

# **Interamerican Advisors, Inc.**

## **Form ADV Part 2A - *Brochure***

Date: March 26, 2019

Interamerican Advisors, Inc  
2665 South Bayshore Drive, Suite 715  
Coconut Grove, Florida 33133  
(T) (305) 285-9617  
(F) (305) 285-0718  
(E) [daramburu@inter-american.net](mailto:daramburu@inter-american.net)  
IARD/CRD Number: 153371

### **Item 1 – Cover Page**

This Brochure provides information about the qualifications and business practices of Interamerican Advisors, Inc. (hereinafter referred to as “Interamerican,” the “Firm,” or “we”). If you have any questions about the content of this Brochure, please contact the Firm’s Chief Compliance Officer at (305) 285-9617 or at [daramburu@inter-american.net](mailto:daramburu@inter-american.net). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Interamerican Advisors, Inc. is also available on the SEC website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s Web site also provides information about any persons affiliated with us who are registered as investment adviser representatives.

Interamerican Advisors, Inc. is an SEC-registered investment adviser. SEC registration does not imply a certain level of skill or training. You should not make a determination to hire or retain any adviser based solely on the fact that the adviser is registered.

## **Item 2 – Material Changes**

This Item 2 summarizes only the material changes that were made since the Brochure issued on March 28, 2018. It is not a summary of the Brochure in its entirety. Following is a listing of the material changes to the Brochure:

1. In Item 4D, we updated the assets under discretionary management.
2. In Item 8B.3 Leverage: we increased the percentage of potential leverage for the Managed Fund from 10% to 33.3%.

You may obtain a copy of our current Brochure any time by contacting our Firm's Chief Compliance Officer at the telephone number listed on the cover page of this Brochure.

### Item 3 – Table of Contents

<u>Item Number</u>	<u>Page</u>
<b>Item 1 – Cover Page</b> .....	1
<b>Item 2 – Material Changes</b> .....	2
<b>Item 4 – Advisory Business</b> .....	4
<b>Item 5 – Fees and Compensation</b> .....	5
<b>Item 6 – Performance-Based Fees and Side-By-Side Management</b> .....	6
<b>Item 7 – Types of Clients</b> .....	6
<b>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss</b> .....	7
<b>Item 9 – Disciplinary Information</b> .....	17
<b>Item 10 – Other Financial Industry Activities and Affiliations</b> .....	17
<b>Item 11 – Code of Ethics</b> .....	17
<b>Item 12 – Brokerage Practices</b> .....	18
<b>Item 13 – Review of Accounts</b> .....	20
<b>Item 14 – Client Referrals and Other Compensation</b> .....	20
<b>Item 15 – Custody</b> .....	21
<b>Item 16 – Investment Discretion</b> .....	21
<b>Item 17 – Voting Client Securities</b> .....	22
<b>Item 18 – Financial Information</b> .....	24

## **Item 4 – Advisory Business**

### **A. Business Commencement Date**

The Firm was incorporated on August 27, 2001, under the laws of the State of Florida and has been in business since that time. The Firm became registered with the Securities and Exchange Commission (“SEC”) as an investment adviser on April 1, 2010.

### **B. Ownership**

The principal owner of the Firm is Mr. Diego Aramburu.

### **C. Services**

**PRIVATE FUND MANAGEMENT.** Interamerican provides investment advisory services to certain private pooled investment vehicles that are offered to investors on a private placement basis. The investment vehicles currently advised by the Firm are the Interamerican Fixed Income Fund, Ltd., a Cayman Islands exempted company, incorporated in 2002, and the Interamerican Fixed Income Fund, LP, a Delaware limited partnership created in 2015. The Interamerican Fixed Income Fund, LP was established for U.S. investors and all of the invested monies are invested into Interamerican Fixed Income Fund, Ltd. For purposes of this Brochure, each of these funds is referred to as a Managed Fund.

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

The Managed Fund are managed in accordance with the Managed Fund’s investment objectives, strategies and guidelines and are not tailored to the objectives of any particular investor in the Managed Fund. The Firm does not provide investment advice to the individual fund investors; therefore, investors should consider whether an investment in the Managed Fund would be consistent with their investment objectives and risk tolerance.

The Firm adheres to the Managed Fund’s investment objectives and risk parameters when determining appropriate asset allocation across the investment strategies, when placing trades, and as it monitors existing investments and prospective opportunities.

**SEPARATELY MANAGED ACCOUNTS.** Interamerican provides personalized discretionary investment management services to its clients (each, a “Separately Managed Account” or “SMA”). Clients are asked to provide Interamerican with certain information with respect to their current financial holdings, investment objectives, risk tolerance, liquidity needs, and time horizon. SMA clients may impose restrictions on investing in certain securities or types of securities. Pursuant to an investment advisory agreement, the Firm is responsible for: (i) monitoring client investments and deciding on the securities to be purchased and sold consistent with the SMA’s investment objectives, strategies,

guidelines, and restrictions; and (ii) decisions with respect to leverage and hedging transactions.

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

#### **D. Assets Under Management**

As of December 31, 2018, Interamerican was managing approximately US\$44,519,504 in assets on a discretionary basis. No client assets under management are on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

#### **A. Fees**

**PRIVATE FUND MANAGEMENT.** The Firm receives, as compensation for its services, a management fee, payable each month, at an annual rate of 1.00% of the net asset value of the Fund (before fees have been assessed) for the month on which payment is being made. The Firm also receives, as compensation for performance, an incentive fee, payable each month, at an annual rate of 10.0% of the Managed Fund's new high net profits per share per series of shares for the then current calendar year multiplied by the number of outstanding shares per series.

**SEPARATELY MANAGED ACCOUNTS.** For advisory services to the SMA, the Firm charges a management fee, estimated and accrued monthly in arrears, and payable quarterly, at an annual rate of 1.00% of the net asset value of the SMA (before fees have been assessed) for the month of the estimation. The Firm also charges, as compensation for performance, an incentive fee, calculated and accrued each calendar month and paid quarterly, at an annual rate of 10.0% of each SMA's new historic high net profits. Fees are non-negotiable.

**LOWER FEE DISCLOSURE.** Lower fees for comparable management services may be available from other sources.

#### **B. Termination of Service**

Agreements for SMA services commence on the effective date and continue in effect until the date on which the agreement is terminated. The agreement is subject to immediate termination at any time by the client for "Cause" which means (i) a material violation of law, (ii) intentional misconduct or gross negligence, (iii) a breach of a material provision of the agreement, (iv) an occurrence of a Key Man Event (which term is described in the agreement), (v) the issuance to the client of a Regulatory Notice by the Firm, and (vi) a change in control of the Firm. The agreement is also subject to termination at any time by

the client or the Firm upon 31 days' prior written notice to the Firm or client, respectively. Upon termination and with client authorization, the Firm shall conduct an orderly disposition and/or transfer of all account positions.

### **C. Other Fees**

All expenses incurred directly in connection with the transactions effected for positions held in the SMA on behalf of the client pursuant to the agreement (including, without limitation, trading losses, custodial fees, brokerage commissions, costs of the third party valuation services, bank service fees, interest expenses and expenses related to proposed investments that have not been consummated and income, withholding or transfer taxes) are paid from the account or reimbursed by the client. Any expenses attributable to the client and one or more other accounts managed or advised by the Firm or any of its affiliates will be allocated on an equitable basis among all such accounts.

Any expenses arising in connection with the Firm's services to the client, other than those specified above and the fees payable to the Firm, are the responsibility of the Firm.

Neither the Firm nor any of its personnel receive any portion of any other fees or expenses charged.

### **D. Broker/Dealer Charges**

Item 12 further describes the factors that Interamerican considers in selecting broker/dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of an account or portfolio. Interamerican charges performance-based fees to the Managed Funds and to the SMAs. (For the Managed Funds, a description of how the performance-based fees are calculated and when such fees are due is set forth more fully in the Managed Fund's Information Memorandum.) Where an adviser charges incentive fees for various clients, a conflict of interest arises in that the adviser will have an incentive to favor accounts for which it is receiving a higher performance-based fee or to favor larger accounts (in an effort to retain the larger account). We believe that this conflict of interest is mitigated where the SMAs have investment strategies that are distinct from the strategies of the Managed Funds. Although there may be some crossover in positions, the Chief Compliance Officer can identify irregularities or abuses in the allocation of an investment idea or opportunity. The Chief Compliance Officer regularly reviews investment allocations for irregularities or abuses.

## **Item 7 – Types of Clients**

Interamerican offers its advisory services to high net worth individuals, trusts, estates, pension plans, corporations and other business entities. Interamerican also provides investment advice to

pooled investment vehicles that are not registered under the Investment Company Act of 1940 (namely, the Interamerican Fixed Income Funds).

When subscribing to an SMA, generally, the minimum account value is US\$3,000,000. If the account value declines below this amount, we may require additional deposits from the client to bring the value up to the established minimum or we may terminate the advisory relationship.

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

### **A. Methods of Analysis and Investment Strategies**

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

Interamerican does not represent, warrant, or imply that any analysis method employed by the Firm can or will successfully identify market tops or bottoms. No analysis method has been proven to insulate clients from losses due to market fluctuations, corrections or declines.

### **B. Risks**

#### ***1. General Risks***

Investing in securities involves risk of loss that clients (and investors in the Managed Funds) should be prepared to bear. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment or investment strategy will either be suitable or profitable for a client's investment portfolio. Past performance is not indicative of future results. A client should not assume that the future performance of any specific investment, investment strategy, or product will be profitable or equal to past or current performance levels. Interamerican cannot assure that the investment objectives of any client or any Managed Fund will be realized.

Portfolio concentration can make a portfolio more volatile. Investors should consider the greater possibility of investment loss from a portfolio with elevated levels of concentration.

## 2. *Special Risks*

While investing in any security involves risk, investing in some types of securities carries special risks. A summary of the special risks associated with some types of securities we may purchase for the Managed Fund or for the SMA is provided below. Please note that the following summaries are general in nature and do not include an explanation of all risks associated with a given security type.

- a. Bonds. Bonds (fixed-income securities) are subject to special risks, including without limitation, interest rate risk, credit risk, liquidity risk, and inflation risk.
  - Interest Rate Risk. The value of your investment in bonds will fluctuate with changes in interest rates. Interest rate risk relates to fluctuations in market value and performance of debt securities, and other associated risks, arising from changes in interest rates. If interest rates rise, the value of debt securities will normally decline and if interest rates fall, the value of debt securities will normally increase. All debt securities are subject to interest rate risk. Securities with longer maturities generally will have a more pronounced reaction to interest rate changes than shorter-term securities. On the other hand, when interest rates increase, the cost of leverage will increase for the Fund. Without adequate leverage at reasonable interest rates, performance will be negatively affected.
  - Credit Risk. Credit risk relates to the ability of the issuer of a debt security to make periodic interest payments and ultimately repay principal at maturity. All debt securities carry credit risk to the degree associated with the issuer. In the case of the Managed Fund's assets, economic and political factors affecting emerging markets, lack of available rating criteria and limited information concerning such issuers, and other factors discussed below, may combine to increase the credit risk and corresponding risk of default associated with the Managed Fund's securities above the level of credit risk normally associated with debt securities rated as investment grade by a recognized rating agency.
  - Liquidity Risk. There may be periods when the ability of the Firm to buy or sell bonds may be impaired by market conditions. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce the Firm's ability to sell the securities. Investments in high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") may be subject to greater levels of credit and liquidity risk than "investment grade" securities. These securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments.
  - Inflation Risk. Bonds are also subject to inflation risk, which is the risk that the rate of the yield to call or maturity will not provide a positive return over the rate of inflation for the period of the investment.

Additionally, the Firm may invest in securities of relatively few issuers. Thus, the



performance of one or a small number of portfolio holdings can affect overall performance.

b. Foreign-Issued Securities. Debt and equity investments associated with foreign countries may involve increased volatility and risk due to, without limitation:

- Political Risk. Many foreign countries are undergoing, or have undergone in recent years, significant political change that has affected government policy, including changes in the regulation of industry, trade, financial markets, and foreign and domestic investment. The relative instability of these political systems leaves these countries more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic changes, social instability, or changes in government policies. For investors, the results may include confiscatory taxation, exchange controls, compulsory reacquisition, nationalization or expropriation of foreign-owned assets without adequate compensation, or the restructuring of certain industry sectors in a way that could adversely affect investments in those sectors.
- Sovereign Risk. Strikes, the imposition of exchange controls, or declarations of war may prevent or impede repayment of funds due from a particular country.
- Economic Risk. The economies of these countries may be more vulnerable to rising interest rates and inflation. Investments may be negatively affected by rates of economic growth, corporate profits, domestic and international flows of funds, external and sovereign debt, dependence on international trade, and sensitivity to world commodity prices. Additionally, a change in tax regime may result in the sudden imposition of arbitrary or additional taxes.
- Currency Risk. The weakening of a country's currency relative to the U.S. dollar or to other benchmark currencies will negatively affect the dollar value of an instrument denominated in that currency.
- Credit Risk. Issuers and obligors of sovereign and corporate debt may be unable to make timely coupon or principal payments, thereby causing the underlying debt or loan to enter into default.
- Liquidity Risk. Natural disasters as well as economic, social, and political developments in a country may cause a decrease in the liquidity of investments related to that country, making it difficult to sell quickly, and/or subjecting the seller to substantial price discounts.

The nature and extent of these risks vary from country to country, among investment instruments, and over time.

c. Emerging Market Securities. Most of the Managed Fund's securities are debt securities of emerging market issuers. Investments in securities from developing countries, companies and banks, do involve risks and special considerations not

typically associated with investments in the United States or many other countries with highly developed economies and securities markets. Investments and transactions in products linked to issuers and obligors incorporated, based, or principally engaged in business in emerging markets countries carry increased risk and volatility. In addition to the political, sovereign, economic, currency, credit, and liquidity risks described above, emerging market securities can be subject to the following risks or enhanced risks:

- Market Risk. The financial markets can lack transparency, liquidity, efficiency.
- Regulatory Risk. There may be less government supervision and regulation of business. The supervision that may be in place may be subject to manipulation or control. Disclosure and reporting requirements may be minimal or non-existent.
- Legal Risk. The process of legal reform may not proceed at the same pace as market developments, which could result in uncertainty. Legislation to safeguard the rights of private ownership may not yet be in place.
- Settlement and Clearing Risk. The registration, recordkeeping and transfer of instruments may be carried out manually, which may cause delays.
- Instability. During the past several decades, several developing countries have had a history of political instability that has included military *coupes d'etat* and different governmental regimes with changing policies. Past governments have frequently played an interventionist role in the national economies and social structure. Among other things, past governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, have restricted the ability of companies to dismiss employees and have expropriated private sector assets. Certain of the developing countries have seen significant levels of terrorist activity, with escalating acts of violence and attendant damage to property and to the economy. The threat of such terrorist attacks has imposed heavy security costs on businesses within such countries, and there can be no assurance that such costs will not increase in coming years.

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

Issuers of securities operating in such environments are thus subject to the attendant social and political risks. The securities are subject to the influence of emerging markets economic and political factors affecting the issuers. Additionally, during an economic downturn, a sustained period of rising interest rates or period of economic or political instability in a developing country, local issuers of debt securities may be more likely to experience financial stress than issuers in non-emerging markets. During such periods, such issuers may not have sufficient revenues to meet their interest payment obligations. An issuer's ability to service its debt obligations also may be adversely affected by the unavailability of additional financing.

- *Rating Criteria.* Although some rating systems have been established to rate emerging markets issuers of debt securities, some securities (including securities held by the Managed Fund) might not be rated. No standard rating criteria have been established for some debt securities. Securities of emerging markets issuers may not be rated at all for creditworthiness and are considered to be speculative and to involve greater price volatility than such securities rated in the four highest United States rating categories. In purchasing such emerging markets debt securities, the Firm will analyze the creditworthiness of the issuer, its financial resources, its sensitivity to economic conditions and trends, its operating history and the quality of its management and regulatory matters. However, such information might not be publicly available or subject to complete analysis to the same extent as similar information about United States' publicly registered issuers or issuers of securities rated by United States' rating agencies.
- *Risks of Default in Portfolio Securities.* In addition to the normal credit risks associated with all debt securities, the emerging market debt securities (which are held by the Managed Fund) are likely subject to greater risks of default than similar debt securities of issuers in non-emerging markets, due to developing countries' political and economic factors, which may tend to make it more difficult for issuers to refinance debt securities as they become due. Frequently, an issuer will repay a bond or other debt security at maturity by issuing a new bond or debt security to borrow the funds with which to pay off the matured security. The economic and political volatility that has historically characterized developing countries poses a risk that the opportunities for such refinancing available to issuers may be limited or nonexistent. Due to economic conditions, including currency fluctuations and devaluations, an emerging markets' issuer may find credit substantially unavailable to it (at any workable interest rate) at the time a security matures. This may create a risk of default in the repayment of principal at maturity. In the event of default, there may be limited or no legal recourse in that, generally, remedies for defaults must be pursued in the courts of the defaulting party. Political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance. Also, there can be no assurance that the holders of commercial bank loans to the same sovereign entity may not contest payments to the holders of sovereign debt in the event

of default under commercial bank loan agreements. In addition, there may be no bankruptcy proceeding that a holder may avail itself of with respect to sovereign debt on which a sovereign has defaulted. In addition, a substantial portion of the Managed Fund's securities will be denominated in hard currencies. The risk of currency devaluation may result in the issuer's being unable to procure the hard currency necessary to make interest payments, as required, at the times when due, or to procure the hard currency necessary to repay the security at maturity. See "Currency Devaluations and Fluctuations", below. The risk of loss due to default by an issuer may also be significantly greater for the holders of such debt securities because such securities may be, and are often, unsecured and subordinated to other creditors of the issuer.

- Disclosure of Macroeconomic Statistics. Disclosure of emerging markets macroeconomic indicators is less accurate than in developed countries. The existence of black markets and a generally low level of monitoring and regulation of the market and market participants, and limited and uneven enforcement of existing regulations, often characterize these markets. There may be less publicly available information about an issuer than would be available in a non-emerging market, and the issuer may not be subject to auditing and public finance reporting standards comparable to those of countries in non-emerging markets. As a result, traditional investment measurements, such as CPI, and other standard ratios, may not be useful in certain emerging market countries, and it becomes more difficult to evaluate the quality, creditworthiness and level of risk associated with debt securities of emerging markets issuers than with those of certain issuers operating in non-emerging markets.
- Availability of Information. Publicly available research on countries and their economics is not as common in emerging markets as it is in the United States. As a consequence, fewer research reports are available on emerging markets countries than on U.S. or other developed countries. Therefore, less information may be available with respect to emerging markets securities than with respect to securities of U.S. issuers, making it more difficult for the Firm to evaluate the strength and quality of the available debt securities of emerging markets issuers, and more difficult to evaluate the strength and quality of the issuers themselves.
- Transfer Risk. Substantial limitations may exist in certain developing countries with respect to the ability to repatriate income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is deterioration in a country's balance of payments, or for other reasons, a developing country may impose restrictions on foreign capital remittances abroad. A client's account or the Managed Fund could be adversely affected to the extent such restrictions limit the field of potential available investments, or in the event of debt securities purchased in private placements within emerging markets, by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, if applicable.

- Market Characteristics: Illiquidity. Smaller capital markets with substantially less volume than the capital markets of developed countries are common in emerging markets. The securities traded in such markets are generally less liquid, commissions are higher and securities prices are generally more volatile than securities of comparable companies in developed markets. Market swings may affect the Managed Fund's or the SMA's ability to acquire securities at attractive rates or the ability to liquidate such securities at a particular price and time. Reduced secondary market liquidity may have an adverse impact on market price and on the ability to dispose of particular issues when necessary in response to specific economic events such as currency devaluation in the issuer's country or deterioration in the creditworthiness of the issuer. There may be no secondary market for those securities privately issued, and the liquidity of those publicly traded may be significantly reduced by the factors identified above. Faced with deterioration in risk associated with the issuer of a security, the Firm may be unable to liquidate such security on behalf of the client or the Managed Fund. This causes the risk that investors may lose their principal invested in such securities, in addition to suffering the consequent reduction in dividends.
- d. Mutual Funds. SMAs may be invested in mutual funds. Most mutual funds fall into one of three main categories — money market funds, bond funds, and equity funds. Generally, the higher the potential return, the higher the risk of loss. A fund's investment objective and its holdings are influential factors in determining risk. Past performance is not a reliable indicator of future performance. Reading the prospectus will help you to understand the risk associated with that particular fund. Different mutual fund categories have inherently different risk characteristics. For example, a bond fund faces credit risk, interest rate risk, and prepayment risk. Bond values are inversely related to interest rates. For equity funds, overall "market risk" poses the greatest potential danger for investors. Stock prices can fluctuate for a broad range of reasons — such as the overall strength of the economy or demand for particular products or services. A sector stock fund (which invests in a single industry) is at risk that its price will decline due to developments in its industry. An equity fund that invests across many industries is more sheltered from this risk. For most funds, clients must pay sales charges, annual fees, and other expenses regardless of how the fund performs. And, depending on the timing of their investment, clients may also have to pay taxes on any capital gains distributions.

Prior to entering into an investment advisory agreement with Interamerican, a client should carefully consider committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis.

### ***3. Enhanced Risk for the Managed Funds***

An investment in a Managed Fund carries risks that are particular to that fund. A client considering an investment in Managed Fund should carefully consider the risks

discussed in the Information Memorandum. Investors must be cognizant of the fact that there is a possibility that they may lose all or a portion of their investment in the Managed Fund. Enhanced risks include, without limitation, the following:

- Default Risk. Some of the countries and corporations in which the Managed Fund invests may have failed to pay interest and/or principal on their debt. They may have passed through processes of debt restructuring and rescheduling. Further, a substantial portion of the Managed Fund's assets may be invested in unrated debt securities. Such securities should be considered speculative with respect to the issuer's capacity to pay interest and repay principal.
- Reinvestment Risk. Securities held by the Managed Fund may be subject to prepayment by their issuers in the event of declining interest rates, or due to thinly traded market conditions or other economic and political conditions affecting emerging markets. It may be difficult or impossible at such time to replace the matured, prepaid or liquidated security with another debt security of the same or greater interest rate and quality of issuer. Without the ability to reinvest the proceeds of such matured, prepaid or liquidated securities in other debt securities of similar yield and quality, the Fund may be unable to realize its objectives.
- Concentration of Investments. The Managed Fund is invested in debt securities from emerging markets' issuers. This lack of diversification increases the risks of loss for the Managed Fund. The Managed Fund could be subject to significant losses if it holds a large position in a particular security that defaults or is otherwise adversely affected. Due to its exclusive emphasis on emerging markets, the Managed Fund should be considered as a vehicle for investment within emerging markets and not as a balanced investment program.
- Currency Devaluations and Fluctuations. The Managed Fund invests at least 50% of its assets in securities denominated in hard currencies and the difference in local currencies from developing countries and will report and handle all transactions in U.S. Dollars. Significant fluctuations and devaluations of other currencies with respect to the U.S. Dollar can negatively impact the market value and quality of such issuer's securities traded on international markets as well as the general financial health and creditworthiness of the issuer itself. Such currency devaluations on one hand, will negatively affect the U.S. Dollar valuation of those securities denominated in different currencies. On the other hand, such devaluations can impose significant risks that the emerging markets' issuer of hard currency denominated securities may not be able to procure the hard currency necessary to pay the interest payments when due, or to return the principal when due at maturity, particularly if their source of income is in the devalued currency. The threat of such devaluations and volatility in these markets creates risks of deterioration in creditworthiness of issuers in such markets and attendant deterioration in the quality of the securities in which the Managed Fund will invest. The potential for currency devaluations and volatility within emerging markets create significant risks of default by entities issuing securities held by the Managed Fund.

- Leverage. In limited circumstances, the Firm may incur leverage on behalf of the Managed Fund of up to one third (33.3%) of its total assets (including the borrowed money and assets acquired with the leverage). The use of leverage creates special risks and may significantly increase the Managed Fund's investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, increases exposure to capital risk and increases the Fund's interest costs. Additionally, amounts borrowed are secured by a pledge of securities held by the Managed Fund. Should such pledged securities decrease in value, it may be necessary to pledge additional collateral to a lender in the form of cash or securities, or the securities that have already been pledged may be sold by the lender at times and prices that may be disadvantageous to the Managed Fund. In addition, the rights of lenders to receive payments of interest and repayments of principal will be senior to those of Managed Fund investors, and the terms of such borrowings may contain provisions which limit certain activities on behalf of the Managed Fund. Moreover, the pledge of the securities held by the Managed Fund may encumber or restrict the Firm's ability to liquidate any such pledged securities at the most advantageous time in the event of any deterioration in creditworthiness of the issuer or other economic event causing the Firm to determine that liquidation of such security is advisable. Consequently, the amount realized by the Managed Fund upon the liquidation of such security may be substantially reduced as a consequence of the delay in such liquidation caused by such security having been pledged.
- Over-the-counter Options Transactions. A significant portion of the options transactions effected on behalf of the Managed Fund utilizes the over-the-counter market for their execution. Trading fixed income and other related options in the over-the-counter market is subject to counter-party risk and is without the protections afforded by transactions effected through the Options Clearing Corporation, a registered options exchange.
- Call Options. The Managed Fund will, to differing degrees, purchase and sell call options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

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

- Put Options. The Managed Fund will, to different degrees, effect transactions in put options. There are risks associated with the sale and purchase of put options.

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

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

- Options Trading is Highly Leveraged. The premium normally required in options trading result in an extremely high degree of leverage. Therefore, a relatively small price movement in the interest underlying an option contract could result in immediate and substantial losses in the Managed Fund's investments.
- Option Buyer's Risk of Loss of Entire Investment. An option is a wasting asset which becomes worthless when the option expires. As the remaining life of an option shortens with the passage of time, its value is reduced until it reaches zero upon expiration. This means that the option buyer who neither sells it in the secondary market nor exercises it prior to expiration will lose his entire investment in the option.
- Combination Transactions. At various times, the Managed Fund may engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts, in various combinations. Such transactions are considerably more complex than the purchase or writing of a single option. The following are among the many risks of combination option transactions: the difficulty that may be involved in attempting to execute simultaneously two or more buy or sell orders at the desired prices, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination. This can have the effect of requiring a substantial favorable price movement before a profit can be realized.
- Assignment of Puts or Calls. Substantial losses may result under certain circumstances if a hedged position becomes a long or short position due to the assignment of the short put or short call portion of the hedged position. Under normal market conditions, the remaining portion of the previously hedged portion



may be liquidated or otherwise adjusted to limit exposure to price changes. Suspension of trading of the option class or underlying securities followed by a price gap at the reopening of trading might result in substantial losses. The same would be true given an illiquid market such as that of October 1987.

- Indexes in a Spread May Not Correlate. There is not likely to be perfect correlation among the different indexes that are utilized in a single spread. As a result, losses in one component of the position may not be completely hedged by the offsetting component.
- Prohibition of Exercise Rights. The options markets have the authority to prohibit the exercise of particular options. If a prohibition on exercise is imposed at a time when trading in the option has also been halted, holders and writers of that option will be locked into their positions until one of the two restrictions has been lifted.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding certain legal or disciplinary events related to the adviser or the adviser's management. Neither Interamerican nor any of its management personnel has been subject to any such legal or disciplinary events.

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

- A. The Firm is neither registered nor has an application pending to register as a securities broker/dealer.
- B. Neither the Firm nor any management person of the Firm is registered or has an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of the foregoing entities.
- C. The Firm has arrangements that are material to its business with the Managed Funds.
- D. We do not generally recommend or select other investment advisers for our clients.

## **Item 11 – Code of Ethics**

Securities industry regulations require that advisory firms provide their clients with a general description of the advisory firm's Code of Ethics. Interamerican has adopted a Code of Ethics that sets forth the governing ethical standards and principles of the Firm. It also describes Interamerican's policies regarding the following: the protection of confidential information, including the client's nonpublic personal information; the review of the personal securities accounts of certain personnel of the Firm for evidence of manipulative trading, trading ahead of clients, and insider trading; trading restrictions; training of personnel; and, recordkeeping. All supervised persons at Interamerican must acknowledge the terms of the Code of Ethics upon hire and as amended.

Subject to satisfying the Firm's policies and applicable laws, Firm personnel may trade for their own accounts in securities that are recommended to and/or purchased for Firm's clients. The Code of Ethics is designed to permit personnel to invest for their own accounts while assuring that their personal transaction activity does not interfere with making decisions in the best interest of the SMAs or the Managed Funds, or implementing those decisions. Neither the Firm nor any associated person of the Firm who (a) has access to nonpublic information regarding clients' securities transactions, (b) is involved in making securities recommendations to clients, or (c) has access to securities recommendations that are not public (collectively, the "Access Persons") is permitted to trade in or engage in a securities transaction to his or her advantage over that of a client. Access Persons are prohibited from buying or selling securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public upon reasonable inquiry. Access Persons may not execute transactions in their personal accounts ahead of a client's transaction in the same security unless certain circumstances exist. Because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored by the Firm's Chief Compliance Officer in an effort to prevent conflicts of interest between Interamerican and its clients.

Our clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting the Chief Compliance Officer at the address or telephone number specified on the cover page and requesting a copy.

## **Item 12 – Brokerage Practices**

### **A. Selection of Broker/Dealer**

GENERAL SELECTION CRITERIA. The Firm is authorized to determine the broker-dealers through whom securities are bought or sold for the Managed Fund without consultation or consent. The Firm's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. It therefore considers the full range and quality of a broker's services including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility and responsiveness. The best net price (taking into consideration transaction, market impact and opportunity costs), giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

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

continuing basis and in other transactions; and the reasonableness of spreads or commissions.

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

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

**RESEARCH AND OTHER SOFT DOLLAR BENEFITS.** The Firm may effect transactions through brokers with whom it has “soft-commission” arrangements. The benefits provided under such arrangements will assist the Firm in the provision of investment services to its clients. Specifically, the Firm may agree that a broker be paid a commission in excess of the amount another broker would have charged for effecting such transaction so long as, in the good faith judgement of the Firm, the amount of the commission is reasonable in relation to the value of the brokerage and other services provided or paid for such broker. The benefit received by the Firm in such instances is that it does not need to produce or pay for these services which take the form of research services, quotation services, special execution and clearance capabilities. The research can include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party. These services may be used by the Firm in connection with transactions in which clients will not participate. For these reasons, the Firm may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on clients’ interest in receiving most favourable execution. Clients may pay commissions (or mark-ups or markdowns) higher than those charged by other-broker dealers in return for soft-dollar benefits.

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

#### **B. Batched Trades Execution Policy**

We do not aggregate the purchase or sale of securities for client accounts.

#### **C. “Internal Cross” Transactions**

An internal cross transaction occurs when Interamerican causes a security to be traded between two advisory clients at the same price. We engage in internal cross transactions

only for re-balancing purposes at mid-price to reduce the spreads on both the bid and the ask side of the trade, benefiting both parties.

**D. Interpositioning**

We do not engage in interpositioning.

**E. Trade Error Policy**

From time to time, errors may occur in the trading process, including (1) overbuying or overselling of securities, into or out of an account, caused by clerical errors made by Interamerican's personnel, or (2) buying or selling of securities, into or out of an account, which is in violation of a client's stated investment guidelines that had been previously communicated to Interamerican in writing. In the event any trade error is caused by us, it is our policy to endeavor to resolve the error in the best interests of the client. This means that trades are adjusted as needed in order to put the client's account in such a position as if the error had never occurred. Interamerican will reimburse clients for any losses resulting from a trade error together with interest at current market. Where a trade error results in a gain to us and the client is unable to receive that gain for any reason, we will donate the gain to charity. Donations will be made on net gains calculated on a quarterly basis.

**Item 13 – Review of Accounts**

**A. Account Reviews**

The Firm reviews client accounts on a daily basis. The Firm undertakes a reconciliation process between its execution and clearing brokers, and also its own trades and positions and the fund administrator. The Firm's Chief Compliance Officer conducts the reviews.

**B. Reports to Clients**

The executing broker-dealers and/or custodians who maintain the client accounts will notify the client of any account activity by delivering a confirmation of the transaction to the client. The executing broker-dealer(s) or the custodian(s) will also furnish the client with a monthly or quarterly account activity and position statement.

The Fund's administrator produces a monthly net asset valuation for the Managed Fund and we use the same prices and accounting practices as the administrator to estimate the NAV for the managed account. Written monthly statements containing the net asset value, performance, applicable analysis, and material information about the account are prepared for the clients by the Firm.

**Item 14 – Client Referrals and Other Compensation**

#### **A. Economic Benefits**

Neither the Firm, nor any of our employees, receives any other economic benefit, sales awards or other prizes from any outside parties for providing investment advice to our clients.

#### **B. Referral Fees**

The Firm, from time to time, enters into written arrangements, on a non-exclusive and non-agent basis in conformance with SEC Rule 206(4)-3, to compensate persons for client referrals. There is no differential in the fees charged to the client by Interamerican attributable to the arrangement between the referring party and Interamerican. In other words, Interamerican will not charge a client who is referred by another party any fees other than the fees typically charged to other clients. The amount of the referral fee is determined on a case-by-case basis. In general, we pay to the referring party no more than 25% of the advisory fees generated by the accounts introduced by the referring party. In all such cases where a referral fee is paid, the client will receive a document identifying the referring party and describing the fee arrangement. Generally, Interamerican will continue to pay the referral fee for so long as the client is an advisory client of Interamerican.

### **Item 15 – Custody**

Under the SEC's rules and associated interpretative guidance, Interamerican is deemed to have custody of those clients' funds that are invested in the Managed Funds because the general partner of the Managed Funds has the ability to take possession of those invested funds and is under common control with Interamerican. Generally, Interamerican does not obtain custody of any other client's monies or securities. Associated persons of the Firm might also serve as trustee, executor or conservator or in some similar capacity in connection with assets of persons who are not our clients. In those cases, we will not monitor the movement of those assets and such assets are not attributable to us for custody purposes.

SMA Clients should receive, on at least a quarterly basis, statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets. We urge you to carefully review such statements and compare such official custodial records any reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investors in the Managed Funds may receive statement from the administrator of the Managed Funds.

### **Item 16 – Investment Discretion**

When a client elects Interamerican's discretionary management services, the client will sign an agreement that provides Interamerican with the discretionary authority. Interamerican is then authorized to select the securities and the quantities or amounts of securities to be purchased, leveraged, transferred, exchanged, traded and sold consistent with the stated investment objectives, risk profile, and investment restrictions adopted by the client. Interamerican's investment decisions

must complement the investment objectives and risk profile of the client. Interamerican's discretionary authority is limited by (a) any reasonable restrictions that the client places on the management of the account, and (b) the investing parameters set forth by Interamerican and the client, if any. If Interamerican deems a proposed restriction unreasonable, Interamerican may discontinue the advisory service. Reasonability is based on whether the restriction(s) will impose a significant time burden on Interamerican to comply with such restrictions. Interamerican also reserves the right not to accept and/or terminate management of a client's account if it feels that the client-imposed restrictions would limit or prevent it from meeting and/or maintaining its overall investment strategy.

As described above, Interamerican also obtains the authority to designate the broker-dealers or other financial intermediaries through whom transactions in the accounts will be executed, cleared or settled.

In connection with the management of the Managed Funds, the Firm may not exceed certain parameters set by the Managed Funds (for example, the Managed Fund might adopt certain leverage ratios or prohibit the allocation of more than a set percentage of the fund's total assets to any one issuer). Discretionary authority is exercised in accordance with the terms of the investment advisory agreement with the Managed Fund.

## **Item 17 – Voting Client Securities**

Interamerican exercises proxy voting authority over certain clients' securities. When voting proxies, Interamerican will not be influenced by external sources whose interests conflict with the interests of Interamerican's advisory clients. Any conflict of interest will be resolved in the interests of the advisory clients. If, in voting shares, Interamerican identifies a material conflict of interest between Interamerican's interests (including those of its senior personnel) and those of the advisory clients, Interamerican will disclose the conflict to the relevant client(s). In such cases, Interamerican will send the proxy directly to the relevant client(s) for a voting decision or take such other action in good faith which would protect the interests of the advisory clients.

Interamerican has adopted general guidelines for voting proxies. These guidelines are not necessarily determinative in all cases and Interamerican may cast votes contrary to the general guidelines, should the facts and circumstances warrant. In all cases, Interamerican will, in good faith, vote the proxies in the advisory clients' interests. In the event that the Firm votes contrary to the proxy voting guidelines, the Firm will document the basis for the Firm's contrary voting decision. Proxy proposals received by the Firm and designated as "Case by Case" (or not addressed) will be thoroughly reviewed by the Firm and voted in the best interests of the client. The Firm may choose not to vote proxies in certain situations or for certain clients, such as (i) where a client has informed the Firm that it wishes to retain the right to vote the proxy, (ii) where the Firm deems the cost of voting would exceed any anticipated benefit to the client, (iii) where the proxy is received for a client account that has been terminated, or (iv) where a proxy is received by the Firm for a security it no longer manages on behalf of a client.

General Proxy Voting Policy:

Proxy Proposal Issue

Firm's Voting Policy

Routine Election of Directors	For
Issuance of Authorized Common Stock	For
Stock Repurchase Plans	For
Reincorporation	For
Director Indemnification	For
Require Shareholder approval to issue Preferred Stock	For
Require Shareholder approval to issue Golden Parachutes	For
Require Shareholder approval of Poison Pill	For
Shareholders' Right to Call Special Meetings	For
Shareholders' Right to Act by Written Consent	For
Shareholder Ability to Remove Directors With or Without Cause	For
Shareholders Electing Directors to Fill Board Vacancies	For
Majority of Independent Directors	For
Board Committee Membership exclusively of Independent Directors	For
401(k) Savings Plans for Employees	For
Anti-greenmail Charter or By-laws Amendments	For
Corporate Name Change	For
Ratification of Auditors	For
Supermajority Vote Requirement	Against
Blank Check Preferred	Against
Dual Classes of Stock	Against
Staggered or Classified Boards	Against
Fair Price Requirements	Against
Limited Terms for Directors	Against
Require Director Stock Ownership	Against
Reprice Management Options	Case by Case
Adopt/Amend Stock Option Plan	Case by Case
Adopt/Amend Employee Stock Purchase Plan	Case by Case
Approve Merger/Acquisition	Case by Case
Spin-offs	Case by Case
Corporate Restructurings	Case by Case
Asset Sales	Case by Case
Liquidations	Case by Case
Adopt Poison Pill	Case by Case
Golden Parachutes	Case by Case
Executive/Director Compensation	Case by Case
Social Issues	Case by Case
Contested Election of Directors	Case by Case
Stock Based compensation for Directors	Case by Case
Increase authorized shares	Case by Case
Tender Offers	Case by Case
Preemptive Rights	Case by Case

## Debt Restructuring

## Case by Case

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

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

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

You may obtain a copy of Interamerican’s Proxy Voting Policies as well as Interamerican’s voting record for your shares by writing to Interamerican and requesting a copy.

## Item 18 – Financial Information

We are required in this Item to provide you with certain information or disclosures regarding our financial condition. Following is the information responsive to this Item:

- A. The Firm does not require prepayment of more than \$1200 in fees six months or more in advance.
- B. There are no financial conditions or commitments that are likely to impair the Firm’s ability to meet any contractual or fiduciary commitment to our clients.
- C. The Firm has not been the subject of a bankruptcy petition.