy, provides a comprehensive understanding of the investment process implemented by the hedge fund manager visited and of the risks associated with their investment strategy. The qualitative analysis also highlights ERAAM's focus on gaining an in-depth understanding of the portfolio's positions, the fund's level of liquidity, the accessibility of portfolio managers and the degree of transparency in terms of hedge fund positions, sensitivities and orientations

3) Quantitative Analysis

Analyses are performed using TrackValue, a statistics application developed by an external service provider that is specially designed to meet the specific requirements of alternative multimanagerment. This externally developed quantitative tool provides support for hedge fund analysis, portfolio construction and portfolio analytics, using net asset value (NAV) timeseries.

ERAAM favours a simple yet systematically applied approach for the analysis of underlying funds, portfolio construction and risk monitoring.

Furthermore it is important to realize that managers dynamically adjust their portfolios over time and therefore past performance can be very misleading in analyzing the future value added of a fund manager.

Quantitative analysis is performed at the individual fund level as well as at the portfolio level where new investments can be simulated thanks to what if functionalities.

4) Legal and Operational Due Diligence

Legal and Operational Due Diligence is conducted independently from the qualitative and quantitative analysis by an Operational Due Diligence Analyst focusing on reviewing all issues that relate to the firm's organization and long-term business sustainability as well as all issues associated with the fund's legal structure and administration. The aim of this investigation is to determine whether or not the management company is properly staffed, properly structured as a legal entity, financially viable, and organized in a way that supports the investment process. Emphasis is placed on the importance of governance within the hedge funds and companies considered.

5) Portfolio Construction

ERAAM portfolio managers are responsible for deciding on investments. Investment decisions are taken at a monthly investment committee meeting. In order to make its decisions, the investment committee is systematically provided with internal research documents, including quantitative analysis of the manager and investment process, quantitative analysis of the fund, the operational due diligence questionnaire and a summary of the positive and negative elements associated with the investment recommendation. Each investment opportunity is given an internal rating that influences its weighting in clients accounts. This investment committee also controls the size of positions.

ERAAM has an active tactical allocation policy with regard to the different hedge fund strategies covered.

The macroeconomic viewpoint and resulting allocation are regularly monitored and may be adjusted as part of quarterly macroeconomic reviews by the investment committee. The allocation strategy reflects the convictions of the investment committee members, who draw on regular meetings with the hedge fund managers, a bottom up analysis of their portfolios and the dynamics on the underlying markets to develop an opinion.

Strategies invested

Currently, ERAAM categorizes the hedge fund universe into six broad strategies:

- (i) Global Macro: these managers take directional positions based on their views of macroeconomic and market trends. They primarily use futures, forwards and options to implement trades in currencies, bonds, equities and commodity markets.
- (ii) Long Short Equity: these managers seek to extract returns from both long and short positions in individual equities. Aggressive funds may magnify market risk by exceeding 100 percent exposure. Managers use short sales of individual stocks, index futures or options to manage their market exposure.
- (iii) Long Only: these managers seek to extract returns from positions in individual equities.
- (iv) Fixed Income: these managers trade interest rate risk on a relative value and/or directional basis. They may express their views through G10 government bond markets, interest swaps and other OTC and exchange traded derivative contracts. Managers may either aim to capitalize from inefficiencies in the pricing of credit risk across a wide range of instruments. The rapid development of the credit derivatives markets over the past few years has created a wealth of opportunities for managers to exploit.
- (v) Event Driven: Event-Driven managers aim at profiting from opportunities created by significant transactional events related to the corporate life cycle. They take advantage of announced corporate actions or other pre-defined events that provide an estimated rate of return over a defined time period. Examples of such events include mergers, spin-offs, restructurings and Index rebalances. Instruments may include long and short positions on common and preferred stocks, as well as debt securities and options.
- (vi) Multistrategies: This group of hedge funds engages in a combination of the aforementioned strategies, adding value by dynamically allocating to in-house specialist teams in the areas which the manager believes are likely to be most rewarding. Leverage is often used depending on the strategy and managers tend to hedge part or all or their directional exposures.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is in no way an indication of future performance. All investments in securities risk the loss of capital. Investment in the various securities and other instruments contemplated by the Fund involves significant economic risks. There can be no assurance that these strategies will completely protect against this risk or that the Fund's investment objectives will be attained.

In addition to those risks described below, there are certain risks associated with investing in a fund-of-funds vehicle. ERAAM does not have control over the trading or custody of the assets of the underlying hedge funds or knowledge of the actual trades being executed by the managers of such funds. The investment management, brokerage, custodial and administrative operations of the underlying hedge funds are performed by firms which are independent of ERAAM. Because the underlying hedge fund managers invest and trade on a fully discretionary basis, their performance apart from normal market risk, depend entirely upon such underlying hedge fund managers' abilities and efforts, and the structures and custodial, operational, and other arrangements implemented by them. Further, ERAAM does not have control over the underlying hedge funds' and the underlying hedge fund managers' compliance with laws and regulations.

ITEM 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's evaluation of the registered investment adviser or the integrity of the registered investment adviser's management.

ERAAM has no information applicable to this Item.

ITEM 10: Other Financial Industry Activities and Affiliations

ERAAM and its employees do not have any relationships or arrangements with other broker-dealers or registered representative of a broker-dealer.

ERAAM strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, ERAAM has adopted a Code of Ethics (the “Code”). The Code incorporates the following general principles that all employees are expected to uphold:

- Employees must at all times place the interests of Clients first
- All personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided
- Employees must not take any inappropriate advantage of their positions at the firm
- Information concerning the identity of securities and financial circumstances of the Clients including the Clients' investors, must be kept confidential
- Independence in the investment decision-making process must be maintained at all times

The Code governs also a number of potential conflicts of interest. This Code is designed to ensure fiduciary obligation to clients (or prospective clients). An additional benefit of the Code is to detect and prevent violations of securities laws.

The Code is maintained and updated by the compliance function includes the following:

- Requirements related to professional secrecy and confidentiality.
- Prohibitions on Insider trading
- Reporting of gifts and business entertainment;
- Reporting of personal securities transactions as mandated by regulation;
- Employee's personal trading policy and restrictions.

Investors may request a copy of the Code by contacting ERAAM:

- by mail at 49-51, avenue George V, 75 008 PARIS, FRANCE
- by email at contact@eraam.com

As noted previously, ERAAM has full discretionary authority to manage the investments of the Clients, including authority to make decisions with respect to which securities are bought and sold for a particular client.

ERAAM's authority is limited by its own internal policies and procedures and each Client's investment guidelines: Investment transactions (ie purchase and sale of hedge fund securities) are executed by clients' custodians that placed directly transactions with transfer agents of hedge funds and are affected at the issue price determined by the hedge funds. Custodians are compensated directly by ERAAM clients following each Client fee schedule from each Client Custody Agreement.

Transfer agents are compensated directly by hedge funds and do not receive or pay any compensation specific to any transaction effected by ERAAM on behalf of its clients.

Trade Errors

On occasion, trade errors may occur with respect to trades executed, directly or indirectly, on behalf of one or more Clients. It is ERAAM's policy to ensure that each trade error is corrected in an expeditious manner.

Trade errors occur when an order is not executed according to ERAAM's intent and instructions due to a mistake of fact, processing error or other similar reason. Trade errors occur in connection with:

- (i) the placement of orders (either purchases or sales) in excess of the amount of securities ERAAM intended to trade
- (ii) the sale of a security when it should have been purchased
- (iii) the purchase of a security when it should have been sold
- (iv) the purchase or sale of the wrong security or instrument

If the trade error results in a net loss with respect to a Client, an amount equal to such net loss will be credited to the relevant Client. ERAAM will reimburse such Client, or cause such Client to be reimbursed, as soon as reasonably practicable, for any net loss so credited to the Client; provided that, to the extent of any losses due to a trade error caused by the mistake of a third party, ERAAM shall endeavour to recover such losses from such third party.

If the trade error results in a net gain with respect to a Client, such amount will be credited to the relevant Client.

Client accounts are at least reviewed on a monthly basis by the Investment Committee. Members of the Investment Committee are Cyril JULLIARD, Olivier KINTGEN, Laure SEBBAH and Vincent DELARUE.

The Investment Committee meetings are held on a monthly basis and are attended by the Investment Committee members as well as analysts and the head of development.

Quantitative Analysis produced on a monthly basis with respect to each client account are provided to the Investment Committee to support investment recommendations and includes:

- a statistical report that shows risk/return at the overall client account level
- a risk contribution analysis that shows the risk contribution to client account's risk profile made by each investment
- a performance contribution analysis that shows the contribution to client account performance made by each investment.

Reports:

Information available to investors either through ERAAM's website and/or sent by email to investors are:

- Monthly letters describing the performance of the relevant client account, a summary of the allocation along with a commentary by ERAAM.
- Monthly statements detailing account balances and return information prepared by an independent third party administrator.
- Quarterly updates on investments of each client account investments through a one pager summary of each investment.
- Annual audited financial statements and semi-annual audited financial statements (if any) for client accounts by independent certified public accounting firm

Marketing brochure, due diligence questionnaire and conference calls or visits are scheduled with investors upon request.

ITEM 14: Client Referrals and Other Compensation

ERAAM is not remunerated by any party other than its clients.

ERAAM has entered into several distribution agreements with third parties pursuant to which ERAAM compensates such persons for referrals of investors in ERAAM's client accounts. Such persons are compensated out of management fees earned by ERAAM.

ITEM 15: Custody

ERAAM does not maintain custody of client funds or securities, nor is it authorised to hold or receive any stock, bond or other security or investment certificate or cash that is part of the client's account. Custody of account assets will be maintained with an independent qualified custodian.

Qualified custodians send accounts statements monthly to the investors in clients' accounts.

Independent public accountants audit annually the clients' accounts that ERAAM manages or advised.

ITEM 16: Investment Discretion

ERAAM has been appointed as the investment adviser or investment manager with full discretionary authority with respect to investment decisions on behalf of the Clients' accounts.

ERAAM does not execute orders itself for Funds or Client Accounts. Because most transactions are to purchase or sell shares or interests in hedge funds, the transactions are effected by completing and transmitting the necessary subscription documents and monies, or redemption requests, as applicable, for the relevant hedge funds. This is effected by the custodian of the relevant Fund or Client Account.

Investment guidelines and restrictions are set forth in writing in the respective Offering Memoranda and/or Investment Management Agreement and/or Investment Advisor Agreement for each Private Fund or in the respective governing document for each fund.

When selecting securities and determining amounts, ERAAM observes the investment policies, limitations and restrictions of the relevant fund for which it advises (for example: portfolio concentration limits or eligibility of assets).

ERAAM has adopted proxy voting policies and procedures (the “Policies”).

The general policy is to vote proxy proposals, amendments, consents or resolutions relating to securities, including interests in pooled investment vehicles, in a manner that serves the best interests of the Clients, as determined by ERAAM in its discretion, taking into account the following factors:

- (i) The impact on the value of the investments
- (ii) The anticipated associated costs and benefits
- (iii) The availability of portfolio information
- (iv) Industry and business practices.

If a material conflict of interest exists between the interests of ERAAM and those of the relevant Client with respect to any issue to be voted on, ERAAM will base its voting decision exclusively on ERAAM’s judgment of what will best serve the financial interests of the Client that beneficially owns the securities that are the subject of the vote.

Investors may request a copy of the Policies and the proxy voting record by contacting ERAAM.

ITEM 18: Financial Information

ERAAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Clients.

ERAAM has not been the subject of a bankruptcy proceeding during the past ten years

ITEM 19: Requirements for State-Registered Advisers

Not applicable