



# INNOCAP GLOBAL

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MALTA

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## Part 2A of Form ADV: Firm Brochure

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Updated: January 24<sup>th</sup>, 2014

This brochure provides information about the qualifications and business practices of Innocap Global Investment Management Ltd. ("**IGIM**"). If you have any questions about the contents of this brochure, please contact us at (356) 22 583713 or [xavier.urli@innocapglobal.com](mailto:xavier.urli@innocapglobal.com). The information in this brochure 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 IGIM is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

IGIM is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the "**Advisers Act**"). Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

## Item 2: Material Changes

On January 24<sup>th</sup>, 2014, IGIM filed its initial application to register as an investment adviser with the SEC. Accordingly, pursuant to disclosure rules under the Investment Advisers Act of 1940 ("**Advisers Act**"), this is the first Brochure compiled by IGIM to provide new and prospective clients and investors with clearly written, meaningful, current disclosure of its business practices and conflicts of interest. We encourage all recipients of this Brochure to read it carefully and in its entirety.

In the future, this Item will identify and discuss material changes that have occurred since the last annual update of the Brochure.

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## Item 4: Advisory Business

### **Innocap Global Investment Management Ltd.**

IGIM was previously known as National Bank of Canada (Global) Limited, a corporation governed under the laws of Barbados. As from June 14<sup>th</sup>, 2010, National Bank of Canada (Global) Limited was re-domiciled to Malta pursuant to the Maltese Continuation of Companies Regulation and licensed, by the Malta Financial Services Authority ("**MFSA**"), under the *Financial Services Act* (Malta) as a Provider of Financial Services. As from the date of its redomiciliation to Malta, National Bank of Canada (Global) Limited has changed its name to IGIM. IGIM has a category 2 license and is authorized to provide investment advices and management services to professional clients (including collective investment schemes). Voting shares of IGIM are held by a wholly-owned subsidiary of National Bank of Canada: Natcan Global Holdings Ltd., a company formed under the laws of Malta.

### **Investment Management Services**

IGIM provides investment management and advisory services to pooled investment vehicles and accredited investors within the meaning of the laws of the relevant jurisdictions, as amended from time to time. In connection with providing these investment management services, IGIM may act as investment manager with discretionary and non-discretionary trading authorization depending on the type of mandate.

More specifically, IGIM is responsible for: (i) the management of investment vehicles including the allocation of assets among various alternative strategies; (ii) monitoring and risk management of investments made by all investment vehicles managed by IGIM; and (iii) ensuring compliance of investment vehicles managed by IGIM with their respective investment guidelines.

IGIM serves as the investment manager of collective investment schemes established as multi-fund investment companies with variable share capital ("**SICAV**") incorporated with limited liability under the laws of Malta and licensed by the MFSA under the Investment Services Act as professional investor funds targeting qualifying investors, as defined in the offering documentation, a concept similar to US accredited investors (the "**Maltese Funds**"). The Maltese Funds are divided into segregated sub-funds which are segregated patrimonies and are represented by different classes of shares.

Additionally, IGIM also acts as the investment manager of (i) an Irish open-ended umbrella investment company established as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations (the "**UCITS Fund**"); and of (ii) an Irish qualifying investor fund (the "**Irish Funds**"). For the purposes of this document, Irish Funds and Maltese Funds shall be referred to as the "**EU Funds**".

The management of the portfolio of the EU Funds is delegated by IGIM to sub-advisors (the "**Trading Advisors**"), which implement various types of investment strategies following their respective investment approaches.

The EU Funds are divided between two types of funds:

- (1) Commingled Funds; and
- (2) Dedicated Funds.

Commingled Funds provide investors with access to various investment strategies while dividing the costs and expenses between a large number of investors. Dedicated Funds offer investors a

tailored and dedicated approach to their investment needs subject to additional requirements which may consist of a higher minimum subscription amount. Investors in the Dedicated Funds may be granted a broader role than investors in Commingled Funds, including inputs on investment guidelines and restrictions.

#### **Investment Restrictions**

Investors in the Dedicated Funds may impose restrictions on investment in certain securities or type of securities.

Investors in the Commingled Funds are generally not permitted to impose restrictions or investment in certain securities or type of securities.

As of October 31<sup>st</sup>, 2013, IGIM manages USD 1,775,801,578.38 on a discretionary basis.

## **Item 5 - Fees and Compensation**

#### **Management Fees**

With respect to the EU Funds, IGIM is generally paid an investment management fee ranging from 0.15 % to 1.25% (both annualized) of the net asset value ("**NAV**") of each class of shares of the EU Funds. The management fees are payable monthly or quarterly in arrears at the end of each relevant payment period and are deducted from each class of shares of EU funds. EU Funds initiated or terminated during the relevant monthly or quarterly period will be charged a pro-rated fee. The fees payable by each EU Funds are set forth in detail in each of the EU Funds' respective offering documents.

#### **Additional Fees**

EU Funds managed by IGIM may also bear the following fees:

##### **Trading Advisor Fees**

Fees paid to the Trading Advisors generally include a management fee ranging from 0.5% to 2.5% (annualized) based on the NAV of an EU Fund and a performance fee ranging from 10% to 30% (annualized) based on the net trading gain of an EU Fund. Further details can be obtained from IGIM and are disclosed in the relevant offering documentation.

##### **Administration Fees**

The EU Funds may also bear administrative fees and expenses generally ranging between 0.05% to 1.00% (annualized) based on the NAV of the EU Funds, sometime subject to a minimum fee, which may include administration fees, registrar and transfer agent fees and expenses, accounting, audit and legal costs, custodial fees, bookkeeping and recordkeeping costs, communication and promotional expenses, other professional fees and expenses, any trading and investment-related costs and expenses and dissolution costs, regardless of whether profits are realized.

##### **Trading Fees**

Certain types of strategies employed in the EU Funds, or in underlying investment vehicles in which the EU Funds invest, may require frequent changes in trading positions and consequent portfolio turnover. This may involve brokerage commission expenses exceeding significantly those of other investment schemes of comparable size. In relation to such EU Funds, they must therefore make meaningful profits from their investments to avoid depletion or exhaustion of there assets from these and other expenses.

### Other Fees

EU Funds may be subject to other types of fees including administration services and related software fees, banking commissions and charges, custodian fees, legal fees, auditing fees and other professional advisory fees, company secretarial fees, registration and statutory fees, regulatory fees, translation and accounting expenses, interest on borrowings, insurance costs and/or premiums, director and officer fees and expenses, licensing and government filing fees, taxes and governmental expenses applicable to the EU Funds, costs of preparation, translation, printing and distribution of reports and notices, marketing material and advertisements and periodic update of the offering documentation, stock exchange filing fees, expenses in connection with registration, listing and distribution of the EU Funds issued or to be issued, expenses in connection with obtaining and maintaining a credit rating for any EU Fund, expenses of shareholders meetings, expenses of the publication and distribution of the NAV, clerical costs of issue or redemption of shares, postage, telephone, facsimile and telex expenses, costs of litigation, brokerage, research and market data expenses (except to the extent that all or a portion of its costs in respect of brokerage or research-related services or products are paid through the use of "soft dollars") and any other expenses in each case together with applicable value added taxes.

Except as stated above, the EU Funds will reimburse the investment manager and/or the administrator, as applicable, for all costs and expenses incurred or paid by them associated with the authorisation fees for the EU Funds and the EU Funds' ongoing operations. This will include all ordinary and customary expenses including, but not limited to, maintaining the EU Funds' registered office in the relevant jurisdiction, annual governmental registration and authorisation fees, legal and auditing expenses, administrative, custodian, rating agency fees, pricing services fees, costs and expenses of third-party risk management products and services (including but not limited to the costs of risk management software or database packages) consultant and other service provider expenses and fees, background checks and other due diligence fees, printing, mailing, costs relating to communication with investors, tax consultation, compliance services, administrative costs in relation to annual reports and financial information, and similar ongoing expenses. The fees and expenses payable to service providers may change from time to time.

Fees and charges which are identifiable with a particular EU Fund shall be charged to it and other charges will be borne pro-rata to the net assets in each EU Fund and other organization and operating fees as described in further details in the relevant offering documentation.

### Side Letters

Where permitted under applicable laws and regulation, IGIM may enter into letter agreements with certain strategic investors granting different business and investment terms which may not be available to the other investors, provided that doing so does not adversely affect other investors.

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

IGIM does not charge any performance based fees to its clients.

## **Item 7 - Types of Clients**

IGIM primarily provides investment management services to clients that are pooled investment funds. In respect of the EU Funds, investors may include some or all types of qualifying investors as set forth in the relevant offering documentation and, solely with respect to the UCITS Fund, retail investors.

The minimum subscription amount in an EU Fund is generally set at USD 150,000.00

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

### **Methods of Analysis**

IGIM may select, retain and negotiate investment management agreements with Trading Advisors each of which is in charge of the trading of the portfolio of a specific EU Fund, and specializes in various strategies which are outlined hereinafter. IGIM identifies, researches, assesses, selects and monitors the Trading Advisors. IGIM generally evaluates potential Trading Advisors by considering, to the extent such information is available, a variety of different factors including, without limitation: education, experience, background and reputation of key personnel, investment philosophies, risk management techniques employed, operational capabilities, risk/reward attributes of each Trading Advisor's strategy, portfolio composition, information obtained through personal interviews and literature, as well as political and economic factors. IGIM or the Trading Advisors may also invest on behalf of the client in (or provide advice with regards to) different financial instruments including equity, fixed income, commodity, FX, credit and cash market instruments.

### **Investment Strategies**

IGIM may notably advise and/or give investors access, through the EU Funds, to the following strategies:

- Multi-Strategy;
- Convertible Arbitrage;
- Dedicated Short Bias;
- Emerging Markets;
- Equity Market Neutral;
- Event Driven – Distressed;
- Event Driven - Multi-Strategy;
- Event Driven – Risk Arbitrage;
- Fixed Income Arbitrage;
- Global Macro;
- Long/Short Equity;
- Hedge Fund Index Replication; and
- Managed Futures.

### **Risk of Loss**

There can be no assurance that the investment strategies implemented in the EU Funds will be successful and that their investment objective(s) will be achieved. The EU Funds could realize substantial or total losses, rather than gains and investors should be prepared to bear this risk.

Profitable trading is often dependent on anticipating trends or trading patterns. In addition, markets experiencing random price fluctuations, rather than defined trends or patterns, may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. Any factor which may lessen major price trends (such as, but not limited to, governmental controls affecting the markets) may reduce the prospect for future trading profitability. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in prices moving the maximum amount allowed in a single day could also be detrimental to profits or

cause losses. Increases in margin levels on securities (including options) may occur in the future. Such increased margin and other potential regulatory changes may adversely impact the trading strategies. No assurance can be given that the trading techniques and strategies of the will be profitable in the future.

The following is a non-exhaustive list of the more common risks that investors should consider in connection with an investment in the EU Funds:

- Investments in or linked to hedge funds are highly speculative and may be highly volatile;
- Transferability and withdrawals of shares in the EU Funds may be restricted or suspended;
- Although the hedge fund strategies implemented by IGIM or the Trading Advisors may provide the opportunity for positive returns, investors in such strategies may also experience significant volatility and incur the risk of permanent capital loss;
- Investors shall bear the financial risk and limited liquidity of underlying investments;
- Multiple level of fees and expenses may be payable by the EU Funds which can reduce a client's returns;
- Underlying instruments may be hard to value;
- There can be no assurance that the hedge fund strategies implemented by IGIM or the Trading Advisors will achieve the investment objective.

Investors should carefully review the sections regarding the investment strategy and approach, the risk factors and the conflicts of interests contained in the offering documentation of the EU Fund in which they intend to invest. Investors should also consult their financial, legal and tax advisors before making an investment decision.

## **Item 9 - Disciplinary Information**

IGIM and its employees have not been involved in any legal or disciplinary events that would be material to a client's or a prospective client's evaluation of IGIM's investment management business or the integrity of its management.

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

IGIM is based in Malta and is mainly engaged in the business of managing alternative investment funds. IGIM is regulated by the MFSA and is authorized to provide investment services, and to hold or control clients' money or assets, but not to deal for its own account or underwrite.

IGIM anticipates registering as a commodity pool operator regulated by the U.S. Commodity Futures Trading Commission and the National Futures Association.

IGIM has retained NBC, an important shareholder of IGIM, to provide certain middle office and back office functions to Innocap. IGIM has arrangements that are material to its advisory business or its clients with NBC. NBC has been retained by IGIM in order to provide:

- Market Risk calculation services (including VaR);
- Daily Market Risk monitoring services;
- Credit risk calculation services (including credit analysis);
- Daily reconciliation of trades, positions and P&L ;
- NAV validation services;
- Investment guidelines monitoring services in addition to IGIM's monitoring;
- Support to IGIM with accounting matters;
- Internal audit services;



Please note that the above-mentioned list should not be construed as being exhaustive but rather as being a summary of the services provided by NBC to IGIM.

Please also take note that IGIM has relationships and arrangements that are material to its advisory/management/business and/or its clients with the following entities that are related persons (the “**Related Persons**”):

**NBC:** IGIM is a wholly-owned subsidiary of NBC, a bank incorporated under the Bank Act (Canada).

**Innocap Fund SICAV p.l.c.:** IGIM acts as the investment manager of Innocap Fund SICAV p.l.c.

**NBCG Fund SICAV p.l.c.:** IGIM acts as the investment manager of NBCG Fund SICAV p.l.c.

**InRIS UCITS PLC:** IGIM acts as the investment manager of InRIS UCITS PLC.

**InRIS QIF PLC:** IGIM acts as the investment manager of InRIS QIF PLC.

**Innocap Investment Management Inc. (“Innocap”):** 50% of the voting and equity shares of Innocap are held by National Bank of Canada, a bank incorporated under the Bank Act (Canada). Innocap acts as investment advisor of IGIM.

**Natcan Global Holdings Ltd:** Voting shares of IGIM are held by a wholly-owned subsidiary of National Bank of Canada: Natcan Global Holdings Ltd., a company formed under the laws of Malta.

**NBF International Holdings Inc.** NBF International Holdings Inc., a Canadian corporation wholly-owned by National Bank of Canada, holds one non-voting share of IGIM.

### **Conflicts of Interest**

IGIM is subject to significant conflicts of interest in managing EU Funds which impact IGIM's objectivity and the performance of its obligations. IGIM has adopted a Code of Ethics (see Item 11) which includes policies and procedures designed to monitor, manage and reduce the potential conflicts of interest.

### ***Relation with IGIM's shareholders***

IGIM's affiliation with NBC and its respective subsidiaries makes it necessary to put in place policies as contained herein aimed at addressing any potential conflicts of interest and ensuring that all investment decisions and their execution are made in the best interest of IGIM's clients.

- (a) All investment decisions relating to purchases and sales of client portfolio securities will be made in the ordinary course of business without the involvement of NBC or any entity presently associated or affiliated with IGIM. IGIM will maintain operational and decision-making autonomy in the management of client's funds and the selection of portfolio

investments.

- (b) Investment decisions will be made on the basis of the judgment of responsible portfolio managers uninfluenced by considerations other than the best interest of the clients.
- (c) IGIM may, from time to time, advise its clients with respect to the purchase and sale of any of the related persons. However, IGIM will only do so if:
  - it considers a purchase or sale to be in the best interests of its clients;
  - any purchase will not give rise to any duplication of management fees; and
  - the client's prior consent has been obtained according to applicable securities legislation.

Conflicts of interest can notably arise when a director, an officer or employee of IGIM engages in outside business activities or serves on the board of directors of another entity, including, without limitation, another investment company. Before approving any outside business activities, IGIM will consider potential conflicts of interest and, if it believes that such potential conflict of interest cannot be managed, the outside activity or directorship will not be permitted. IGIM requires that its directors, officers and employees seek permission before participating in any external activity or accepting a directorship that could raise any conflict, and has adopted strict policies with regards to participation in external activities and directorships. In the event that IGIM or a related person (i) obtains material non-public information in such capacity with respect to any such company or (ii) is subject to trading restrictions pursuant to the internal policies of IGIM; IGIM may be prohibited from engaging in transactions with respect to the securities or instruments of such company, which prohibition may have an adverse effect on clients of IGIM.

#### ***Directors' Conflicts of Interest***

Directors of IGIM may have a direct or indirect financial interest in entities (including, without limitation, NBC the Investment Advisor, the Trading Advisors, and their affiliates) that provide services for compensation for IGIM. Thus, such Directors may have a conflict of interest between their duty to act for the benefit of IGIM and their financial interest in increasing compensation or fees to be paid to such entities.

More specifically, François Bourassa is a director of IGIM, the Investment Advisor and of the EU Funds. As a result of these affiliations, it could be said that the agreements between IGIM and such entities were not negotiated on arm's length terms. However, the directors have fiduciary duties to IGIM and consequently have exercised and will continue to exercise good faith and integrity in handling all IGIM's affairs.

#### ***Services not Exclusive***

IGIM may perform investment management services for various clients. This may create a conflict of interest as the time and effort of IGIM's officers, key employees and principals will not be devoted exclusively to any one client as they must devote a portion of their time to the other clients and investments. IGIM may give advice and take action in the performance of its duties with respect to one client which may differ from advice given, or the timing or nature of action taken, with respect to other clients, so long as it is IGIM's policies, to the extent practicable, to allocate investment opportunities among all clients for which such investment would be appropriate on a fair and equitable basis.

### ***Compensation Practices***

IGIM is very careful with any particular benefits, compensation or remuneration practices that are inconsistent with its obligations towards its clients. It is IGIM's policy to never accept commission-based remuneration. In connection with the services rendered to the EU Funds, IGIM has no revenues other than those specifically disclosed in this Offering Memorandum or in the Offering Supplements.

### ***Transactions with Affiliates***

IGIM may cause the EU Funds to enter into transactions, including, without limitation, securities transactions, derivative contracts, and other transactions of a similar nature, with the its affiliates or certain of its clients. Conflicts of interest may be inherent in the fact that NBC is the parent company of IGIM. IGIM may enter into such dealings provided that they are on an arm's length basis and on terms no less favourable to the EU Funds than could reasonably have been obtained had the dealing been effected with an independent third party.

### ***Services provided by Affiliates***

IGIM has retained NBC to provide certain middle office and back office functions as specified under Item 10 entitled "Other Financial Industry Activities and Affiliations".

The information provided to NBC under these agreements is shared under strict confidentiality and on a need-to-know basis. IGIM has obtained reasonable assurance that NBC has implemented physical and technological information barrier between its middle and back office functions and its front office functions.

On behalf of an EU Fund, IGIM following advice from the Investment Advisor or a Trading Advisor may use an executing broker-dealer affiliated with IGIM, the Investment Advisor or a Trading Advisor. IGIM or the Trading Advisor will do so only if the transaction is consistent with their respective duty to obtain best execution.

On behalf of an EU Fund, IGIM or a Trading Advisor may retain a prime broker, exchange traded derivatives clearer or custodian affiliated with IGIM, the Investment Advisor or the Trading Advisors for clearing, custody and such other auxiliary services under limited circumstances. The IGIM or a Trading Advisor will do so only if terms and conditions of such services are negotiated on an arm's length basis and are no less favourable to the EU Fund than could reasonably have been obtained if the services were provided by an independent third party. In particular, The IGIM or a Trading Advisor may retain as prime brokers, futures clearers and custodians affiliates of NBC and BNPP who hold the totality of interests in Innocap or are under common control with the IGIM.

### ***Side Letters - Waivers***

IGIM has a conflict of interest in approving side letters providing certain investors with different terms regarding their investment in the EU Funds, or a waiver of certain terms in a specific instance.

IGIM intends to strictly limit both the use of side letters and the granting of waivers, but retains the right to do both in accordance with applicable laws and regulations. IGIM has permitted, and may permit in the future, certain investors to invest in the EU Funds on more favourable economic terms to those applicable to other investors in such EU Funds. Side letters and waivers will be permitted by IGIM so long as such preferential treatments do not adversely affect other investors.

### ***Information Provided to Affiliated Entities***

Where permitted by applicable laws and regulations, IGIM's affiliates may be provided with enhanced transparency in relation to assets comprised in the EU Funds. Investors wishing to

invest in such EU Funds should be aware that they may not necessarily benefit from the same level of transparency as such affiliates and, consequently, from the same possibility to assess the global risk of such EU Funds. However, IGIM's affiliates will not be granted a preferential treatment with respect to the liquidity to redeem or subscribe from the EU Funds.

#### ***Recommendation or Selection of Trading Advisors***

From time to time, IGIM may cause clients to invest in EU Fund that are managed or advised by its Related Persons or its affiliates or have other business relationships (such as fee sharing agreements) with IGIM or its affiliates. This conflict of interest is mitigated by IGIM's fiduciary duty to place the interest of its clients first.

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

### **Code of Ethics**

Pursuant to Rule 204A-1 of the Advisers Act, IGIM has adopted a Code of Ethics (the "**Code**") which incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the EU Funds, must be kept confidential; and independence in the investment decision-making process must be maintained at all times. The Code is also designed to address and mitigate potential conflicts of interest.

*Investors and clients may request a copy of the Code by contacting IGIM at the address or telephone number listed on the first page of this document.*

### **Personal Trading**

The Code also places restrictions on personal trades by employees, including the disclosure of their personal securities holdings and transactions to IGIM on a periodic basis. The Code also includes an insider trading policy (the "**Insider Trading Policy**") that is designed to prevent the misuse of material, non-public information. IGIM's personnel are required to certify their compliance with the Code, including the Insider Trading Policy, on a periodic basis.

Officers and employees of IGIM may from time to time serve as members of the boards of public and non-public companies. Such employees must obtain the approval of IGIM prior to accepting such role.

## **Item 12 - Brokerage Practices**

IGIM has discretionary authority with regards to the EU Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Even in cases where IGIM has full discretionary authority, IGIM's authority is limited by its own internal policies and procedures and each EU Fund's investment guidelines.

With regards to the EU Funds, IGIM does not actively trade in individual equities or fixed income securities. IGIM typically recommends asset allocation strategies for the EU Funds to be managed by the Trading Advisors; thus, it does not have the same duty to seek best execution as an investment manager that invests directly in equities and fixed income securities. The Trading Advisors typically request that accounts be opened with the brokers through which their own investment funds trade and Innocap proposes the brokers to the board of directors of the EU Funds. Such proposed brokers are evaluated by IGIM's Risk Oversight Committee and the board of directors of the EU Funds in accordance with the criteria set forth below. To ensure that Trading Advisors are seeking to obtain best execution, IGIM ensures that each investment management agreement with Trading Advisors contains obligations for the Trading Advisors to comply with applicable guidance regarding best execution and soft dollars.

### **Criteria for recommendation of Broker-Dealers<sup>1</sup>**

When evaluating a proposed broker-dealer, IGIM, with advice from the Investment Advisor, will generally look for the following criteria:

- understanding of the business and the investment objective, strategy and approach of the funds for which the broker-dealer will act.
- capacity to provide services for the daily activities of a fund, day after day and without material failures even when transactions become more complex.
- strong financial situation and good capitalization, in particular, broker-dealers (the corporate group which they belong to, or their guarantor, if applicable) will be assessed based on criteria such as:
  - total assets;
  - tier 1 capital;
  - loan loss reserves to total loans ratio;
  - risk weighted assets;
  - credit ratings provided by rating agencies; and
  - market value of shareholder's equity greater than five hundred million U.S. Dollars (USD 500,000,000).
- strong global securities lending presence.
- strong technological capabilities.
- cash management capabilities in order for the fund to obtain better returns for any cash holdings.

IGIM, while evaluating broker-dealers, will also give major importance to the broker-dealer's back office, because a strong and experienced operations department is essential to handle difficult situations and problems should they arise.

### **Soft Dollars**

It is IGIM's policy not to enter in any formal soft dollar arrangements.

With regards to the EU Funds, portfolio transactions are allocated by IGIM or the Trading Advisors to brokers (which may include brokerage firms affiliated with the IGIM or the EU

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<sup>1</sup> Prime brokers, exchanged traded derivatives clearer or custodian.

Funds' Investment Advisor or Trading Advisors), on a basis consistent with best execution. In selecting brokers and dealers to execute portfolio transactions, IGIM or the Trading Advisors have authority to and may consider several different factors, including, among others, a broker's or dealer's ability to provide best execution, its willingness to commit capital, its financial stability, its systems, facilities and recordkeeping and its experience in handling similar transactions (based on size, market conditions and type of security, among other factors). IGIM and the Trading Advisors may also take into account a broker's and dealer's relative performance on industry surveys and studies of execution quality, the broker's and dealer's rates of commission, mark-ups and mark-downs, its applicable margin levels and financing rates and other applicable fees and charges, its overall responsiveness, and the broker's or dealer's provision of research, brokerage and other products and services pursuant to soft dollar arrangements.

### **Brokerage for Client Referrals**

IGIM may enter into agreements on behalf of EU Funds managed by it with certain brokers-dealers that act as prime brokers on behalf of such EU Funds. From time to time, IGIM's personnel may speak at conferences and other events for potential qualified investors interested in investing in EU Funds which are sponsored by those prime brokers. These conferences and events may be a means by which IGIM can be introduced, subject to the applicable laws and regulations, to potential qualified investors interested by the EU Funds. Currently, neither IGIM nor the existing EU Funds compensate prime brokers for organizing such "capital introduction" events or for any investments ultimately made by prospective qualified investors attending such events (although either may do so in the future). While such events and other services provided by a prime broker may influence IGIM in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the EU Funds, IGIM will not commit to allocate a particular amount of brokerage to a broker-dealer in any such situation.

From time to time, the EU Funds may accept investments from full-service financial firms who are investing on their own behalf or on behalf of third-parties. The financial services firms may have related entities that include broker-dealers and IGIM may from time-to-time utilize these broker-dealers when IGIM believes that a particular broker-dealer provides best execution for client transactions. IGIM does not take these investments into consideration when determining which broker-dealers to use to execute client transactions, and IGIM maintains various internal controls for this purpose.

### **B. Allocation of Investment Opportunities**

It is the policy of IGIM to allocate the allocation of investment opportunities for EU Funds fairly and equitably, to the extent possible, over a period of time. IGIM, however, will have no obligation to purchase, sell or exchange any security or financial instrument or recommend to purchase, sell or exchange any security or financial instrument for one fund managed or advised by it or EU Funds which IGIM may purchase, sell or exchange for another fund managed by it or EU Funds if IGIM believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for a particular fund or EU Funds.

IGIM generally makes investment decisions among EU Funds on a pro rata basis in proportion to the relative value of the eligible net assets of such fund and/or EU Funds or on a pro rata basis in proportion to the actual position size held by such fund and/EU Funds. Additional factors that IGIM may take into account include, among others, the nature and size of the proportion of a securities issue likely to be available to IGIM or the nature and size of the proposed sale; the investment objectives and restrictions on one of the EU Funds; the relative size and cash

availability of the applicable strategy within such fund and/or EU Funds; the ability to borrow and the cost of borrowed funds; tax consequences; legal restrictions, including those that may arise in foreign jurisdictions; the liquidity of the investment relative to the need of such fund and/or EU Funds; the degree of specialization of such fund and/or EU Funds relative to the investment offered; the relative historical participation of such fund and/or EU Funds in the investment; the difficulty of liquidating an investment for more than one fund managed by IGIM and/or EU Funds; the possibility that an allocation may result in a small or odd lot; new funds managed by IGIM with a substantial amount of investable cash; and other factors considered relevant.

### **Item 13 - Review of Accounts**

EU Funds, in which clients are invested, are analyzed and monitored on an ongoing basis by the Risk and Due Diligence Department of the Investment Advisor, which reports its findings to IGIM. These reviews are subject to the Investment Advisor's Chief Compliance Officer's overview. Each EU Fund is reviewed in detail on at least an annual basis, as well as in connection with each client meeting. On a daily, weekly and monthly basis, where applicable, the Investment Advisor's Risk and Due Diligence Department reviews a number of reports that are designed to identify EU Funds that are outside the expected ranges for returns, volatility, exposure to asset classes, and exposure to industry sectors.

Reviews of an EU Fund will also be triggered if a client changes its investment objectives, or if the market, political, or economic environment changes materially.

Clients receive account statements directly from their chosen custodian, prime brokers or the EU Fund's administrator on at least a quarterly basis. IGIM and/or the Investment Advisor may supplement these statements with reports provided during client meetings or as requested. In addition, investors of the EU Funds receive audited annual financial statements.

### **Item 14 – Client Referrals and other compensation**

Other than the situation described below, IGIM does not receive any other economic benefits from non-clients in connection with the provision of investment management services to clients. IGIM is very careful with any particular benefits, compensation or remuneration practices that are inconsistent with its obligations to clients. It is IGIM's policy to never accept a commission-based remuneration.

### **Item 15 - Custody**

IGIM does not have custody of client funds or securities.

### **Item 16 - Investment Discretion**

With respect to the EU Funds, IGIM may keep full discretionary authority to manage clients' assets, including authority to make decisions with respect to which Trading Advisor is engaged to manage the assets. Even in cases where IGIM has full discretionary authority, IGIM's authority is limited by its own internal policies and procedures and each client's investment guidelines.

## Item 17 - Voting Client Securities

### **Proxy Voting Policies and Procedures**

Rule 206(4)-6 under the Advisers Act, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with such rules, IGIM has adopted proxy voting policies and procedures (the "**Policies**"). The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any (collectively, "**proxies**"), in a manner that serves the best interests of the EU Funds for which IGIM has the authority to vote. In limited circumstances, IGIM may refrain from voting proxies where IGIM believes that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the EU Funds.

Proxy voting for the EU Funds may also be delegated to the Trading Advisors. IGIM believes that the Trading Advisors are generally fiduciaries with obligations to vote proxies in the best interests of the accounts they manage.

A copy of the Policies is available upon request, as is information about how IGIM has voted.

## Item 18 - Financial Information

IGIM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.