

**Item 1: Cover Page**

Olympia Capital Management S.A.

25, rue Balzac  
75008 Paris  
France

Name of contact: Sergio Heuer  
Title: Chairman and Chief Executive Officer  
Telephone: +331 4953 9038  
Facsimile: +331 4256 7009  
Email: [sergioheuer@olympiagroup.com](mailto:sergioheuer@olympiagroup.com)

Website address: [www.olympiacapitalmanagement.com](http://www.olympiacapitalmanagement.com)

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**This brochure provides information about the qualifications and business practices of Olympia Capital Management S.A. ("OCM"). If you have any questions about the contents of this brochure, please contact us at +331 4953 9038. 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 OCM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**OCM 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**

The most recent annual amendment to OCM Form ADV Part 2A was dated March 30, 2012. In this new version dated June 29, 2012, we updated our assets under management (Item 4 – E) and investors breakdown assets in funds of funds (Item 7).

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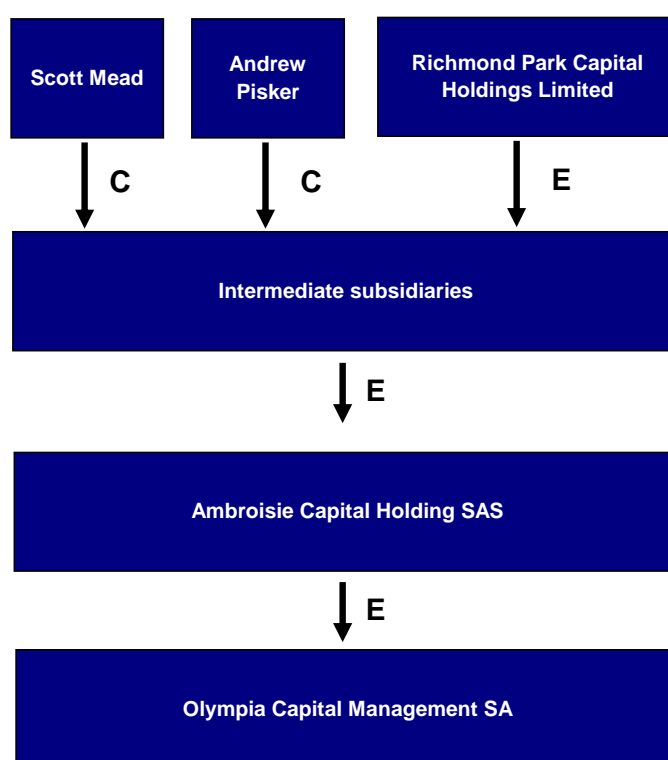
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## Item 4: Advisory Business

### A) Description of the advisory firm

OCM is a “Société Anonyme”, which is the French equivalent of a limited liability company. OCM is an independent specialized asset management company. The predecessor of OCM, Olympia Capital Management S.A. was founded in 1989 and was merged with Olympia Capital Holdings S.A. in February 2011. The surviving entity was subsequently renamed Olympia Capital Management S.A. OCM is domiciled in Paris but certain of OCM's affiliates operate in New York, London and Zurich.

The principal owners of OCM are shown in the control structure chart below:



Ownership codes :

C - 25% but less than 50%  
D - 50% but less than 75%

E - 75% or more

On April 23, 2012, The Kenmar Group and the Olympia Group have signed an agreement to merge, subject to final legal and regulatory approval. The parties expect to close the deal in July 2012.

## **B) Types of advisory services offered**

OCM provides allocation management services to funds-of-funds vehicles. Such vehicles include mutual funds established and regulated in France and unregulated pooled investment vehicles (i.e., private investment funds). OCM specializes in multi-strategy and multi-manager funds-of-funds, allocating assets both to alternative investment and traditional investment vehicles. At the core of its allocation management services is a highly structured and systematic investment process that maintains a strict balance between quantitative, qualitative and operational analysis in making investment decisions.

OCM invests client assets in securities issued by unregulated, privately offered non-U.S. and U.S. hedge fund vehicles, French mutual funds and UCITS. In addition, OCM may enter into various derivative transactions on behalf of its clients in order to hedge their portfolios including, among others, forward currency transactions and performance swap agreements.

## **C) Tailored advisory services**

See item 16.

## **D) Wrap fee programs**

Non applicable

## **E) Asset Under Management**

As of March 30, 2012 OCM managed USD 579 571 514 (USD 394 709 881 on a discretionary basis and USD 184 861 633 on a non- discretionary basis).

## **Item 5: Fees and Compensation**

### **A) General / B) Arranging Payment from Clients**

OCM's basic fees include an annual management fee of up to 2.5% of a fund-of-fund client's net assets under management and, in certain cases, a performance fee or allocation of up to 10% of net new profits (i.e., the sum of all increases and decreases of a client account's net assets attributable to net income and gain and net loss of the client account since inception). Such fees are generally payable quarterly in arrears and are deducted from the assets of the client. Performance fees are calculated based on the net new profits generated in the relevant calendar quarter. All fees are calculated in accordance with the provisions of the Investment Advisers Act of 1940 and Rule 205-3 promulgated thereunder. OCM's fees may be negotiable depending on the size and identity of the particular investor. Compensation is not payable in advance and, therefore, refunds of fees are not necessary. In the event that an investment advisory agreement is terminated at a time that is not the end of a calendar quarter, the management fee will be prorated and, for the purpose of calculating any performance fee due, such fee will be calculated as though the termination date were the last day of the applicable quarter.

### **C) Other Expenses**

Certain charges and expenses, in addition to management and performance fees, may also be borne by fund-of-funds clients. Costs associated with the organization of the fund-of-funds client, including legal, incorporation, registration and license fees will be treated as preliminary expenses. The offering documents of the fund-of-funds client indicate the amount of these preliminary expenses as well as the amortization policy.

On a recurring basis, a fund-of-funds client will also bear the following costs:

- a. Administration fees;
- b. Custody fees;
- c. Legal fees;
- d. Auditor fees;
- e. Transactions costs on the purchase or sales of underlying funds;
- f. Interest costs on borrowing;
- g. Annual registration fee;
- h. Annual license fee;
- i. Directors' fees; and
- j. Liability insurance (e.g. directors' insurance).

These recurring costs are described precisely in the offering documents of each fund-of-funds client.

In addition, a fund-of-funds client (and indirectly the investors in such client) also incurs a pro-rata portion of the fees paid by the underlying funds in which the fund-of-funds vehicle invests.

As a result the operating expenses of the fund-of funds client may constitute a higher percentage of its net asset value than could be found in other investment schemes. Further, some of the strategies employed at the level of the underlying funds require frequent changes in trading positions and a consequent portfolio turnover. This may involve brokerage commission expenses that could exceed significantly those of other investment schemes of comparable size.

#### **D) Advance Payment of Fee**

Not applicable.

#### **E) Sale of Securities**

Not applicable.

#### **Item 6: Performance-Based Fees**

The investment team of OCM manages both funds-of-funds clients that are charged a performance-based fee and funds-of-funds clients that are not charged a performance fee. This may create a conflict of interest in that it may provide OCM an incentive to allocate promising investment opportunities to those clients that are charged a performance fee.

OCM believes that this conflict of interest is mitigated in the following ways:

- Investment decisions are subject to thorough debate and questioning aimed at achieving a consensus. The structure of the organization limits the possibility that certain clients are favored over others.
- The compensation of each member of the investment team is decided on a discretionary basis by the CEO of OCM, and is not based on the amount of fees collected. Therefore, members of the investment team do not have an incentive to favor funds-of-funds vehicles for which OCM receives performance-based fee.

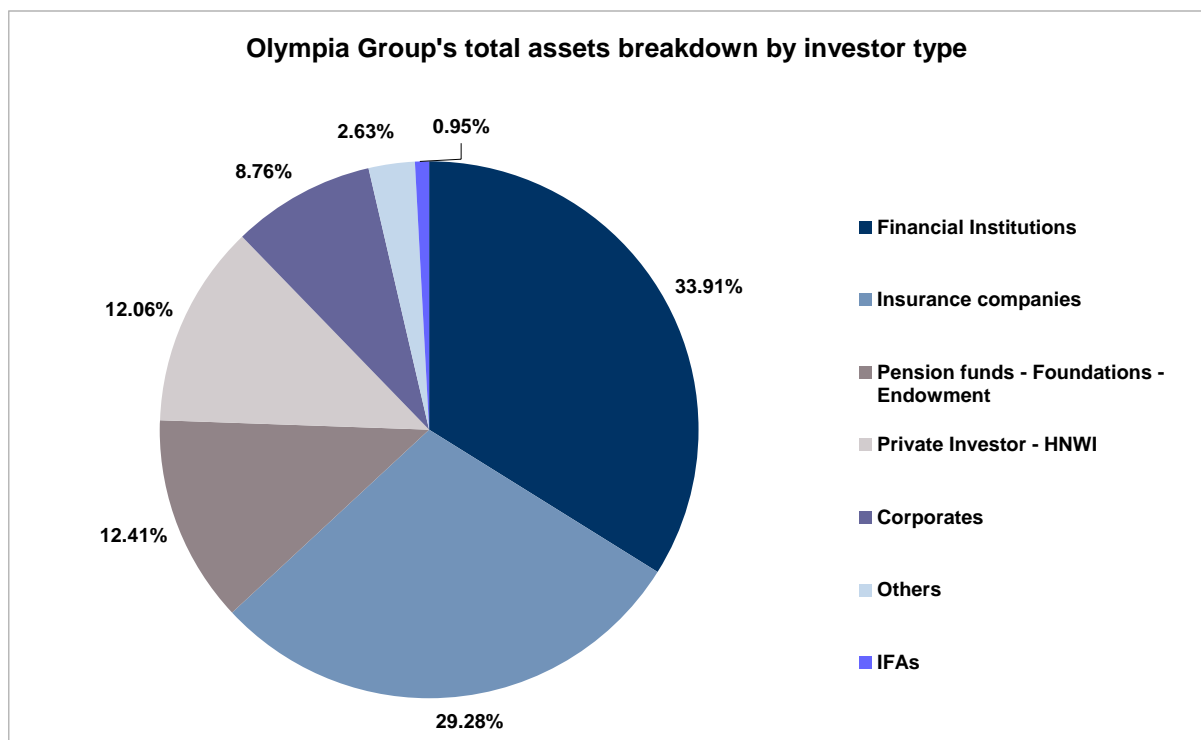
In addition, the receipt of performance-based fees may create an incentive for OCM to make investments on behalf of its clients that are subject to a performance-based fee that are riskier or more speculative than would be the case in the absence of a performance-based fee.

## Item 7: Types of Clients

OCM provides investment advice to unregulated funds-of-funds clients and to regulated French funds-of-funds clients. The investors in these funds-of-funds clients are primarily worldwide institutional investors who meet the definition of “professional client” under the MIFID<sup>1</sup> regulation.

The graphs below shows investors breakdown assets in funds of funds (client type and geographic):

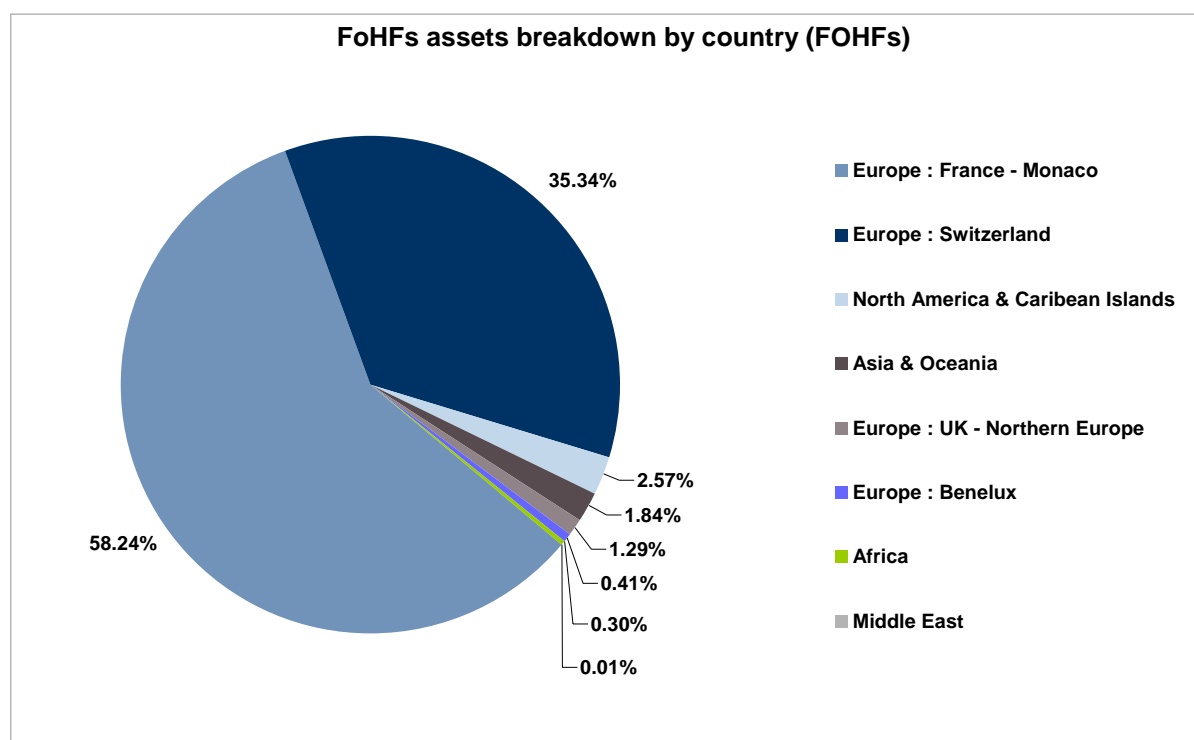
By client type



Source: Olympia Capital Management, as of March 30, 2012

<sup>1</sup> The European Parliament and Council Directive on markets in financial instruments (No. 2004/39/EC).

By country



Source: Olympia Capital Management, as of March 30, 2012

OCM may establish a separately managed account for clients with USD 50 million or more to invest.

## Item 8: Method of Analysis, Investment Strategies and Risk of Loss

### A) General / B) Risks of Strategies/ C) Risks of Investing in Fund-of Funds

#### Description of our asset / style allocation process

Even if we believe that, over a market cycle, manager selection constitutes the major performance driver of funds of hedge funds, macro-economic and systemic risk considerations do play a role in guiding our asset/style allocation process.

We also believe that it is highly important to distinguish between strategy and style. Indeed, most of the hedge fund strategies contain a blend of managers that can use very different investment styles and are thus subject to different macro-economic and liquidity risks. Consequently, when we define our target allocation by strategy, it is complemented by recommendations on the investment styles.

Based on our qualitative and quantitative analysis of the managers, we try to map the investment style bias of our managers to the following three distinct investment styles:

#### 1) Value

- Managers that consistently use valuation ratios or deviations of asset prices from their fundamental value to detect profit opportunities;



- Equity long/short and event driven managers are the most natural candidates for the value style but some global macro managers and arbitrageurs in the commodity, fixed-income and volatility space also use this investment approach.

## 2) Trend-following

- Managers that base their investment decisions on the relative or the absolute past performance of an asset. This performance is generally measured across a range of historic window lengths and trading frequencies;
- Obviously, CTAs are pure trend-followers but several discretionary macro and commodity managers also share this investment style.

## 3. Carry

- Managers whose investment style merely consists in implementing yield seeking strategies;
- This style bias is quite frequent among global macro managers (e.g. through currency carry strategies), credit managers and volatility managers (e.g. through systematic volatility selling strategies).

The strategy/style views are based on three distinct information sources. Firstly, medium-term views for the economy as provided by Olympia's economic consultant on a quarterly basis. Secondly, short-term to medium-term views derived from discussions with the hedge fund managers we invest with and from their current portfolio and risk positioning. Finally, information about the level of both systemic and liquidity risk is derived from our proprietary risk indicator.

Based on the gathered information, our asset allocation committee, which is chaired by Olympia's CIO, assesses the relative opportunities of the various strategies/styles along three dimensions: expected trends for the main asset classes, liquidity and funding conditions and volatility.

Investment style	Expected trends for the various asset classes			Liquidity conditions		Volatility	
	Positive	Side ways	Negative	Abundant	Tight	Low	High
Value	++	+	--	+	--	++	0/-
Trend following	+	--	++	0	++	--	++
Carry	+	+	+	++	--	+	--

On top of that, more specific considerations such as the attractiveness of merger and acquisitions spreads, corporate activity and dispersion at both the asset class and security levels are considered to fine tune our strategy/style allocation.

## Which strategies do we use?

Olympia has developed a strong expertise in all major hedge fund strategies. Olympia classifies hedge fund strategies in four broad categories:

Category	Sub-strategies	Characteristics
<b>Directional trading</b>	Global macro	Can be discretionary or systematic.
	Commodity traders	Discretionary traders with a minimum of 80% of their risk allocated to commodities.
	Trend followers	Systematic only.
<b>Long/short equity</b>	Global long/short	The net exposure of the managers can be long-biased, variable or neutral.
	US long/short	
	Emerging market long/short	
	European long/short	
	Systematic long/short	Includes all quantitative equity strategies such as statistical arbitrage, momentum and factor-based quantitative investing.
	Sector specialists	Managers focused on up to three specific industries.
<b>Relative value strategies</b>	Credit long/short	Includes both fundamental credit long/short investing with a variable (but generally low) directional bias and capital structure arbitrage. Can invest in corporate bonds, CDS, loans and senior structured credit instruments.
	Convertibles	Includes both fundamental convertible long/short investing and arbitrage.
	Fixed income arbitrage	Duration neutral managers focused on yield-curve arbitrage.
	Volatility arbitrage	Managers with a low directional volatility bias but a positive gamma focused on inter- or intra-curve strategies such as skew and volatility term-structure trades.
	Multi-strategy	Managers active in at least three different sub-strategies.
<b>Event driven</b>	Distressed securities	Long-biased managers invested primarily in distressed companies' debt and equity, distressed loans, distressed mortgages and lowly rated structured credit instruments.
	Event driven multi-strategy	Includes risk arbitrage but also pre-announcement strategies, special situations and deep value equity investing. Can invest in both equity and credit instruments.

### **Which strategies do we avoid (and why)?**

Olympia does not invest in two strategies:

#### **1) Short selling**

Since the equity risk premium is positive over the long run, being systematically short equity is an inherently underperforming strategy. Furthermore, historical data has shown that generating alpha from short selling is extremely difficult. Therefore, we tend to avoid pure short sellers in our portfolio and focus on finding long/short equity managers that can generate alpha both from their long and short positions as well as from the management of the portfolio's total market exposure.

#### **2) Asset-based lending (ABL)**

In our opinion, ABL investments require specific skills that are not available in the investment team of Olympia. This includes, but not exclusively, expertise in both analyzing and structuring loans to small and medium enterprises as well as expertise in valuing assets such as inventories, receivables and other types of balance-sheet assets. Overall, we believe that such type of investments can only be

successfully performed by specialized asset managers that have developed a long expertise in the area.

### **On what basis and when do we define and change the asset allocation of the portfolios?**

The strategy (asset) allocation is decided by our Top-Down Asset Allocation Committee, which takes place each quarter. Besides the CIO, who chairs the top-down asset allocation committee, the following members of the investment team are part of it: the Head of Research and the Head of Risk Management and Quantitative Analysis.

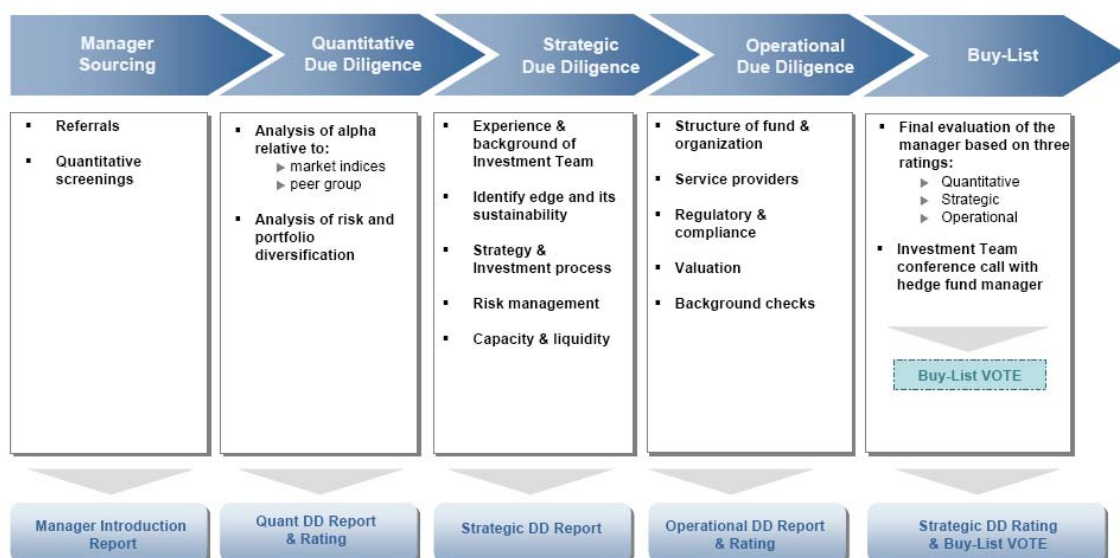
The outcome of this Top-Down Asset Allocation Committee is a target strategy allocation for the forthcoming quarter for all Olympia's diversified funds of hedge funds as well as recommendations about our preferred investment styles. This target allocation is summarized and duly justified in an internal written document that is released each quarter. The potential rebalancing induced by the new target strategic allocation will be implemented as fast as possible during the forthcoming quarter.

Between quarters, the Top-Down Asset Allocation Committee may decide to review the target strategic allocation. However, it has to be justified by extraordinary short-term events (e.g. Lehman bankruptcy) occurring in financial markets.

### **Manager Selection Process**

The manager selection process aims to identify talented hedge fund managers with a superior business model that will consistently add both value and diversification to our portfolios in the long run. Crucial in our due diligence process is that it not only focuses on how performance has been generated in the past, but more importantly on whether manager success will be repeatable in the future.

#### **A) Our manager selection process can be summarized as follows:**



At each step of the process, a detailed formal report is issued and circulated to the investment team. All reports are stored in our proprietary database.

### 1) Manager sourcing and Pipeline Committee

The members of our investment team select new funds using several sources such as their deep network of relationships, existing managers, quantitative screenings of various databases and service providers of the hedge fund industry (e.g. prime brokers, capital introducers and administrators).

Every month the Pipeline Committee, comprised of all the members of the investment team, reviews all Manager Introduction Reports and decides whether a full due diligence should be pursued on the specific funds.

### 2) Quantitative Due Diligence & Monitoring

Our quantitative due diligence process is based on the statistical analysis of individual fund performance and risk data. Before the Pipeline Committee approves a manager, the manager's historical track record is analyzed and scored by our risk management and quantitative analysis team.

The quantitative due diligence process aims at identifying whether or not a manager (i) delivers consistent alpha relative to market indices, (ii) delivers consistent alpha relative to its peers within the same strategy and (iii) improves the diversification of our current fund of funds portfolios both under normal market conditions as well as under extreme scenarios.

### 3) Strategic & operational due diligences

The strategic due diligence focuses on analyzing all aspects of a fund's strategy. Our aim is to assess whether the strategy, developed by the fund's portfolio manager, is sustainable in the long run and whether the manager's methodology and risk management systems are adequate. The strategic due diligence is conducted by a dedicated Strategy Analyst, who specializes in the corresponding strategy, through direct interviews with the portfolio manager and key members of the investment team.

In parallel to the strategic due diligence, operational due diligence is conducted 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 the management company is properly staffed, properly structured as a legal entity, financially viable, and organized in a way that supports the investment process.

The Head of Operational Due Diligence grants an Operational Rating for each fund, supported by the Operational Due Diligence Analyst's proposal. He holds a veto on approving a fund on any identified and substantiated operational issue. The CIO is not allowed to override the veto.

Both strategic and operational due diligences are performed on-site.

### 4) Final manager review (Buy List)

Once the Strategy Due Diligence Report and the Operational Due Diligence Report are complete, a final conference call, the Buy List is organized with the portfolio manager or other key investment staff. The objective of the call is to address issues, if any, that had not been covered in the strategic and operational due diligence and to allow all the members of the investment team to ask questions and build their own view on the manager.

Following the completion of the Buy List, the Strategic Rating is assigned to the fund.

## 5) Manager monitoring

Each hedge fund in Olympia's portfolio is assigned to two Analysts, (1) a Strategy Analyst responsible for monitoring the fund with regards to strategy and (2) an Operational Analyst responsible for monitoring the fund with regards to operational risk. The assignment is based on the fund's strategy and location. Typically, both analysts have conducted the initial Strategic and Operational Due Diligence on the fund.

The Strategy Analyst conducts two strategic updates per year on all the existing funds. The objective of the strategic update is to monitor the evolution of the manager's investment process and to assess changes in the manager's methodology, risk management process and resources.

While a full operational due diligence process is reiterated each year, the fund is monitored every quarter through a limited questionnaire. The objective of monitoring is to reassess the operational risk and rating on a regular basis and anticipate operational issues.

## 6) Monthly manager review

Every month the investment team reviews the monthly performance of all underlying hedge funds in our portfolios during the formal manager review meeting. The review focuses on recent market conditions and how they have affected each individual manager we invest with.

Performance is evaluated both quantitatively and qualitatively:

- An exception report with all managers that experienced a monthly performance greater or smaller than two standard deviations relative to their historical average return is compiled and presented to the meeting.
- For all managers, the risk management and quantitative analysis team prepares a report that flags significant changes in a number of risk measures depending on the particular strategy of the manager such as, gross exposure, net exposure, equity market beta, sensitivity to interest rate, credit and volatility risk, Value-at-Risk, and leverage.
- Material operational matters are presented by dedicated analysts.

During that review, the members of the investment team bring up issues such as capacity and changes in liquidity. Potential new allocations to managers for which the due diligence process is completed are prioritized based on portfolio needs.

The result of the meeting is a summary of recommendations to the Strategic Asset Allocation Committee (SAAC).

## **B) For each step of the process, how is decision making structured? Who is the ultimate decision maker?**

The investment decisions are the fruit of an intense collaboration between the departments of the investment team. Our decision process is committee-based but the CIO is ultimately responsible for deciding which investment ideas to pursue and which investment decisions to implement.

Before investment, the decisions surrounding the manager selection process are taken during the monthly Pipeline Committee, which meets formally each second week of the month. It is chaired by the CIO and is comprised of the Head of Operational Due Diligence, the Head of Research, the Head of Risk and Quantitative Analysis and both the Strategy Analysts and the Operational Analysts.

The Pipeline Committee pursues three distinct objectives:

1. Discuss and assess the investment ideas of the Strategy Analysts.
2. Set the priorities of and coordinate the research process between the teams.
3. Ensure the consistency between the investment ideas of the research team and the target positioning of Olympia's portfolios.

The final outcome of the committee is a decision on the continuation of the due diligence process for the investment ideas proposed by the analysts.

The final decision on whether to include a manager on the list of investable funds is taken after the Final Manager Review. This decision is based on a vote by the Head of Risk Management and Quantitative Analysis, the Head of Research and the Strategy Analysts. Both the CIO and the Head of Operational Due Diligence have a veto right.

After investment, the performance of the managers is reviewed on a monthly basis during the monthly Bottom-Up Committee. It is chaired by the CIO. The purpose of this committee is twofold. The first objective is to review the performance and the risk of each invested manager. The second objective is to provide recommendations to the SAAC.

The decision to remove a manager from the list of investable funds is generally taken after this review and is subject to a formal vote. The same members of the investment team as for the Pipeline Committee are taking part to the vote. Both the CIO and the Head of Operational Due Diligence have the right to remove a manager from the list of investable funds at any time.

### **Portfolio construction process**

Olympia does not have a dedicated team of portfolio managers. Instead, one dedicated member of the investment team is in charge of preparing and following the trades together with the CIO. The trade proposals are then presented and explained to the Strategic Asset Allocation Committee (SAAC), which validates them. The ultimate responsible person for allocation decisions is the CIO.

The objective of our portfolio construction process is to diversify risk through optimal style diversification by using a limited number of managers (20 to 30). In order to do so, our portfolio construction process is divided in four distinct steps that have to be applied systematically for each allocation decision. Due to our concentrated style, we need to have a good understanding of the risk of our portfolios as well as of the impact of each investment decision on this risk. This is why we have built state of the art internal quantitative analysis tools in order to support our investment decisions.

#### **Step 1: Consistency of the fund's current risk with its risk budget**

Each of our products is run with a target volatility range. Our proprietary risk management tool enables us to measure the ex-ante volatility of our portfolios as well as their aggregated market exposures. We also have the ability to perform What-If analysis in order to assess the impact of any trade decision. Consequently, if the measured ex-ante volatility is below (above) the target volatility range of the portfolio, risk has to be increased (decreased). If the views of the investment committee are optimistic (pessimistic), risk will generally be increased (decreased) to the upper (lower) bound of our target volatility range.

#### **Step 2: Liquidity constraints**

For each of our products, we have to ensure that there is no mismatch between the liquidity of our assets and liabilities. In order to do so, we construct liquidity curves on a monthly basis. Any significant deterioration in the liquidity of one of our portfolios will have to be compensated by a decrease in the capital allocated to less liquid funds. Note that some of our products have prospectus

guidelines on the maximum percentage of the fund's capital that can be invested in less liquid managers.

#### Step 3: Target strategy/style allocation

Our investment committee defines a target allocation for each strategy each quarter. This is complemented by recommendations on the preferred investment styles as defined in the section "Description of our asset / style allocation process". Each transaction undertaken in the portfolios has to be in line with the target strategy/style allocation.

#### Step 4: Consistency between analysts' convictions and portfolio risk

As mentioned in the section "Manager Selection Process", each Strategy Analyst provides recommendations to the Bottom-Up Committee. Similar to financial analysts' recommendations, the views of our analysts have been standardized on a five-grade scale (i.e. 5: very high conviction to 1: very low convictions). The last step of our portfolio construction process is thus to ensure that the risk allocated to each manager is in line with the convictions of the Strategy Analysts. In order to do so, we will allocate more (less) risk to the high (low) convictions positions. Note that for our diversified funds, we have a soft upper limit of 25% for the risk allocated to one single manager.

On top of our manager allocation, we can allocate up to 5% of the funds' capital to a market overlay strategy. This strategy aims to quickly decrease or increase the risk of our portfolios if the liquidity constraints (notice period, lockups and redemption frequency) of the invested managers do not allow us to do so within the desired time frame. Two types of instruments are used for this overlay strategy namely long and short hedge fund index replicating products and long volatility products. The decision to turn to the overlay strategy is generally based on the level of our proprietary risk indicator.

### **Item 9: Disciplinary information**

Neither OCM nor any of its associated persons has any reportable disciplinary information.

### **Item 10: Other Financial Industry Activities and Affiliations**

OCM delegates certain of its duties and obligations with respect to three French regulated mutual funds to which it provides investment management services to Olympia Capital Gestion S.A., a French affiliate of OCM.

Olympia Capital Gestion S.A. provides discretionary management services for high net worth individuals and is regulated by the French AMF for this activity. Olympia Capital Gestion S.A. invests on behalf of its clients in long-only financial instruments.

This relationship does not create a material conflict of interest with OCM's clients or with OCG's clients.

### **Item 11: Code of Ethic, Participation or Interest in Client Transactions and Personal Trading**

As required by regulation, OCM has adopted a Code of Conduct that governs a number of potential conflicts of interest we have when providing our advisory services to our clients. This Code of Conduct is designed to ensure we meet our fiduciary obligation to our clients (or prospective clients) and to drive home a culture of compliance within our firm.

An additional benefit of our Code of Conduct is to detect and prevent violations of securities laws, including our obligations we owe to our clients.

Hard copy of our Code of Conduct is distributed to every new member of staff - at the time of hire - who must sign a form acknowledging that they have read it and they adhere to its rules. The Code of Conduct is maintained and updated by the compliance function and major changes require the signatures of employees.

Our Code of Conduct includes the following:

- Requirements related to professional secrecy and confidentiality.
- Prohibitions on:
  - ⇒ Insider trading (if we are in possession of material, non-public information);
  - ⇒ The acceptance of gifts and entertainment that exceed our policy standards;
- Reporting of gifts and business entertainment;
- Reporting (on an on-going, quarterly and annual basis) of personal securities transactions as mandated by regulation;
- Employee's personal trading policy and restrictions.

Our Code of Conduct does not prohibit personal trading by employees of our firm. However, access persons are subject to a strict monitoring of all their transactions. In addition, personal trading in funds of funds managed by OCM or in the underlying funds thereof requires pre-approval of the CCO.

You may request a complete copy of our Code of Conduct by contacting us at the address, telephone or email on the cover page of this Part 2 (attention: Chief Compliance Officer).

## **Item 12: Brokerage Practices**

OCM generally does not use the services of any broker-dealers for the purchase and sale of hedge fund securities on behalf of its funds-of-funds clients. Investment transactions are not executed through a broker or a dealer but are placed directly with transfer agents for the underlying portfolio funds and are affected at the issue price determined by the underlying funds. Such transfer agents are compensated directly by the underlying funds and do not receive or pay any compensation specific to any transaction effected by OCM on behalf of its clients.

## **Item 13: Review of accounts**

### **A) / B) / C)**

#### General

Client accounts are reviewed on a monthly basis by the SAAC (see response to Item 8 above).

#### Performance review

The Quantitative Analysts produce on a monthly basis with respect to each client portfolio:



- a statistical report that shows in-depth risk/return at the overall portfolio level
- a contribution analysis that shows the contribution to portfolio performance made by each underlying portfolio strategy
- a report that shows the contribution to portfolio performance made by each underlying portfolio investment.

These reports are provided to the SAAC and are used by the SAAC to support its investment recommendations.

#### Risk review

#### **Risk management process**

The risk management process is structured around formal and informal risk reviews.

The key formal market risk review takes place every month during the investment committees. The full set of risk indicators produced and reviewed by the risk management team are summarized in a single document released by the Risk Management Team, the Quant Book. The Quant Book is generated the week preceding the Bottom Up Committee and it is released at least one day before the start of the Bottom Up Committee. A comprehensive suite of risk reports is presented by the Head of Risk Management and Quantitative Analysis and discussed during the investment committees as follows:

##### 1) During the monthly manager review

The Strategy Analysts comment and discuss the performance of the managers. Exception Reports (e.g. managers that experienced a monthly performance greater or smaller than 2 standard deviations relative to their historical average return, see Item 8 – section “Manager Selection Process”) are systematically reviewed. The Head of Risk Management and Quantitative Analysis presents any significant and/or relevant changes (i.e. flags) in a battery of risk measures reported by the manager or estimated by Olympia risk management tools: gross exposure, net exposure, equity market beta, sensitivity to interest rate, credit and volatility risk, Value-at-Risk, and leverage. Finally, operational issues are discussed. This review is made fund by fund and strategy by strategy.

Following this risk review, the Bottom Up Committee may take two types of decisions:

- **Watch List:** If any element reviewed above dampens the conviction towards a manager, any member of the investment team can decide to put this manager onto Watch List. The Watch List period lasts 3 months and may be extended for three additional months. Meanwhile, any additional allocation to the manager is forbidden. At the end of the Watch List period, the Bottom Up Committee re-assesses the fund and examines whether the elements that triggered the Watch List have improved. If yes, the fund goes back to the list of investable funds. If no, the member of the investment team who put the fund on the Watch List will write a former Sell List with her/his final recommendation.
- **Sell List:** If any member of the investment team believes that the ability of the manager to generate alpha is permanently altered, he/she will immediately call for a Sell List. A vote by the members of the Bottom Up Committee will take place.

##### 2) During the monthly the Strategic Asset Allocation Committee (SAAC)

The Head of Risk Management and Quantitative Analysis reviews:

- The risk budget;
- The diversification / concentration of risk;
- The macro risks;
- The liquidity curves;
- Internal risk limits.

This review is done for each fund of hedge funds portfolio and it is discussed by the SAAC.

Informal risk reviews also occasionally take place:

- During weekly investment team meetings;
- During exceptional meetings following specific events such as red flag detection (guideline violation, changes in assets or staff, exceptional performances, style drift, operational issues) or new information collected by the investment team.

### Risk Management system

OCM operates and maintains a Risk Management system to monitor and control the market and the liquidity risk at the fund of fund portfolio level. Please find a description of the system below.

**Market risk:** We measure the overall risk exposures of our portfolios as well as of our holdings on a monthly basis. In order to do so, a proprietary software – the Aggregated Risk Tool– has been developed internally.

The following statistics are computed for our funds of funds holdings on a monthly basis and presented at the beginning of the SAAC:

- Risk & exposure statistics:
  - Value at Risk
  - Expected shortfall
  - Exposures to major systematic sources of risk (e.g. equity, fixed income, credit)
- Stress test scenarios:
  - Up and down shifts in major equity markets
  - Up and down shifts in the spread between the yield to maturity of Moody's BAA bonds and U.S. government 10 year bonds
  - Up and down shifts in the slope of the U.S. and European yield curve expressed as the difference between the yield to maturity of 10 year and 3 month government bonds
  - Up and down shifts in the implied volatility of the U.S. equity market proxied by the VIX index
  - Up and down shifts in the value of USD with respect to a basket of currencies

This reporting is used by the investment committee (SAAC) to monitor whether the ex-ante risk of our different funds is in line with their respective objectives. In addition, they are used to adjust the exposures of the portfolios to the different sources of systematic risk depending on the view of the investment committee on the future return of these systematic sources of risk.

**Liquidity risk:** Liquidity risk is monitored on a monthly basis at our fund of funds levels. The objective of liquidity risk management is to monitor any potential liquidity mismatch in the event the fund of funds have to face important money outflows. This is done through the computation of liquidity curves which indicate the exact time (including the notice period and the payment delay) needed to liquidate a given percentage of the portfolio. The liquidity risk of each OCM fund of fund is presented by the head of Risk Management and Quantitative Analysis at the beginning of each monthly SAAC.

**Internal operational risk:** Internal operational risk is managed by checking if each fund of funds is in line with its investment guidelines including but not limited to diversification restrictions, concentration limits and liquidity. There are three sources of Investment Guidelines: regulatory requirements, mandated set of client objectives and constraints as well as OCM Internal Guidelines. The control and the enforcement of these guidelines are under the responsibility of our Chief Compliance Officer.

#### Valuation of clients accounts

The net asset value of each management client account is determined on a weekly or monthly-basis by an independent accountant. The net asset value is then reviewed by the Operation Team prior to disclosure to the client. The review process includes the following significant controls:

- Account balances are reconciled on an ongoing-between custodian and internal accounting interface.
- Net asset value calculations are compared to industry averages and previous weeks' performances for reasonableness.
- Prices of underlying investments computed by the independent accountant are compared for accuracy to prices independently obtained by OCM.
- Timely and proper recording of shareholder transactions (subscriptions and redemptions to client accounts) is checked.
- Major amounts of income, expense, realized or unrealized gain or loss are re-calculated by OCM to make sure that they have been correctly booked.

If a discrepancy that has a potential impact on the net asset value is detected, the fund's accountant is requested to perform immediately the appropriate adjustments.

At the end of the process, the reviewed net asset value is transmitted to the Operation Manager for approval. If approved, the net asset value gets reported to other parties.

#### Reports

Investors in client accounts that are funds advised by OCM receive on a monthly basis the following reports:

- A fund fact sheet containing performance reporting, a portfolio review and market commentary
- A statement of account detailing their interests in the fund and showing the latest calculated final net asset value

A quarterly marketing brochure is sent to all investors and quarterly conference calls or visit are also set up with investors upon request.

Investors receive an annual audited report for the fund. In addition, investors may receive statistical reports, contribution analyses, portfolio reports or other customized reports, subject to a confidential agreement with OCM.

### **Item 14: Client Referrals and Other Compensation**

#### **A) Economic Benefit from Non-Clients**

Not applicable.

## **B) Compensation Paid for Client Referrals**

OCM has entered into several distribution and introduction agreements with third parties (certain of which are affiliated with OCM) pursuant to which OCM compensates such persons for referrals of prospective investors in OCM's client accounts. Such persons are compensated, in whole or in part, out of management fees earned by OCM.

## **Item 15: Custody**

OCM does not have physical custody of any of its clients assets. All cash and securities constituting the assets of the funds of funds advised by OCM are held by the custodian of these vehicles. However, since OCM has signatory power over the funds of funds' securities and cash accounts, this causes OCM to exercise limited custody over the funds of funds' securities and cash accounts. Qualified custodians send accounts statements at least quarterly to the investors in the funds of funds. Independent public accountants audit annually the funds of funds vehicles that OCM manages and the audited financial statements are distributed to the investors in the pools.

## **Item 16: Investment Discretion**

OCM has discretionary authority to manage securities accounts on behalf of its clients. OCM manages the assets of the funds of funds vehicles according to the terms of an investment management agreement signed with the governing body of each funds of funds vehicle.

The investment management agreement usually includes limits or "investment guidelines" in relation to the management of investments (for example: portfolio concentration limits or eligibility of assets).

## **Item 17: Voting Client Securities**

### **A) + B)**

For funds-of-funds vehicles, proxy voting comes in the form of underlying fund matters rather than the traditional voting that is common with publicly traded securities. Underlying funds seeks periodically investor consent on varying issues including, but not limited to, changes in liquidity terms or fees. These changes are evaluated by our investment team and the decision to accept or refuse them is communicated in a timely manner to the administrator of the funds of funds vehicle who will prepare and submit the relevant paperwork to the underlying fund. In the event OCM does not consent to a change required by the underlying fund then this could cause OCM to consider exiting from that fund.

## **Item 18: Financial Information**

### **A) Balance sheet**

OCM does not require prepayment of advisory fees, therefore we are not required to provide an audited financial statement.

### **B) Ability to meet contractual commitments with clients**

The European financial regulation requires OCM to maintain adequate financial resources. OCM is required to hold – at all time – a minimum amount of capital (or "own funds") equal to 25% of its operational expenses.

In addition, OCM subscribed a professional indemnity insurance against liability arising from professional negligence, representing EUR 7 500 000 applying to each claim and in aggregate EUR 7 500 000 per year for all claims. However, this professional indemnity insurance does not cover the territory of the United States of America.

### **C) Bankruptcy petition**

OCM has not been the subject of a bankruptcy petition at any time during the past 10 years.

### **Item 19: Requirements for State-Registered Advisers**

Not applicable.