

**Northern Fund Management America LLC**

**April 17, 2013**

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**This brochure provides information about the qualifications and business practices of Northern Fund Management America LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us via telephone at (203) 487-3434 and/or via e-mail to [shoekstra@northernshippingfunds.com](mailto:shoekstra@northernshippingfunds.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in Stamford, Connecticut. The Adviser commenced operations as an investment adviser on August 12, 2008 and expects to register with the SEC as of March 30, 2012. Northern Fund Management Bermuda Limited is the parent company ("Parent Company") of the Adviser.

The Adviser provides investment advisory services on a non-discretionary basis to its clients, all of whom are private investment vehicles offered only to sophisticated individuals and institutional investors (collectively, "Investment Vehicles"). The Parent Company serves as the investment adviser to the Investment Vehicles.

The Adviser provides advice to the Investment Vehicles based on their specific investment objectives and strategies.

As of December 31, 2012, the Adviser had approximately \$410,775,544 in client assets under management, all of which are managed on a non-discretionary basis.

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#### **Item 5. Fees and Compensation**

Under its investment advisory agreements, the Adviser is paid by the Parent Company an annual fee on a cost-plus basis.

The Investment Vehicles are subject to other investment expenses, including management fees and incentive fees payable to a related person of the Adviser, expenses related to the sourcing, due diligence and potential acquisition of investments, organizational and offering expenses, legal, tax and accounting and auditing fees, other professional advice and the advice of other consultants and experts, placement fees, filing fees, travel and entertainment expenses, audits of past internal rates of returns, printing fees, the production of marketing materials, insurance expenses, extraordinary expenses and any other costs, expenses and fees associated with products or services that may be necessary or incidental to such investments. The Investment Vehicles may invest through intermediate holding companies, and in connection therewith, will bear their pro rata share of the holding companies' operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses.

The Adviser also may serve as an administrative agent for third parties with respect to certain investments in which its clients may have an interest, and it may receive fees from those third parties for providing services as administrative agent.

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#### **Item 6. Performance-Based Fees and Side-by-Side Management**

This Item is not applicable.

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#### **Item 7. Types of Clients**

The Adviser's clients consist of the Investment Vehicles.

Any minimum capital commitment amounts for Investors in an Investment Vehicle are disclosed in the Investment Vehicle's offering documents.

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

The Adviser identifies investments in the shipping and offshore oil services sector, and analyzes these investments from a technical and a fundamental perspective. The Adviser performs due diligence on potential investments.

The Adviser employs an asset-based investment strategy focused on acquiring assets in the shipping and offshore oil services sectors and employing those assets on a medium to long-term basis. Structures for the investments that the Adviser recommends include structured finance and private equity products utilizing sale and leaseback transactions, senior and subordinated secured debt, bonds, mezzanine and preferred equity financings, participation and joint venture structures, as well as other asset-based structures.

Certain general risks associated with the Adviser's strategy are discussed below:

*Lack of Diversification.* The strategy will be concentrated in the shipping and oil services sectors. Accordingly, portfolios employing the strategy may be subject to more rapid change in value than would be the case if the Adviser sought to maintain a wider diversification among industry sectors.

*Illiquidity.* The strategy seeks to invest in assets for which no active market exists. As such, the sale of any such Investments may be possible only at substantial discounts, and such Investments may be extremely difficult to value with any degree of certainty.

*Counterparty Risk.* Because the strategy seeks to invest in asset-based structures through special purpose companies with counterparties, any failure by a counterparty to perform its obligations could adversely effect the performance of a portfolio employing the strategy.

Investing in the maritime and offshore oil services markets entails certain specific risks, including the following:

*Cyclical Nature of Maritime and Offshore Oil Service Markets.* The maritime and offshore service industries can be cyclical, with volatility in charter rates, profitability and vessel values. Future demand, and in turn the future charter rates, for vessels will be dependent upon continued economic growth in the world's economies, particularly in China, India and other Asia Pacific economies, and will be influenced by seasonal and regional changes in demand and changes in the capacity of the world's shipping fleets. Adverse economic, political, social or other developments could decrease demand and growth in the shipping industry and thereby reduce revenue significantly. Likewise, a decline in demand for commodities or other products transported in ships or an increase in the supply of such vessels could adversely impact a portfolio employing the strategy.

*Increased Industry Regulation.* The maritime and offshore oil industries are subject to complex environmental laws and regulations, in the form of international conventions and treaties, national, state and local laws and national and international regulations. Vessel classification societies also impose significant safety and other requirements on vessels. Increased regulations may, among other things, increase compliance costs and affect business opportunities for certain investments.

*Environmental Risks.* Certain environmental laws or regulations applicable to maritime and offshore oil service companies may impose strict liability, often regardless of fault, on various parties (jointly and severally), including owners and operators, associated with oil pollution and release of hazardous materials. Certain investments involve a risk of oil spillage or seepage, environmental damage caused by

release of hazardous substances, among other things. Any investment involved in an oil spill or other accident involving hazardous materials, or found to be in violation of environmental laws or regulations could be subject to substantial fines or penalties and to civil or criminal liability that could have a material effect on its business and operating results.

*Possible Catastrophic Loss and Liability.* Operating an ocean-going vessel carries an inherent risk of catastrophic marine disasters and property losses, caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy, or other circumstances or events. If a vessel suffers damage, it may need to be repaired, resulting in potentially substantial and unpredictable costs as well as loss of earnings while the vessel is being repaired. Acts of piracy have increased in frequency since 2008, putting ocean-going vessels and their cargos in danger of being captured, subjecting vessels that travel in certain regions to higher insurance premiums and/or difficulty obtaining coverage, and increasing the costs of crew and security. In addition, the carriage of crude oil is subject to the risk of business interruption due to political action and labor stoppages, resulting in loss of revenues or increased costs.

*Insurance Coverage May be Insufficient.* Vessels may carry insurance against commonly insured risks, however, such insurance coverage may not be adequate for all risks and insurers may not pay particular claims.

*Maritime Claims.* Maritime claimants could arrest a vessel and commence foreclosure proceedings for unsatisfied debts, claims or damages. In addition, in some jurisdictions, under the “sister ship” theory of liability, a claimant may arrest both the vessel that is subject to the claimant’s maritime lien and any “associated” vessel, which is any vessel owned or controlled by the same owner. The arrest or attachment of a could result in significant costs to release the vessel.

*Residual Value.* Certain transactions may result in a vessel being redelivered to an entity employing the strategy at the end of the transaction. The actual value of the vessel may be less than the residual value assumed when the investment was concluded.

*Key Man.* The Adviser depends on the services of its principals in order to effect its strategies. The loss of the services of any of the key principals could adversely affect the ability of the Adviser to effect its strategies.

The aforementioned methods of analysis, strategies and investments involve risk of loss to Investment Vehicles, and Investment Vehicles must be prepared to bear the loss of their entire investment. Additional risks of investing in a particular Investment Vehicle are described in its offering documents.

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## **Item 9. Disciplinary Information**

This Item is not applicable.

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

The Adviser is a wholly-owned subsidiary of the Parent Company, who also acts as the sponsor of and the investment adviser to the Investment Vehicles.

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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser to put the interests of the Adviser’s clients before its own interests and to act honestly and fairly in all respects in its dealings

with clients. Personnel of the Adviser are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Sybren Hoekstra (Chief Compliance Officer) by email at [shoekstra@northernshippingfunds.com](mailto:shoekstra@northernshippingfunds.com), or by telephone at (203) 487-3434.

The Adviser, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser may seek to invest on behalf of an Investment Vehicle. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is an Investment Vehicle. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to the Investment Vehicles and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to an Investment Vehicle or using such information for the benefit thereof. In such circumstances, the Adviser will have no responsibility or liability to an Investment Vehicle for not disclosing such information thereto (or the fact that the Adviser possesses such information), or not using such information for the benefit of the Investment Vehicle, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser may permit certain principals to co-invest in an investment alongside its clients, provided that its clients have been given the option to invest in the investment, and that the co-investment is made on the same terms, including price, as were offered to its clients.

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#### **Item 12. Brokerage Practices**

This Item is not applicable.

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#### **Item 13. Review of Accounts**

Each Investment Vehicle's portfolio is reviewed by the Senior Investment Manager and the President of the Adviser, on a quarterly basis, to determine whether its investments are performing in accordance with the Adviser's strategy. Matters reviewed include the composition of the Investment Vehicle's portfolio and the performance of the investments therein, counterparty risk, and other financial, operational and technical factors.

Significant market or credit events that may affect the projected results of one or more investments may trigger reviews of an Investment Vehicle's portfolio on other than a periodic basis.

Investors in an Investment Vehicle receive summary or other financial reports from the Investment Vehicle from time to time.

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

This Item is not applicable.

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#### **Item 15. Custody**

This Item is not applicable.

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**Item 16. Investment Discretion**

This Item is not applicable.

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**Item 17. Voting Client Securities**

The Adviser generally will not have the authority to vote proxies. To the extent that the Adviser does have such authority, it will comply with proxy voting policies and procedures that are designed to ensure that the Adviser votes proxies in the best interests of its clients.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Sybren Hoekstra (Chief Compliance Officer) by e-mail at [shoekstra@northernshippingfunds.com](mailto:shoekstra@northernshippingfunds.com), or by telephone at (203) 487-3434.

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**Item 18. Financial Information**

This Item is not applicable.

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**Item 19. Requirements for State-Registered Advisers**

This Item is not applicable.

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**Appendix: Item 2. Material Changes**

This is the Adviser's initial brochure, as such, there are no material changes to report.

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