

# OCEANIC INVESTMENT MANAGEMENT LIMITED

St. George's Court, Upper Church Street,  
Douglas, Isle of Man IM1 1EE

March 2019

This Brochure provides information about the qualifications and business practices of **OCEANIC INVESTMENT MANAGEMENT LIMITED**. If you have any questions about the contents of this Brochure, please contact Anthony Haynes, Oceanic Investment Management Limited's Chief Financial Officer and Chief Compliance Officer ("**CCO**"), at +44 1624 643155 or by email at [Anthony.Haynes@tuftonoceanic.com](mailto:Anthony.Haynes@tuftonoceanic.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority. Additional information about Oceanic Investment Management Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration of an investment adviser does not imply that Oceanic Investment Management Limited or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

**Item 2: Material Changes**

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The material changes to this document since the Firm's previous ADV Annual Amendment in March 2018 are shown below:

- The Firm is now owned 78.35% by Tufton Oceanic Finance Group and 21.65 by principals of the management team (2018: 67% and 33% respectively; and
- The Firm commenced the provision of discretionary advisory services for a new Managed Account client during 2018.

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#### Item 4: Advisory Business

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Oceanic Investment Management Limited (“**OIML**”, the “**Adviser**”, “**we**”, “**us**”, “**our**” or the “**Firm**”), is a limited company licensed by the Financial Services Authority of the Isle of Man. OIML is an investment management firm for the maritime, energy related and the wider global transportation and infrastructure sectors. OIML launched its first hedge fund in August 2002. The Adviser’s principal place of business is in Douglas, Isle of Man.

OIML is owned 78.35% by Tufton Oceanic Finance Group, and 21.65% by the principals of the management team.

OIML serves as the investment adviser, with discretionary trading authority, to the following private pooled investment vehicles, the securities of which are offered to qualified investors on a private placement basis: Oceanic Hedge Fund, a Cayman Islands exempted company (the “**Cayman Hedge Fund**”); Oceanic Opportunities Master Fund, L.P., a Delaware limited partnership (the “**US Fund**”). The above entities are collectively referred to as the “**Funds**”, and individually the “**Fund**”.

Each Fund is managed only in accordance with its own characteristics and is tailored to Qualified Investors (each an “**Investor**” or collectively “**Investors**”). Information about the Fund can be found in its offering documents, including its confidential information memorandum.

OIML also provides discretionary advisory services to several separately managed account clients (collectively referred to herein as “**Managed Accounts**”). The Managed Accounts is managed on a *pari passu* basis. The Funds and Managed Accounts are collectively referred to as “**Clients**”.

*This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the “**Securities Act**” of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective Investors in the Funds, including requirements that they be “accredited investors” as defined in Regulation D of the Securities Act, “qualified purchasers” as defined in the Investment Company Act of 1940, or non-“U.S. Persons” as defined in Regulation S of the Securities Act. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential memorandum.*

Our investment objectives are to achieve capital appreciation through focused long/short investments in the shipping, energy and related sectors and associated commodities.

We do not currently participate in any Wrap Fee Programs.

As of December 31, 2018, the Firm managed US\$128,969,219 (gross) in the strategy, all of which is managed on a discretionary basis.

#### Item 5: Fees and Compensation

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The fees applicable to each Fund are set forth in detail in each Fund’s offering documents. A brief summary of such fees is provided below.

## Management Fees

OIML receives an annual Management Fee from the Funds of up to 1.75%. The Management Fee accrues daily and is calculated and paid monthly in arrears. In addition, a performance fee of up to 20% is charged in arrears on a semi-annual basis, subject to a high water mark limitation.

In OIML's sole discretion, the Management Fee may be waived, reduced or calculated differently with respect to certain Investors.

OILM generally receives a management fee from the Managed Accounts.

## Performance Compensation

The Funds are entitled to a Performance Fee (the "**Performance Fee**") calculated on a per Share Class basis only to those Shares which have appreciated in value. The performance fee will be calculated in respect of each period of six (6) or twelve (12) month basis depending on Share Class and subject to a high water mark limitation. The Performance Fee will be deemed to accrue on a monthly basis and will be equal to 20% of the appreciation in the Net Asset Value of per Share Class.

The Performance Fee is normally payable in arrears within 25 days of the end of each Calculation Period. However, in the case of Shares redeemed during a Calculation Period, the accrued Performance Fee in respect of those Shares is payable within 25 days after the date of redemption.

OIML may from time to time and at its discretion and out of its own resources decide to rebate to some or all shareholders (or their agents including the Directors) or to intermediaries, part or all of the Management Fee and/or Performance Fees. Any such rebates may be applied in paying up additional Shares to be issued to the shareholder.

## Other Types of Fees or Expenses

The Funds shall pay for their organisational and initial offering expenses as well as for their operating expenses including, but not limited to, all accounting, auditing, tax preparation, legal, administration, and trading costs. The Funds may incur brokerage and other transaction costs.

The Funds will each also pay the costs and expenses (i) of all transactions carried out by it or on its behalf and (ii) of the administration of the Fund including (a) the charges and expenses of legal advisers and independent auditors, (b) brokers' commissions (if any) and any issue or transfer taxes or stamp duties chargeable in connection with its securities transactions, (c) all entity-level taxes and corporate fees payable to governmental agencies, (d) reasonable legal fees incurred by the Investment Manager in connection with its services, (e) Directors' fees and expenses, (f) interest on borrowings, including borrowings from the prime brokers, (g) communication expenses with respect to investor services and all expenses of meetings of shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents, (h) the cost of insurance (if any) for the benefit of the Directors, (i) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, (j) the cost of obtaining and maintaining such listings that may be applied for and (k) all other organisational and operating expenses.

Our fees and any other investment or strategic adviser engaged by us will be paid by us out of the Management Fees and Performance Fees that are received from the Clients.

The Funds' actual annual operating expenses are disclosed in each of the Funds' year-end audited financial statement, copies of which are provided to each Investor. Separate fees are disclosed to the Managed Accounts as appropriate.

Fees are deducted from the Investors' accounts by instructing the Funds' administrator.

Neither us, nor our employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

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OIML receives a performance allocation or incentive fee of up to 20% with respect to each Fund, calculated based upon a percentage of the net capital appreciation of the relevant Fund, subject to a high water mark limitation. The performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

Performance based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. We have procedures designed and implemented to ensure that all Clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among Clients.

#### **Item 7: Types of Clients**

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The Firm's clients are the Funds and Managed Accounts as described above.

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

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Our investment objectives are to achieve capital appreciation through focused long/short investments in shipping and energy, and related sectors and associated commodities.

OIML will aim to achieve the Funds' investment objective through the use of multiple investment strategies, and will concentrate on investments in the tanker shipping, container shipping, cruise, bulk shipping, industrial shipping, shipbuilding, oil services and energy sectors. The trading strategies will be based on fundamental and cyclical investment analysis.

Whilst the Funds are predominately market neutral, they are likely to have long/short positions in each of the above sectors from time to time, based on fundamental analysis. Short term positions are also taken based on cyclical and statistical analysis of individual stocks, energy based commodities or pair trades between stocks and/or commodities. The Managed Account is restricted to investing long only in shipping and so does not invest parri passu with the Funds.

The fundamental analysis will govern the degree of market risk taken by us on behalf of the Funds from time to time. Typically, we will be short one or two of the sub-sectors in the Fund's investment universe, whilst it will be long one or two sub-sectors and neutral for the

remainder. The short-term cyclical trades will also take a market risk, whilst the pair trades will generally be market neutral.

***Risk of Loss Factors***

Investing in securities involves risk of loss that Investors should be prepared to bear. Investors should consider the following factors before investing in the Funds. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective investors should consult their professional advisers and review the legal documents for the Fund before deciding to subscribe for shares.

***Net Asset Value Considerations***

The Net Asset Value per Share is expected to fluctuate over time with the performance of the Fund's investments. A shareholder may not fully recover its initial investment when it chooses to redeem its Shares or upon compulsory redemption if the Net Asset Value per Share of the relevant Class at the time of such redemption is less than the subscription price paid by such shareholder (plus any Equalisation Credit). In addition, where there is any conflict between IFRS and the valuation principles set out in the Articles of Association and this Offering Memorandum in relation to the calculation of Net Asset Value, the latter principles shall take precedence.

***Availability of Investment Strategies***

The success of our investment activities will depend on our ability to identify investment opportunities as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by us involves a high degree of uncertainty. No assurance can be given that we will be able to locate suitable investment opportunities in which to deploy all of the Funds' assets or to exploit discrepancies in the securities and derivatives markets.

***Investments in Undervalued Securities***

We will seek to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognised or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from our investments may not adequately compensate for the business and financial risks assumed. In addition, the Funds may be required to hold such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Funds' capital would be committed to the securities purchased, thus possibly preventing the Funds from investing in other opportunities. In addition, the Funds may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

***Investments in Unlisted Securities***

The Funds may invest in unlisted securities. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realised on these sales could be less than those originally paid by the Funds. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

***Highly Volatile Instruments***

The prices of derivative instruments, including options, are highly volatile. Price movements of forward contracts and other derivative contracts in which the Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds also are subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

***Concentration of Investments***

Although it will be our policy to diversify their investment portfolio, the Funds may at certain times hold relatively few investments. The Funds could be subject to significant losses if they hold a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

***Derivatives***

We may use a variety of exchange traded and "over-the-counter" derivative instruments in our investment programme, including, without limitation, call options, put options, options relating to stock indices, total return swaps, interest rate swaps, asset swaps, forward contracts and future contracts. Each derivative product bears various risks, including counterparty credit risk, liquidity risk, market risk, operations risk, structural risk and legal risk, which affect the price and liquidity of each derivative and may affect the volatility of the Funds' portfolio. Derivatives are designed to provide exposure to the credit risk of an entity or entities, equity securities, interest rates, foreign currency values, corporate borrowing rates, or other assets without owning such assets. Although elements of all derivatives are similar, individual derivatives can differ markedly. Certain derivative instruments may be more or less sensitive to various types of risks. Important determinants of the value associated with a derivative include the volatility of the referenced or underlying asset, interest rates, the market value of the underlying asset when the derivative is entered into, the duration of the derivative contract and the credit risk of the counterparty, among other factors. As such, there are many factors upon which market participants may have divergent views and there is a risk that the derivative may be incorrectly valued. Derivatives can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Therefore, if a derivative contract calls for payments by the Fund, we must be prepared to make such payments when due. We are not limited to any particular form of derivative if consistent with the Funds' investment objective and policies.

***Options***

The Funds may buy or sell (write) both call options and put options, and when we write options, we may do so on a "covered" or an "uncovered" basis. A call option is covered when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Funds' option transactions may be part of a hedging



strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which we have the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the Funds may enter into. When we buy an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of the Funds' investment in the option (including commissions). We could mitigate those losses by selling short, or buying puts on, the securities as to which the Funds hold call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities underlying put options. When the Fund sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered". If it is covered, the Funds would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Funds might suffer as a result of owning the security.

When the Funds sell an option on a futures contract, they may be required to deposit margin in an amount that may be determined by the margin requirement established for the futures contract underlying the option and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly.

Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, such as currency forwards, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Funds may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

### **Swap Agreements**

The Funds may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Funds' exposure to long-term or short-term interest rates, currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Funds are not limited to any particular form of swap agreement if consistent with the Funds' investment objective and approach.

Swap agreements tend to shift the Funds' investment exposure from one type of investment to another. For example, if the Funds agree to exchange payments in US Dollars for payments in Euro, the swap agreement would tend to decrease the Funds' exposure to Euro interest rates and increase its exposure to US Dollar interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Funds' portfolio. The most significant factor in the performance of swap agreements is the change in the specific

interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Funds. If a swap agreement calls for payments by the Funds, the Funds must be prepared to make such payments when due. In addition, if counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Funds.

### **Total Return Swaps**

Total return swaps are another form of derivative that the Funds may utilise to achieve its investment objective. A total rate of return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short and the total return receiver is synthetically long. This may create a highly leveraged exposure to such underlying asset.

### **Forward Contracts**

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Funds.

Market illiquidity or disruption could result in major losses to the Funds.

### **Futures Contracts**

The Funds may trade in futures contracts and options on futures. Futures positions may be illiquid because a commodity exchange limits fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit.

Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund from promptly liquidating unfavourable positions and subject the Funds to substantial losses. In addition, the Funds may not be able to execute futures contract trades at favourable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, some regulations and various exchanges impose speculative position limits on the number of positions that may be held in particular

commodities. Trading in commodity futures contracts and options are highly specialised activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

### ***Contracts for Difference***

The Funds may enter into contracts for differences. In these transactions, the Fund and another party assume price positions in reference to an underlying security or other financial instrument. The "difference" is determined by comparing each party's original position with the market price of such securities or financial instruments at a pre-determined closing date. Each party will then either receive or pay the difference, depending on the success of its investment.

### ***Brokers and Counterparties***

To the extent that the Investment Manager engages a broker to execute its investment decisions on behalf of the Funds and the broker with whom the relevant accounts are maintained fails to segregate assets, the Funds will be subject to a risk of loss in the event of the bankruptcy of the broker. In certain circumstances, where there is segregation, the Fund might be able to recover, even in respect of property specifically traceable to the Fund, only a pro rata share of all property available for distribution to a bankrupt broker's customers. In relation to the Funds' rights to the return of assets equivalent to those of the investments which have been transferred to a broker as collateral or margin, the Funds will rank as one of the relevant broker's unsecured creditors and, in the event of the insolvency of that broker, the Funds might not be able to recover such equivalent assets in full, or at all.

The Fund's assets may be held in one or more accounts maintained for the Fund by brokers, which may be located in various jurisdictions. Such local brokers, as brokerage firms or commercial banks, are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a broker or any of its sub-custodians, agents or affiliates, or a local broker, it is impossible to generalize about the effect of their insolvency on the Fund and its assets. Shareholders should assume that the insolvency of any of the brokers or such other service providers would result in a loss to the Fund, which could be material.

### ***Currency***

The Investment Manager may invest a portion of the Funds' assets in assets denominated in currencies other than the US Dollar, the base currency of the Funds, and in other financial instruments, the price of which is determined with reference to currencies other than the US Dollar. The Administrator will, however, value the Funds' securities and other assets in US Dollars. To the extent an investment is unhedged, the value of the Funds' assets will fluctuate with exchange rates as well as with price changes of the Funds' investments in the various local markets and currencies. The Investment Manager may utilise forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective. The performance of the Funds may be affected, unfavourably as well as favourably, by fluctuations in currency rates.

**Short-Selling**

Short-selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short-selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales will depend upon the Investment Manager's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Legal and regulatory restrictions may impact on the ability of the Funds to sell a security short and/or may require the Funds to disclose any short position with possible adverse consequences to the Funds.

**Leverage and Financing Risk**

The Funds may leverage their capital because the Investment Manager believes that the use of leverage may enable the Fund to achieve a higher rate of return. Accordingly, the Funds may pledge its securities in order to borrow additional funds for investment purposes. The Funds may also leverage their investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which the Funds may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing the Funds' total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Funds would be magnified to the extent the Funds are leveraged. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the Funds' investments could result in a substantial loss to the Funds which would be greater than if the Funds were not leveraged.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call," pursuant to which the Funds must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to satisfy their margin requirements.

**Equity Securities**

The Funds may invest in equity securities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfil contractual obligations such as, in the case of convertible securities or private placements, delivering marketable

common stock upon conversions of convertible securities and registering restricted securities for public resale.

### ***Illiquid Portfolio Instruments***

The Funds may invest part of its assets in illiquid investments. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. An investment in the Funds is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Where appropriate, positions in the Funds' investment portfolio that are illiquid and do not actively trade will be marked to market, taking into account actual market prices, market prices of comparable investments and/or such other factors (e.g., the tenor of the respective instrument) as may be appropriate. To the extent that marking an illiquid investment to market is not practicable, an investment will be carried at fair value, as reasonably determined by the Directors or their delegate. There is no guarantee that fair value will represent the value that will be realised by the Funds on the eventual disposition of the investment or that would, in fact, be realised upon an immediate disposition of the investment. As a result, a shareholder redeeming from the Funds prior to realisation of such an investment may not participate in gains or losses therefrom.

### ***High-Yield Securities***

The Funds may invest in bonds or other fixed-income securities, including, without limitation, "higher yielding" (including non-investment-grade) debt securities. Such securities are generally not exchange-traded and, as a result, these financial instruments trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. In addition, the Funds may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

### ***Fixed-Income Securities Generally***

The Funds may invest in bonds or other fixed-income securities. The Funds may invest in debt instruments that are unrated, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may

face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions.

### ***Hedging Transactions***

The Funds may utilise financial instruments, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Funds' unrealised gains in the value of the Funds' investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio; (v) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (vi) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date; or (vii) for any other reason that the Investment Manager deems appropriate.

The success of the Funds' hedging strategy will depend, in part, upon the Investment Manager's ability correctly to assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in such hedging transactions. For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between the hedging instruments utilised and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. The Investment Manager may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilisation of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings.

### ***Trading in Indices, Financial Instruments and Currencies***

The Investment Manager may utilise trading indices, financial instruments and currencies. The effect of governmental intervention may be particularly significant at certain times in currency and financial instrument futures and options markets. Such intervention (as well as other factors) may cause all of these markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

### ***Portfolio Turnover***

Turnover of the Funds' investments may be higher than the average for a pure equity portfolio and accordingly, the level of commissions paid is likely to be higher than average.

### ***Systemic Risk***

Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred



to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Fund interacts on a daily basis.

### ***Lending of Portfolio Securities; Counterparty Insolvency***

The Funds may lend securities on a collateralised and an uncollateralised basis, from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially. In the event of the bankruptcy of the other party to a securities loan, the Funds could experience delays in recovering the loaned securities. Additionally, the Funds may enter into repurchase and reverse repurchase agreements, which involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to the Funds.

### ***Counterparty Default***

The stability and liquidity of repurchase agreements, swap transactions, forward transitions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that the Funds will monitor on an ongoing basis, the creditworthiness of firms with which it will enter into repurchase agreements, interest rate swaps, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, the Funds will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the Net Asset Value of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings.

In addition, the Funds may use counterparties located in jurisdictions outside the United States or the European Union. Such local counterparties are subject to the laws and regulations in foreign jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalise about the effect of their insolvency on the Funds and their assets. Shareholders should assume that the insolvency of any counterparty would result in a loss to the Funds, which could be material.

### ***Interpositioning***

From time to time, the Funds may execute over-the-counter trades on an agency basis rather than on a principal basis. In these situations, the broker used by the Funds may acquire or dispose of a security through a market-maker (a practice known as "interpositioning"). The transaction may thus be subject to both a commission and a markup or markdown. The Investment Manager believes that the use of a broker in such instances is consistent with its duty of obtaining the best price for the Funds. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater

expertise or greater capability in connection with both accessing the market and executing a transaction.

### ***Global Investments***

The Fund may invest a portion of its portfolio in financial instruments of issuers located outside the European Union or the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States or the European Union, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganisation. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such non-US and non-EU issuers.

The Funds may be subject to additional risks, which include possible adverse political and economic developments, possible seizure or nationalisation of non-US and/or non-EU deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to shareholders located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the financial instruments may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realised gain or increasing the realized loss on such securities at the time of sale. Income received by the Fund from sources within some countries may be reduced by withholding and other taxes imposed on dividends, interest, capital gains, other income or gross sale or disposition proceeds by such countries. Any such taxes paid by the Funds will reduce their net income or return from such investments.

### ***Investment and Repatriation Restrictions***

Some emerging countries have laws and regulations that currently preclude direct foreign investment in the securities of their companies. However, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in these countries is permitted by certain emerging countries through investment funds which have been specifically authorised.

In addition to the foregoing investment restrictions, prior governmental approval for foreign investments may be required under certain circumstances in some emerging countries. Ownership limitations may also be imposed by the charters of individual companies in emerging countries to prevent, among other concerns, violation of foreign investment limitations. Some attractive equity securities may not be available to the Funds because foreign investors hold the maximum amount permitted under current laws or because of minimum eligibility requirements (such as net worth) for investing in certain types of securities in some emerging countries.

Repatriation of investment income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries. The Funds could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging market countries on interest or dividends paid on securities held by the Funds or gains from the disposition of such securities.



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**Item 9: Disciplinary Information**

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There are no current or pending legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

OIML meets the definition of a commodity pool operator ("**CPO**") and, depending on the amount of commodity interests that we trade, we may be required to register with the CFTC and become a member of the National Futures Association ("**NFA**"). However, we currently claim an exemption from registration pursuant to CFTC Rule 4.13(a)(3) based on our trading a de minimis level of commodity interests.

We do not recommend or select other investment advisers for our clients.

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

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***Code of Ethics and Personal Trading***

OIML has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at the Firm.

***Personal Securities Trading***

All OIML employees are deemed to be "Access Persons" and are required to adhere to a comprehensive Code of Ethics and Personal Account Dealing Policy, which covers the duty of confidentiality as well as personal trading. All employees are required to certify their adherence to the Code of Ethics and Personal Account Dealing Policy upon commencement of employment and annually thereafter. Employees also are required to provide certifications of compliance with certain Code of Ethics provisions and Personal Account Dealing Policy.

In general, employees (and members of their immediate households) are permitted to invest in equities, options or futures but must obtain written pre-approval from the CCO. The spirit of the Code of Ethics and the Personal Account Dealing Policy is to discourage frequent trading in employee personal accounts.

This policy does not apply to transactions involving government securities or open-end mutual funds, ETFs (other than in energy or shipping sectors) or other instruments which afford the employee no discretion over individual securities transactions.

All OIML employees must direct their brokers to send duplicate copies of trade confirmations and brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or receiving an allocation of an Initial Public Offering (“**IPO**”).

### ***Participation or Interest in Client Transactions***

OIML serve as the investment adviser to the Funds and Managed Accounts. Employees, affiliates of the employees, and relatives of the employee may make investments in the Fund. We may or may not receive any compensation from such investments from employees.

We may purchase or sell securities that we also recommend to our clients. The Firm will be cognizant of its fiduciary duty to its clients if this occurs. We may solicit qualified clients to invest in a Fund. We could be considered to have recommended an investment in a Fund as suitable for a client as a result of our relationship with the Fund. We will inform each client of our relationship with a Fund prior to the client’s investment, but we do not intend to advise clients as to the appropriateness of the investment and we will not receive any compensation for selling interests in a Fund (except to the extent that we receive our Management Fee and Performance Allocation from Investors).

We disclose these, and other potential conflicts of interest, to Investors in the Funds’ offering documents and to the Managed Accounts. Offering documents are delivered to Investors prior to their investment and Investors are given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving us, our affiliates, or the executive officers of the foregoing.

### ***Insider Trading Policies and Procedures***

OIML maintains Insider Trading policies and procedures (the “**Insider Trading Policies**”) that are designed to prevent the misuse of material, non-public information. Among other things, such policies seek to control and monitor the flow of inside information to and within OIML, as well as prevent trading based on inside information. On a periodic basis, our employees are required to certify to their compliance with the Compliance Manual, Code of Ethics and Personal Account Dealing Policy, including the Insider Trading Policies.

Our Code of Ethics and Personal Account Dealing Policy is available to Investors (including prospective investors) upon request.

### ***Privacy Policy***

We are committed to maintaining the confidentiality, integrity and security of investors’ personal information and we maintain a privacy policy which is provided to all new investors and will be distributed to investors on an annual basis.

It is our policy to collect only information necessary or relevant to our management business and use only legitimate means to collect such information. We do not disclose any non-public personal information about investors or former investors to anyone except for servicing and processing transactions and as required by law. We restrict access to non-public personal information about investors to those employees with a legitimate business need for the information. We maintain security practices, physical, electronic, and procedural safeguards to guard investor's non-public personal information. Please contact the Chief Compliance Officer for more information.

## **Item 12: Brokerage Practices**

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OIML is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

The Firm will operate within the Investment Advisory agreement between the Firm and Managed Accounts. This may provide for the Firm to deal with certain broker-dealers and custodians. Where this is not the case, the Firm will follow the same brokerage practices as outlined for the Funds above.

As an investment adviser, we have a fiduciary responsibility to our Clients. We require that our Clients' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading and seek to disclose and avoid any actual or potential conflicts of interests, or resolve such conflicts. We have adopted the following policies and practices to meet the Firm's fiduciary responsibilities and to ensure our trading practices are fair to all Clients and that no Client or account is advantaged or disadvantaged over another.

### **Aggregation**

The aggregation or "blocking" of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to Clients. Our policy is to aggregate Client transactions where possible and when advantageous to Clients. Clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

### **Allocation**

Our allocation policy prohibits any allocation of trades in a manner that would result in our proprietary accounts, affiliated accounts, or any particular Client or group of Clients receiving more favourable treatment than other Funds.

**Best Execution**

In selecting an appropriate broker-dealer to execute a client trade, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favourable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers’ full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Where the Managed Accounts provide for us to use certain brokers-dealers, this will be our main priority.

**Principal Trading**

We do not engage in any principal transactions.

**Soft Dollar Usage**

OIML may use “**Soft Dollars**” generated by the Funds’ trading activities to purchase research services or products that would otherwise have been the Firm’s expense. The Firm intends to keep any such arrangements within the parameters of the safe harbour of Section 28(e) of the Securities Exchange Act of 1934.

**Item 13: Review of Accounts**

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**Review of Accounts**

Our portfolio managers and investment professionals continuously monitor and analyse the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the Funds’ offering documents. In these reviews, the Firm pays particular attention to any changes in the investment’s fundamentals, overall risk management and changes in the markets that may affect price levels. OIML engages in active management for the Funds and the Firm reviews transactions, positions and cash balances on a daily basis.

**Account Reporting**

Investors in the Funds will receive audited financial statements within 120 days of the fiscal year end. Annually, upon completion of the Fund’s annual audit, we will distribute the audited financials along with copies of our Privacy Notice and ADV Part 2. In addition, the Funds will generally distribute net asset value updates and performance reports with attribution analysis on a monthly basis.

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

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Neither OIML nor any related person receives any economic benefits from third parties in connection with the provision of investment advice to our clients. Additionally, neither OIML

nor any related person is directly or indirectly compensated by any third party for investor referrals.

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**Item 15: Custody**

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The amended and revised Rule 206(4)-2 of the Advisers Act of 1940 sets forth extensive requirements regarding possession or custody of client funds or securities. The Rule requires advisers that have custody of client securities or funds to implement a set of controls designed to protect those client assets from being lost, misused, misappropriated or subject to financial reverses.

The Firm is deemed not to have custody for the purposes of Rule 206(4)-2 of the Advisers Act; the Firm does not have custody of client money or assets as defined by the Isle of Man Financial Services Authority.

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**Item 16: Investment Discretion**

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OIML possesses full discretionary portfolio management authority over the Funds with respect to asset allocations and direct investments as per our advisory agreement and offering document. Prior to assuming full discretion in managing a Client's assets, we enter into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Pursuant to the terms of our investment management agreements, OIML has the authority to determine:

- (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and;
- (ii) the amount of securities to be purchased or sold for the client account.

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**Item 17: Voting Client Securities**

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To the extent that OIML is delegated proxy voting authority on behalf of the Funds, we will comply with our proxy voting policies and procedures that are designed to ensure that such proxies are voted in the best interest of the Funds. The Investors may not direct voting of proxies.

Upon request, we will provide Investors with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

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**Item 18: Financial Information**

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OIML has no financial commitments that might impair its ability to meet its contractual and fiduciary commitments to clients and has not been nor is it currently the subject of any pending bankruptcy proceedings.