

Interamerican Advisors, Inc.
Form ADV Part 2A - *Brochure*

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This brochure provides information about the qualifications and business practices of Interamerican Advisors, Inc. If you have any questions about the content of this brochure, please contact us at: (305) 285-9617 or daramburu@inter-american.net. 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 Interamerican Advisors, Inc. is also available on the SEC website at: www.adviserinfo.sec.gov.

Interamerican Advisors, Inc. is an SEC registered investment adviser. SEC registration does not imply a certain level of skill or training.

Item 2 Material Changes

No material changes were made to the Firm's brochure since its last annual update on March 29, 2011.

Item 3 Table of Contents

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NOTE:

Terms in *italics* have the meanings set forth in the General Instructions of Form ADV.

Item 4 Advisory Business

- A. Interamerican Advisors, Inc. ("the Firm") provides investment advisory services to a private pooled investment vehicle that is offered to investors on a private placement basis and investment advisory and discretionary investment management services to Managed Account clients ("Managed Accounts").

The Firm was incorporated on February 12, 2002 under the laws of the State of Florida and has been in business since that time. The Firm became registered with the Securities and Exchange Commission ("SEC") on April 1, 2010.

The private pooled investment vehicle advised by the Firm is the Interamerican Fixed Income Fund, Ltd. (the "Fund"), a Cayman Islands exempted company incorporated with limited liability on April 12, 2002.

Pursuant to an investment advisory agreement with the Fund and advisory/management agreements with respect to Managed Accounts, the Firm is responsible for: (i) monitoring *client* investments and deciding on the securities to be purchased and sold consistent with the investment objectives; and (ii) decisions with respect to leverage and hedging transactions.

The principal owner of the Firm is Diego Aramburu.

- B. The investments of the Fund are managed in accordance with the Fund's investment objectives, strategies and guidelines and are not tailored to any particular investor in the Fund. The Firm does not provide investment advice to the Fund investors; therefore, investors should consider whether the Fund meets their investment objectives and risk tolerance.

The Firm's investment advisory services include adhering to the investment objectives of the Fund and Managed Accounts, determining appropriate asset allocation across the investment strategies, placing trades, and monitoring existing and prospective investments in accordance with the Fund and each Managed Account objective and risk parameter.

The Firm specializes in providing advisory services where the primary investment objective is to maximize the return and manage the risk of investing in fixed income securities from emerging markets, with particular emphasis in Latin America and the Caribbean. The Firm utilizes a process of identifying relative value distortions among obligations of sovereign and corporate issuers from emerging markets.

The Firm does not provide financial planning.

- C. The advisory services provided to the Fund are in accordance with the Fund's investment objectives, strategies and guidelines. The advisory services provided to Managed Accounts are in accordance with each Managed Account's investment objectives, strategies and guidelines. Managed Account *clients* may impose restrictions on investing in certain securities or types of securities.
- D. N/A. The Firm does not participate in any *wrap fee programs*.
- E. *Client* assets under management on a *discretionary* basis as of February 28, 2012 were US\$102 million. No *client* assets under management on a non-*discretionary* basis.

Item 5 Fees and Compensation

- A. The Firm receives, as compensation for its services, a management fee, payable each month, at an annual rate of 1.00% of the net asset value of the Fund and each Managed Account (before fees have been assessed) for the month on which payment is being made.

The Firm receives, as compensation for performance, an incentive fee, payable each month, at an annual rate of 10.0% of the Fund's new high net profits per share per series of shares for the then current calendar year multiplied by the number of outstanding shares per series. The Firm also receives, as compensation for performance, an incentive fee, payable each month, at an annual rate of 10.0% of each Managed Accounts new high net profits for the then current calendar year.

Fees are non-negotiable.

- B. The Firm deducts the fees in Item 5.A. from clients' assets.
- C. All costs of the Fund's and Managed Accounts investment program (including brokerage and custody charges, interest and taxes, and fees payable to the administrator, Investment advisor, and prime broker and custodian), as well as administrative expenses, professional fees of its accountants and attorneys, and extraordinary costs and expenses will be paid out of Fund and Managed Account assets.
- D. *Clients* do not pay the Firm in advance.
- E. N/A. The Firm and its *supervised persons* do not accept compensation for the sale of securities or other investment products.

Item 6 *Performance-Based Fees and Side-By-Side Management*

The Firm accepts *performance-based fees*. The Firm and its *supervised persons* manage both accounts that are charged *performance-based fees* and accounts that are charged asset based fees as noted in Item 5.A. above. The amount of a *performance-based fee* is 10% over high net profits. The Firm and its *supervised persons* have an incentive to favor *performance-based fee* accounts because compensation for advisory services exceed fees charged to asset based fee accounts. To address this conflict of interest, neither the Firm nor its *supervised persons* may violate the Firm's code of ethics or otherwise violate applicable law or fiduciary standards to which the Firm and its *supervised persons* may be subject. See Item 11 below.

Item 7 *Types of Clients*

Clients include the Fund and Managed Account *clients*. Managed Account *clients* are institutions, corporations and high net worth individuals, pension plans, trusts and investment companies.

Item 8 *Methods of Analysis, Investment Strategies and Risk of Loss*

- A. The methods of analysis and investment strategies are as follows: Since late 1980's, fixed income securities from emerging markets have proven to be a profitable, increasingly liquid asset class with a low correlation with major markets but with a high degree of volatility. The Firm has developed, and successfully implemented since that time, an econometric model that seeks to enhance the return and reduce the risk of investing in this asset class by identifying distortions in relative values. The basic premise behind the model is that the relative valuation of the securities in this asset class eventually should respond to the expected payment capacity of the issuer and the intrinsic characteristics of the issue. This hypothesis gains statistical significance and therefore predictive capacity in an econometric model that utilizes standardized and consistent data estimates of the main independent variables which explain relative valuations. Although absolute valuations between sub-classes within the asset class have tended to correlate, relative valuations have changed significantly over time. By seeking to anticipate these changes and thereby identifying distortions in relative values, the model attempts to provide a hedge against the more common systemic risk.

Investing in securities involves risks of loss that *clients* should be prepared to bear.

- B. The following material risks are involved in the investment strategies or methods of analysis used by the Firm:

History of Default in Emerging Markets Debts. Some of the countries and corporations in which the Fund invests may have failed in the past to pay interest and/or principal on their debt. They may have passed through processes of debt restructuring and rescheduling. Investors must be cognizant of the fact that there is a possibility that they may lose all or a portion of their investment in the Fund. The Fund may invest in securities that are not current in the payment of interest or principal.

Interest Rate Risk and Credit Risk Associated With Debt Securities. The Fund will be subject to the two types of risk generally associated with owning debt securities: interest rate risk and credit risk. Interest rate risk relates to fluctuations in market value and performance of debt securities, and other associated risks, arising from changes in interest rates. If interest rates rise, the value of debt securities will normally decline and if interest rates fall, the value of debt securities will normally increase. All debt securities are subject to interest rate risk. Securities with longer maturities generally will have a more pronounced reaction to interest rate changes than shorter-term securities. On the other hand, when interest rates increase, the cost of leverage will increase for the Fund. Without adequate leverage at reasonable interest rates, the Fund performance will be negatively affected.

Credit risk relates to the ability of the issuer of a debt security to make periodic interest payments and ultimately repay principal at maturity. All debt securities carry credit risk to the degree associated with the issuer. In the case of the Fund's assets, economic and political factors affecting emerging markets, lack of available rating criteria and limited information concerning such issuers, and other factors discussed below, may combine to increase the credit risk and corresponding risk of default associated with the Fund's securities above the level of credit risk normally associated with debt securities rated as investment grade by a recognized rating agency.

Reinvestment Risk. Securities held by the Fund may be subject to prepayment by their issuers in the event of declining interest rates, or due to thinly traded market conditions or other economic and political conditions affecting emerging markets. As further discussed below, it may be difficult or impossible at such time to replace the matured, prepaid or liquidated security with another debt security of the same or greater interest rate and quality of issuer. Without the ability to reinvest the proceeds of such matured, prepaid or liquidated securities in

other debt securities of similar yield and quality, the Fund may be unable to realize its objectives.

Political and Economic Situation. Most of the Fund's securities will be debt securities of emerging markets issuers. Investments in securities from developing countries, companies and banks, do involve risks and special considerations not typically associated with investments in the United States or many other countries with highly developed economies and securities markets. These risks and special considerations include, but are not limited to, risks associated with high rates of inflation and interest and other economic uncertainties, political and social uncertainties, less rigorous regulatory and accounting standards than in the United States, exchange control regulations, a history of government and private sector debt defaults, still significant government influence on the economies, relatively less developed financial and market systems, nationalization, confiscatory taxation, social instability, diplomatic developments (including war) and the limited liquidity and higher price volatility of the related securities markets.

In addition, during the past several decades, several developing countries have had a history of political instability that has included military coupes d' etat and different governmental regimes with changing policies. Past governments have frequently played an interventionist role in the national economies and social structure. Among other things, past governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, have restricted the ability of companies to dismiss employees and have expropriated private sector assets. Certain of the developing countries have seen significant levels of terrorist activity, with escalating acts of violence and attendant damage to property and to the economy. The threat of such terrorist attacks has imposed heavy security costs on businesses within such countries, and there can be no assurance that such costs will not increase in coming years.

Within recent years, several governments of developing countries have implemented broad-based reforms of their political systems, economies and social conditions, aimed at stabilizing the economies, restructuring the national governments toward generally more democratic institutions and structures, in some cases under newly adopted national constitutions, reducing bureaucracy, promoting private investment, developing and strengthening free markets, and other economic reforms aimed at lowering inflation and stabilizing currency fluctuations. A significant and growing trend toward privatizations of government owned and run industries has characterized many developing countries. As a consequence of such privatizations, increasing layoffs have occurred due to the reduction in the work force of the privatized companies, leading to social and political unrest in certain of the countries.

Issuers of securities, operating in such environments, are thus subject to the attendant social and political risks. The securities are subject to the influence of emerging markets economic and political factors affecting the issuers. In addition, the securities held by the Fund also involve normal market and credit risk considerations specific to the issuers and typical of any portfolio of debt securities of private issuers. Due to its exclusive emphasis on emerging markets, the Fund should be considered as a vehicle for investment within emerging markets and not as a balanced investment program.

Rating Criteria for Debt Securities. Although some rating systems have been established to rate emerging markets issuers of debt securities, some of the securities held by the Fund may not be rated. No standard rating criteria have been established for some of the debt securities in which the Fund may invest. Securities of emerging markets issuers may not be rated at all for creditworthiness and are considered to be speculative and to involve greater price volatility than such securities rated in the four highest United States rating categories. In purchasing such emerging markets debt securities, the Investment Advisor will analyze the creditworthiness of the issuer of such securities, its financial resources, its sensitivity to economic conditions and trends, its operating history and the quality of its management and regulatory matters. However, such information may not be publicly available or subject to complete analysis to the same extent as similar information about United States publicly registered issuers or issuers of securities rated by United States rating agencies. (See discussion below.) A substantial portion of the Fund's assets may be invested at any time in unrated debt securities. Consequently, such securities may be considered speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations.

During an economic downturn, a sustained period of rising interest rates or period of economic or political instability in a developing country, local issuers of debt securities may be more likely to experience financial stress than issuers in non-emerging markets. During such periods, such issuers may not have sufficient revenues to meet their interest payment obligations. An issuer's ability to service its debt obligations also may be adversely affected by the unavailability of additional financing.

Risks of Default in Portfolio Securities. In addition to the normal credit risks associated with all debt securities (see "Interest Rate Risk and Credit Risk Associated with Debt Securities", above), the securities held by the Fund may be subject to greater risks of default than would similar debt securities of issuers in non-emerging markets, due to developing countries' political and economic factors discussed in this Information Memorandum, which may tend to make it more difficult for issuers to refinance debt securities as they become due. Frequently, an issuer will repay a bond or other debt security at maturity by

issuing a new bond or debt security to borrow the funds with which to pay off the matured security. The economic and political volatility that has historically characterized developing countries poses a risk that the opportunities for such refinancing available to issuers may be limited or nonexistent. Due to economic conditions, including currency fluctuations and devaluations, an emerging markets' issuer may find credit substantially unavailable to it (at any workable interest rate) at the time a security matures. This may create a risk of default in the repayment of principal at maturity. In the event of default, there may be limited or no legal recourse in that, generally, remedies for defaults must be pursued in the courts of the defaulting party. Political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance. Also, there can be no assurance that the holders of commercial bank loans to the same sovereign entity may not contest payments to the holders of sovereign debt in the event of default under commercial bank loan agreements. In addition, there may be no bankruptcy proceeding that a holder may avail itself of with respect to sovereign debt on which a sovereign has defaulted and, accordingly, the Fund may be unable to collect all or any part of its investment in a particular issue. In addition, a substantial portion of the Fund's securities will be denominated in hard currencies. The risk of currency devaluation may result in the issuer's being unable to procure the hard currency necessary to make interest payments, as required, at the times when due, or to procure the hard currency necessary to repay the security at maturity. See "Currency Devaluations and Fluctuations", below. The risk of loss due to default by an issuer may also be significantly greater for the holders of such debt securities because such securities may be, and are often, unsecured and subordinated to other creditors of the issuer.

Concentration of Investments. The Fund will be invested in debt securities from emerging markets' issuers. This lack of diversification increases the risks of loss for the Fund. Even within the limits established in the section "Investment Restrictions," the Fund could be subject to significant losses if it holds a large position in a particular security that defaults or is otherwise adversely affected.

Disclosure of Macroeconomic Statistics. Disclosure of emerging markets macroeconomic indicators is less accurate than in developed countries. The existence of black markets and a generally low level of monitoring and regulation of the market and market participants, and limited and uneven enforcement of existing regulations, often characterize these markets. There may be less publicly available information about an issuer than would be available in a non-emerging market, and the issuer may not be subject to auditing and public finance reporting standards comparable to those of countries in non-emerging markets. As a result, traditional investment measurements, such as CPI, and other standard ratios, may not be useful in certain emerging market countries, and it

becomes more difficult to evaluate the quality, creditworthiness and level of risk associated with debt securities of emerging markets issuers than with those of certain issuers operating in non-emerging markets.

Availability of Information. Publicly available research on countries and their economics is not as common in emerging markets as it is in the United States. As a consequence, fewer research reports are available on emerging markets countries than on U.S. or other developed countries. Therefore, less information may be available with respect to emerging markets securities than with respect to securities of U.S. issuers, making it more difficult for the Investment Advisor to evaluate the strength and quality of the available debt securities of emerging markets issuers, and more difficult to evaluate the strength and quality of the issuers themselves.

Currency Devaluations and Fluctuations. The Fund will invest at least 50% of its assets in securities denominated in hard currencies and the difference in local currencies from developing countries and will report and handle all transactions in U.S. Dollars. Significant fluctuations and devaluations of other currencies with respect to the U.S. Dollar can negatively impact the market value and quality of such issuer's securities traded on international markets as well as the general financial health and creditworthiness of the issuer itself. Such currency devaluations on one hand, will negatively affect the U.S. Dollar valuation of those securities denominated in different currencies. On the other hand, such devaluations can impose significant risks that the emerging markets' issuer of hard currency denominated securities may not be able to procure the hard currency necessary to pay the interest payments when due, or to return the principal when due at maturity, particularly if their source of income is in the devalued currency. The threat of such devaluations and volatility in these markets creates risks of deterioration in creditworthiness of issuers in such markets and attendant deterioration in the quality of the securities in which the Fund will invest. The potential for currency devaluations and volatility within emerging markets create significant risks of default by entities issuing securities held by the Fund.

Market Characteristics; Illiquidity. Smaller capital markets with substantially less volume than the capital markets of developed countries are common in emerging markets. The securities traded in such markets are generally less liquid, commissions are higher and securities prices are generally more volatile than securities of comparable companies in developed markets. Market swings may affect the Fund's ability to acquire securities at attractive rates or the Fund's ability to liquidate such securities at the price and time the Investment Advisor may determine that deterioration in risk requires such liquidation. Reduced secondary market liquidity may have an adverse impact on market price and on the ability to dispose of particular issues when necessary in

response to specific economic events such as currency devaluation in the issuer's country or deterioration in the creditworthiness of the issuer. There may be no secondary market for those securities privately issued, and the liquidity of those publicly traded may be significantly reduced by the factors identified above. Faced with deterioration in risk associated with the issuer of a security, the Fund may be unable to liquidate such security. This causes the risk that investors may lose their principal invested in such securities, in addition to suffering the consequent reduction in dividends which such a loss of a portion of the Fund's assets may cause.

Transfer Risk. Substantial limitations may exist in certain developing countries with respect to the ability to repatriate income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is deterioration in a country's balance of payments, or for other reasons, a developing country may impose restrictions on foreign capital remittances abroad. The Fund could be adversely affected to the extent such restrictions on investment limit the field of potential investments available to the Fund, or in the event of debt securities purchased in private placements within emerging markets, by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, if applicable.

Leverage. In limited circumstances, the Investment Advisor may incur leverage on behalf of the Fund of up to 10% of its total assets (including the borrowed money and assets acquired with the leverage). The use of leverage creates special risks and may significantly increase the Fund's investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, increases exposure to capital risk and increases the Fund's interest costs.

Additionally, amounts borrowed will be secured by a pledge of securities held by the Fund. Should such pledged securities decrease in value, it may be necessary to pledge additional collateral to a lender in the form of cash or securities, or the securities that have already been pledged may be sold by the lender at times and prices that may be disadvantageous to the Fund. In addition, the rights of any lenders to receive payments of interest and repayments of principal of such borrowings will be senior to those of investors in the Fund, and the terms of such borrowings may contain provisions which limit certain activities on behalf of the Fund. Moreover, the pledge of the securities held by the Fund may encumber or restrict the Investment Advisor's ability to liquidate any such pledged securities at the most advantageous time for the Fund in the event of any deterioration in creditworthiness of the issuer or other economic event causing the Investment Advisor to determine that liquidation of such security is advisable. Consequently, the amount realized by the Fund upon the liquidation of such security may be substantially reduced as a consequence of the delay in such liquidation caused by such security having been pledged.

Over-the-counter Options Transactions. A significant portion of the options transactions effected on behalf of the Fund utilizes the over-the-counter market for their execution. Trading fixed income and other related options in the over-the-counter market is subject to counter-party risk and is without the protections afforded by transactions effected through the Options Clearing Corporation, a registered options exchange.

Call Options. The Fund will, to differing degrees, purchase and sell call options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

The buyer of a call option assumes the risk of losing his entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security (if the market price of the underlying security declines).

Put Options. The Fund will, to different degrees, effect transactions in put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to no greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

Options Trading is Highly Leveraged. The premium normally required in options trading result in an extremely high degree of leverage. Therefore, a

relatively small price movement in the interest underlying an option contract could result in immediate and substantial losses in the Fund's investments.

Option Buyer's Risk of Loss of Entire Investment. An option is a wasting asset which becomes worthless when the option expires. As the remaining life of an option shortens with the passage of time, its value is reduced until it reaches zero upon expiration. This means that the option buyer who neither sells it in the secondary market nor exercises it prior to expiration will lose his entire investment in the option.

Combination Transactions. At various times, the Fund may engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts, in various combinations. Such transactions are considerably more complex than the purchase or writing of a single option. The following are among the many risks of combination option transactions: the difficulty that may be involved in attempting to execute simultaneously two or more buy or sell orders at the desired prices, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination. This can have the effect of requiring a substantial favorable price movement before a profit can be realized.

Assignment of Puts or Calls. Substantial losses may result under certain circumstances if a hedged position becomes a long or short position due to the assignment of the short put or short call portion of the hedged position. Under normal market conditions, the remaining portion of the previously hedged portion may be liquidated or otherwise adjusted to limit exposure to price changes. Suspension of trading of the option class or underlying securities followed by a price gap at the reopening of trading might result in substantial losses. The same would be true given an illiquid market such as that of October 1987.

Indexes in a Spread May Not Correlate. There is not likely to be perfect correlation among the different indexes that are utilized in a single spread. As a result, losses in one component of the position may not be completely hedged by the offsetting component.

Prohibition of Exercise Rights. The options markets have the authority to prohibit the exercise of particular options. If a prohibition on exercise is imposed at a time when trading in the option has also been halted, holders and

writers of that option will be locked into their positions until one of the two restrictions has been lifted.

- C. The Firm recommends fixed income securities form emerging markets. See Item 8.B. above.

Item 9 Disciplinary Information

There are no legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of the Firm's advisory business or the integrity of its management.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Firm nor its *management persons* are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.
- B. The Firm is not a commodity pool operator or a commodity trading advisor nor are its management persons associated persons of the foregoing entities.
- C. The following *management persons* have the described relationship with the indicated *related person*:

Diego Aramburu is not materially interested in any contract or arrangement which is unusual in its nature or condition or which is significant in relation to the business of the Firm or the Fund.

- D. The Firm does not recommend or select other investment advisors which the Firm directly or indirectly receives compensation from those advisors.

Item 11 Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading

- A. The Firm has a Code of Ethics ("Code"), which was adopted in accordance with Investment Advisers Act Rule 204A-1 to set forth the standards of business conduct required of any (i) director, officer, member or partner of the Firm and/or (ii) supervised persons who may be involved in investment advisory activities and/or have access to non-public information. The Code provides the ethical and legal framework in which the Firm and its employees are required to

operate and to highlight some of the guiding principles and mechanisms for upholding the Firm's standard of business conduct as set forth in the code. The Code contains: specific personal securities transaction policies designed to ensure that Firm's personal and proprietary investing activities do not interfere with the best interests of its client(s); a policy statement on insider trading and related procedures designed to prevent the misuse of material, non-public information; and "Chinese Wall" procedures designed to ensure that decisions made by the Firm are reasonably insulated from material non-public information or conflicts of interest.

Furthermore, the Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of Firm's client(s) first; all personal securities transactions must be conducted in a manner consistent with the Code and any 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; and information concerning the identity of securities and financial circumstances of the Firm's client(s) and/or the Fund, including the Fund's investors, must be kept confidential.

The Firm provides copies of its code of ethics to any *client* or prospective *client* upon request.

- B. The Firm or *related person* may recommend to *clients*, or buy or sell for *client* accounts, securities in which the Firm or a *related person* has a material financial interest. The Firm or *related persons* may trade for their own accounts in securities that qualify for investment by the Fund. The Firm or *related persons* may manage, advise or hold an equity interest in other investment funds or accounts with similar objectives to the Fund and which invest in assets similar to those invested by the Fund. The Firm may in the future manage several funds which have investment objectives similar to those of the Fund. Circumstances may exist in which the purchase or sale of assets for one or more funds or accounts managed or advised by the Firm or a *related person* may have an adverse effect on the Fund. The Firm and *related persons* are not obligated to devote any specific amount of time to the affairs of the Fund and are not required to accord exclusivity or priority to the Fund in the event of limited trading or investment opportunities. In managing other accounts or trading or investing for their own accounts, the Firm or *related person* may take positions which are opposite, or ahead of, positions taken for *clients*. In addition, the Firm or *related person* may deal with the Fund as principals or agents in securities transactions.

To address these conflicts, the Firm and its *related persons* may not make investments or participate in transactions which violate the Code or otherwise violate applicable law or fiduciary standards to which the Firm may be subject. All *related persons* are required to notify the Chief Compliance Officer or his

designee in order to pre-clear any personal securities transactions. Furthermore, all *related persons* must provide quarterly reports of their personal transactions and holdings within 30 days of the end of each calendar quarter, which may consist of monthly brokerage statements for all accounts in which they have a beneficial interest.

C. See Item 11.B.

Item 12 Brokerage Practices

- A. The Firm's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. It therefore considers the full range and quality of a broker's services including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility and responsiveness. The best net price (taking into consideration transaction, market impact and opportunity costs), giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

These factors include, but are not limited to: the Firm's knowledge of negotiated commission rates and spreads currently available; the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the execution, clearance and settlement capabilities as well as the reputation and financial strength of the broker-dealer selected; ongoing reliability and the Firm's knowledge of actual or apparent operational problems of any broker dealer; the broker-dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

Re: Commission Rates

The Firm endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. However, the Firm will not select broker-dealers solely on the basis of "posted" commission rates. Although the Firm generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker-dealer involved resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services.

The reasonableness of commissions is based on the broker's ability to provide competitive commission rates, electronic trading facilities and comprehensive service levels which will help the Firm in providing investment management services to the funds.

1. Research and Other Soft Dollar Benefits.

- a. The Firm may effect transactions through brokers with whom it has "soft-commission" arrangements. The benefits provided under such arrangements will assist the Firm in the provision of investment services to its *clients*. Specifically, the Firm may agree that a broker be paid a commission in excess of the amount another broker would have charged for effecting such transaction so long as, in the good faith judgement of the Firm, the amount of the commission is reasonable in relation to the value of the brokerage and other services provided or paid for such broker. The benefit received by the Firm in such instances is that it does not need to produce or pay for these services which take the form of research services, quotation services, special execution and clearance capabilities. The research can include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party. These services may be used by the Firm in connection with transactions in which *clients* will not participate.
- b. For the reasons set forth above in Item 12.A.1.a., the Firm may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on *clients* interest in receiving most favourable execution.
- c. *Clients* may pay commissions (or mark-ups or markdowns) higher than those charged by other-broker dealers in return for soft-dollar benefits.
- d. The Firm trades a single portfolio for each account and therefore allocates all securities transactions to that account.
- e. The Firm acquired the following types of products and services within the past year with *client* brokerage commissions (or mark-ups or markdowns): [research services, quotation services, special execution and clearance capabilities: None.
- f. None. See Item 12.A.1.e. above.

2. Brokerage for Client Referrals.

The Firm does not consider, in selecting or recommending broker-dealers, whether it or a *related person* receives *client* referrals from any broker-dealer or third part party.

3. Directed Brokerage.

- a. The Firm is authorized to determine the broker -dealers through whom securities are bought or sold in accordance with the Fund's specified investment objectives without *client* consultation or consent before a transaction is effected.
 - b. The Firm does not permit its *clients* to direct brokerage.
- B. The Firm does not aggregate the purchase or sale of securities for various *client* accounts.

Item 13 Review of Accounts

- A. The Firm reviews *client* accounts on a daily basis. The Firm undertakes a reconciliation process between its execution and clearing brokers, and also its own trades and positions and the fund administrator. The Firm's Chief Compliance Officer conducts the reviews.
- B. The Firm reviews *client* accounts on a periodic basis as described in Item 13.A. above.
- C. The Fund's administrator produces a monthly net asset valuation for the Fund and the firm uses the same prices and accounting practices as the administrator to estimate the NAV for the managed account. Written monthly statements containing the net asset value, performance, applicable analysis, and material information about the account are prepared for the clients by the Firm.

Item 14 *Client* Referrals and Other Compensation

- A. The Firm receives no economic benefit from anyone who is not a *client* for providing investment advice or other advisory services to the Firm's *clients*.
- B. The Firm from time to time, enters into written arrangements, on a non-exclusive and non-agent basis in conformance with SEC rule 206(4)-3, to compensate

persons for client referrals. The arrangements require among other things, that the solicitor comply with the requirements of rule 206(4)-3 and other applicable law, as well as the terms of the solicitation agreement. Typically, a solicitor is paid no more than 25% of the fees payable to the Firm attributable to the investor introduced to the Firm by the solicitor. The solicitor must at the time of the solicitation provide the *client* with a copy of this *brochure* and a separate document which discloses: (i) a description of the solicitation agreement; (ii) any affiliation between the solicitor and the Firm; (iii) the compensation paid for the solicitation; and (iv) whether the advisory fee for solicited *clients* are higher than those for other *clients* due to compensation paid to the solicitor.

Item 15 *Custody*

Clients receive monthly account statements directly from their custodians as well as statements from the Firm or the Fund's administrator. *Clients* should carefully review and compare those statements.

Item 16 Investment Discretion

The Firm provides discretionary advice with respect to its *clients* and is authorized to make the following determinations in accordance with the Fund's specified investment objectives without client consultation or consent before a transaction is effected:

- Which securities to buy or sell.
- The total amount of securities to buy or sell.
- The broker or dealer through whom securities are bought or sold.
- The commission rates at which securities transactions for client accounts are effected.
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

The Firm may not exceed certain parameters set by the investment objectives of the Funds, for example leverage ratios, or that no more than a set percentage of a Fund's total assets may be invested in the securities of any one issuer. Discretionary authority is assumed by the Firm pursuant to the terms of investment advisory agreement with the Fund and investment advisory agreements with Managed Account *clients*.

Item 17 Voting *Client* Securities

Unless otherwise directed and agreed between the Firm and a *client*, proxy proposals received by the Firm will be voted by the Firm in accordance with the Firm's proxy voting policy (see below). Proxy proposals received by the Firm and designated as "Case by Case" (or not addressed) will be thoroughly reviewed by the Firm and voted in the best interests of the *client*. The Firm will document the basis for the Firm's voting decisions.

Notwithstanding the foregoing, the Firm may vote a proxy contrary to the proxy voting guidelines if the Firm determines that such action is in the best interest of the *client*. In the event that the Firm votes contrary to the proxy voting guidelines, the Firm will document the basis for the Firm's contrary voting decision.

The Firm may choose not to vote proxies in certain situations or for certain *clients*, such as (i) where a *client* has informed the Firm that it wishes to retain the right to vote the proxy, (ii) where the Firm deems the cost of voting would exceed any anticipated benefit to the *client*, (iii) where the proxy is received for a *client* account that has been terminated, or (iv) where a proxy is received by the Firm for a security it no longer manages on behalf of a *client*.

Proxy Voting Policy:

<u>Proxy Proposal Issue</u>	<u>Firm's Voting Policy</u>
Routine Election of Directors	For
Issuance of Authorized Common Stock	For
Stock Repurchase Plans	For
Reincorporation	For
Director Indemnification	For
Require Shareholder approval to issue Preferred Stock	For
Require Shareholder approval to issue Golden Parachutes	For
Require Shareholder approval of Poison Pill	For
Shareholders' Right to Call Special Meetings	For
Shareholders' Right to Act by Written Consent	For
Shareholder Ability to Remove Directors With or Without Cause	For
Shareholders Electing Directors to Fill Board Vacancies	For
Majority of Independent Directors	For
Board Committee Membership exclusively of Independent Directors	For
401(k) Savings Plans for Employees	For
Anti-greenmail Charter or By-laws Amendments	For

Corporate Name Change	For
Ratification of Auditors	For
Supermajority Vote Requirement	Against
Blank Check Preferred	Against
Dual Classes of Stock	Against
Staggered or Classified Boards	Against
Fair Price Requirements	Against
Limited Terms for Directors	Against
Require Director Stock Ownership	Against
Reprice Management Options	Case by Case
Adopt/Amend Stock Option Plan	Case by Case
Adopt/Amend Employee Stock Purchase Plan	Case by Case
Approve Merger/Acquisition	Case by Case
Spin-offs	Case by Case
Corporate Restructurings	Case by Case
Asset Sales	Case by Case
Liquidations	Case by Case
Adopt Poison Pill	Case by Case
Golden Parachutes	Case by Case
Executive/Director Compensation	Case by Case
Social Issues	Case by Case
Contested Election of Directors	Case by Case
Stock Based compensation for Directors	Case by Case
Increase authorized shares	Case by Case
Tender Offers	Case by Case
Preemptive Rights	Case by Case
Debt Restructuring	Case by Case

The Firm's *clients* receive their proxies and other solicitations directly from their custodian.

The Firm may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. The Firm, its affiliates and/or its employees may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships.

If the Firm becomes aware of potential or actual conflict of interest relating to a particular proxy proposal, the Firm to handle the proposal as follows:

- If the proposal is designated in the proxy voting policy as “For” or “Against,” the proposal will be voted by the Firm in accordance therewith; or
- If the proposal is designated in the proxy voting policy as “Case by Case” (or not addressed), the Firm will notify the *client* of such conflict and will cause the proxy to be voted in accordance with the *client*’s instructions.

Upon written request to the Firm, *clients* may obtain (i) a copy of the *Firm*’s proxy voting policies and procedures and/or (ii) information how a *client*’s proxies were voted.

The Firm does not accept or exercise proxy voting authority with respect to client securities.

Item 18 Financial Information

- A. The Firm does not require or solicit prepayment of fees from *clients*.
- B. There is no financial condition of the Firm that is reasonably likely to impair the Firm’s ability to meet contractual commitments to *clients*.
- C. The Firm has never been the subject of a bankruptcy petition.