

Form ADV Part 2A Brochure

March 28, 2017

# Atlantic Investment Management, Inc.

666 Fifth Avenue, 34<sup>th</sup> Floor  
New York, NY 10103  
(212) 484-5050

[www.atlanticinvestment.net](http://www.atlanticinvestment.net)

This Brochure provides information about the qualifications and business practices of Atlantic Investment Management, Inc. (“Atlantic,” “the firm” or “we”). If you have any questions about the contents of this Brochure, please contact us at (212) 484-5050 or [info@atlanticinvestment.net](mailto:info@atlanticinvestment.net). 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 Atlantic is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Atlantic has been registered as an investment adviser with the SEC since January 2006. Our registration does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Atlantic last filed an annual updating amendment to Part 2A of the Form ADV in March 2016. Atlantic's business activities have not changed materially since the time of that update. If Atlantic makes any material changes to its brochure, this section will be revised to include a summary of these changes.

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#### **Item 4 – Advisory Business**

Atlantic, a Delaware corporation, is a global alternative investment firm founded in 1988 by Alexander J. Roepers, the President and Chief Investment Officer of the firm. Atlantic is owned 100% by a trust for the benefit of Alexander J. Roepers and members of his family. We invest in global equities, with a singular focus on achieving superior capital appreciation through the consistent and disciplined implementation of a value investing approach, concentrating capital and research on high conviction investments. We also proactively engage with management teams and boards of directors of our portfolio companies in an effort to create value through an approach we call “constructive shareholder activism” (“CSA”).

Our global investment team is located in New York and Tokyo and collaborates across geographies and sectors to leverage our collective experience to find investments. We employ a rigorous, private-equity like research process that culminates in the identification of unique value investments that are not highly traded by other alternative investment firms.

As of March 20, 2017, Atlantic managed net assets of approximately \$1.3 billion on a discretionary basis in private funds managed by Atlantic (the “Atlantic Funds”), as well as managed accounts for institutional clients. Atlantic has in the past and may in the future also manage investment companies registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

Atlantic provides individualized investment advice to each Atlantic Fund and each managed account client. Different accounts managed by Atlantic have different levels of concentration and focus on different geographic mandates, and each client can impose various investment restrictions or limitations on Atlantic. Atlantic does not provide individualized advice to investors within funds managed by Atlantic and therefore investors should consider whether a particular Atlantic Fund meets their investment objectives and risk tolerance prior to investing.

Investors and prospective investors in each Atlantic Fund should refer to the confidential private placement memorandum, limited partnership agreement, investment advisory agreement and other governing documents for each Atlantic Fund (the “Governing Documents”) for more complete information on the investment objectives and investment restrictions with respect to a particular Atlantic Fund.

As used herein, the term “client” generally refers to each Atlantic Fund and each beneficial owner of a managed account advised by Atlantic.

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

Each managed account and each Atlantic Fund is typically charged a management fee equal to a percentage of net assets and an annual performance fee or allocation equal to a percentage of the net appreciation of each account at the end of each fiscal year, which are paid directly to Atlantic or to an affiliate of Atlantic.

Atlantic's current fee schedule is generally as follows:

- Management Fee: 1% - 1.5% annually
- Performance Compensation: 15% - 20% annually, as described below

Fees may vary for different client accounts and investors depending, for example, on the date an investment was made or the amount invested. Fees may also vary for registered investment company accounts managed by Atlantic. In calculating performance-based compensation, any loss in an account is carried forward so that no performance-based compensation is charged to the account unless any prior loss has been recouped, subject to certain adjustments (i.e., subject to a loss carry forward or high water mark). Management fees are ordinarily paid quarterly in advance and prorated for any period less than a full quarter. Performance-based compensation is generally paid annually in arrears, or upon termination of an account or withdrawal of an investment in an Atlantic Fund.

All investors in Atlantic Funds should review the Governing Documents for the relevant Atlantic Fund for more complete information on the fees and compensation payable with respect to a particular Atlantic Fund.

Atlantic, in its discretion, may negotiate, waive or modify the management fees or performance-based compensation for certain client accounts or investors in an Atlantic Fund, including employees and affiliates of Atlantic, without entitling any other investors to a waiver or modification.

Investors in the Atlantic Funds may withdraw all or a portion of their investment, subject to certain minimum dollar requirements, effective at the end of a particular month or quarter with prior written notice (depending upon the terms of the particular Atlantic Fund). A client agreement may be cancelled as mutually agreed upon by the parties or as specified in the investment advisory agreement. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Atlantic's compensation is exclusive of brokerage commissions, transaction fees, custodial fees, and other costs and expenses that will be incurred by an Atlantic Fund or client account. Clients may incur other charges imposed by custodians, brokers, or other counterparties, as well as interest and commitment fees on loans and debit balances, research and data service costs, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Atlantic Funds also incur certain operating expenses, including administration, accounting, tax, legal, and directors' fees and expenses. Refer to the offering documents for each Atlantic Fund for more detailed information about the operating expenses of each Atlantic Fund. Expenses are allocated among participating accounts in proportion to their participation in a particular investment, in proportion to their respective net asset values, or in such other manner as Atlantic determines to be equitable.

See Item 12 (Brokerage Practices) below for more information about the brokerage commissions that will be incurred by clients of Atlantic.

## **Item 6 – Performance-based Fees and Side-by-Side Management**

Atlantic charges performance-based compensation to its clients and investors, including all of the Atlantic Funds. Certain clients and investors may be charged different performance-based compensation or, in unusual circumstances, no performance-based compensation. Performance-based compensation arrangements may create an incentive for Atlantic to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee-paying accounts over other client accounts in the allocation of investment opportunities.

Atlantic has adopted procedures to ensure that all investment opportunities are allocated among its clients in a manner that is fair and equitable to all clients, and to prevent conflicts of interest from improperly influencing the allocation of investment opportunities among its clients or otherwise resulting in any client being improperly favored over any other client. Among the factors that may be considered by Atlantic in allocating trades among clients are: investment policies, guidelines or restrictions applicable to each specific client; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; account size; and hedging objectives and activity.

Investors in the Atlantic Funds should refer to the Governing Documents of each Atlantic Fund for information on performance-based compensation arrangements relating to each Atlantic Fund.

## **Item 7 – Types of Clients**

Atlantic provides portfolio management services to the Atlantic Funds, which are organized either as U.S. limited partnerships or foreign corporations, and to certain institutional managed accounts. Investors in the Atlantic Funds include institutions, endowments and foundations, fund of funds, family offices, high net-worth individuals and other privately placed pooled investment vehicles. The Atlantic Funds are offered exclusively to accredited investors as defined in Regulation D under the Securities Act of 1933 pursuant to an exemption under either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, and are therefore not required to register as investment companies under the Investment Company Act.

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

Atlantic's investment strategy focuses on creating concentrated portfolios of our highest conviction, global equity ideas using a value driven investment approach. Our investment process is driven by intensive bottom-up research and collaboration of our global investment team across geographies and sectors that leverage the firm's collective experience in the U.S., Europe and Asia to identify investment opportunities. Our approach capitalizes on our industry knowledge, which is developed through approximately 1,000 management meetings annually to find opportunities that are generally not highly-traded by other alternative investment managers.

Another key component of our investment strategy is the proactive engagement with management and boards of directors of our portfolio investment companies to create value through CSA. CSA is based on the development of a long-term rapport and partnership approach with senior management through one-on-one meetings with verbal and written proposals to promote the implementation of a tailored set of shareholder value enhancing activities. These activities typically include share buy-back programs, portfolio restructurings (i.e., spin-offs or divestitures), and improvements in investor relations or corporate governance. Atlantic generally strives to take a pro-management approach, striving to craft win-win proposals for both shareholders and management.

Each Atlantic Fund invests primarily in either long or short positions in publicly-traded equities but, depending on the investment guidelines applicable to each Atlantic Fund, an Atlantic Fund can also invest in options, exchange-traded funds (“ETFs”), participatory notes, currency forwards and/or other derivative instruments.

We seek to achieve capital appreciation through (i) concentrated investments in the equity securities of companies considered to be undervalued; (ii) short selling of the shares of companies considered to be overvalued as well as certain companies with rapidly deteriorating fundamentals; and (iii) actively managing net market exposure.

Our methods of analysis includes rigorous due diligence combined with an in-depth analysis of financial models, historical and future valuation metrics, qualitative assessment of business, sizing of market opportunities, and evaluation of management.

As Portfolio Manager, Alexander Roepers has final authority over all portfolio decisions for all accounts managed by Atlantic. Mr. Roepers is responsible for portfolio activities, including the sizing of positions, allocation of capital among sectors, and maintenance of targeted gross and net exposures.

All investments involve risk of loss. The risk management techniques that may be utilized by Atlantic will not provide any assurance that Atlantic’s clients and investors will not be exposed to risks of significant investment losses. The principal risks of loss include the following:

***Equity Securities.*** The market prices of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting a specific issuer, such as changes in earnings forecasts.

***Concentration Risk.*** Concentration of investment in a relatively limited number of industries and investments may result in more rapid changes in the value of a portfolio, upward or downward, than would be the case if the portfolio were more widely diversified.

***Short Sales.*** A short sale involves the sale of a security that the seller does not own. In order to complete a short sale, the short seller must borrow the security sold in order to make delivery to the buyer. Atlantic must replace any securities borrowed by purchasing them at the market price at the time of replacement. Atlantic may be required to return the securities borrowed at any time. The price at such time may be more or less than the price at which the security was sold. Short sales can result in profits when the prices of the securities sold short decline, and losses, which are theoretically unlimited, when such prices increase.

***Options and Other Derivatives.*** Atlantic will from time to time, based on the investment guidelines applicable to each client account, cause clients to invest in options and other derivative instruments, including ETFs and participatory notes issued by financial institutions. Atlantic generally will use derivatives as a substitute for investing in underlying equities, and not to achieve leverage. Derivatives involve additional risks. The purchaser of a put or call option runs the risk of losing his or her entire investment in a relatively short period of time if an option expires unexercised. Some derivatives are not traded on an exchange, are not readily transferable, and are subject to the risk of default by the counterparty.

***Investment in Non-U.S. Securities.*** Investments in non-U.S. companies involve additional risks not typically associated with trading in the United States. Such risks include the risk of adverse events in the country where an issuer is located, unfavorable changes in exchange rates, imposition of exchange control regulation by the United States or foreign governments, restrictions on repatriation of investment income and capital, and higher transaction costs. In addition, there is less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies are not subject to accounting, auditing and financial reporting standards and requirements comparable to the United States.

***Non-Public Information.*** From time to time, Atlantic will work closely with the management team of a portfolio company in which an Atlantic Fund or client account has invested or proposes to invest in order to develop CSA. In the course of such activities, we may come into possession of material, non-public information (“MNPI”) concerning such company, and the possession of such MNPI may prevent an Atlantic Fund or client account from buying or selling the securities issued by such company. Therefore, an Atlantic Fund or client account may be required to refrain from buying or selling such securities at times when we might otherwise wish the Atlantic Fund or client account to buy or sell such securities.

Prospective investors are advised to review the applicable Atlantic Fund private placement memorandum for a more extensive description of the risks of investing in the Atlantic Funds.

## **Item 9 – Disciplinary Information**

We do not believe that there have been any legal or disciplinary events that are material to our advisory businesses or the integrity of our management.

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

Atlantic Investment Management (Japan) Limited (“Atlantic Japan”) is a wholly owned subsidiary of Atlantic, based in Tokyo, and was established in April 2006 as a research office covering Asian markets pursuant to an Investment Advisory Agreement with Atlantic. Atlantic Japan is registered with the Kanto Local Finance Bureau (a part of the Ministry of Finance of Japan).

Affiliates of Atlantic serve as general partner for certain Atlantic Funds.



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

Atlantic has adopted a Code of Ethics (“Code”) pursuant to SEC rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act for all employees, directors or officers of Atlantic (each a “Covered Person”) describing its high standard of business conduct and fiduciary duty to its clients. The Code was created to limit potential conflicts of interest, prevent the inappropriate use of MNPI, and monitor personal securities trading by employees, among other things.

The Code is based on the underlying principles that:

- Employees must at all times place the interests of clients first;
- Employees are required to conduct all personal securities transactions in accordance with the Code;
- Employees should not take inappropriate advantage of their positions; and
- Employees are required to report any violation of the Code.

Atlantic’s Code prohibits employees from engaging in personal securities transactions in individual equity securities. Upon employment, employees must report the existence of all personal brokerage accounts. If, at the time of initial employment by Atlantic, an employee owns or otherwise controls any individual equity securities, he or she is permitted to maintain such positions on an indefinite basis but are strictly prohibited from adding to such positions. If an employee wishes to liquidate any individual equity security, the employee must obtain pre-clearance from Atlantic’s Chief Compliance Officer (“CCO”).

Also included in the Code are policies designed to prevent the misuse of MNPI. By reason of its various activities, Atlantic may under certain circumstances become privy or have access to MNPI. Such policies seek to comply with the requirements of the federal securities laws relating to insider trading, and to control and monitor the flow and potential misuse of MNPI. Atlantic also maintains a restricted list (the “Restricted List”). The Restricted List will include, among other things, the names of companies as to which Atlantic may have received MNPI. Employees cannot purchase or sell any security that is on the Restricted List, either for any client or for their own accounts, without the prior approval of the CCO. If any employee already holds a security that is on the Restricted List, the employee must continue to hold and cannot execute any sell orders for the relevant security until such security is removed from the Restricted List.

The Code includes provisions relating to the confidentiality of client and investor information, reporting of certain gifts and business entertainment, required employee disclosure of outside business activities, and required employee disclosure of political contributions.

The Code and Compliance Manual is distributed to each employee at the time of hire and is supplemented with training periodically thereafter. All employees of Atlantic must acknowledge the terms in the Code annually, or as amended.

Atlantic, its principal and employees and their related persons are investors in many of the Atlantic Funds and will share in any profits and losses generated by the Atlantic Funds.

Atlantic will provide a complete copy of its Code to any client or investor or prospective investor upon request.

## **Item 12 – Brokerage Practices**

Subject to the investment objectives, policies and restrictions of each client, Atlantic ordinarily has the discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each client, including the selection of, and commissions paid to brokers.

All brokerage commissions and related transaction costs are paid by clients. Portfolio transactions are executed by brokers and dealers selected by Atlantic, based on their ability to provide the best available execution and in consideration of such broker's provision of, or payment of the costs of, certain services that are of benefit to Atlantic and its clients.

In selecting broker-dealers to effect securities transactions, Atlantic seeks to obtain best execution by considering factors including, but not limited to, a broker's reputation, special execution capabilities, liquidity and block-positioning capabilities, financial strength and stability, efficiency of execution and error resolution, the availability of stocks to borrow for short trades, and other factors as Atlantic considers relevant and beneficial to its clients. Atlantic is not required to seek to obtain the lowest commission cost on each transaction.

Atlantic has soft dollar arrangements with brokers and providers from which Atlantic receives research and other services and capabilities. Atlantic carefully considers the trading costs in relation to the relative value of the benefits received and incurs reasonable commissions with reputable firms. Brokers that provide value-added research while satisfying best execution criteria are paid through trading relationships at negotiated commission rates. Atlantic has established a brokerage committee, consisting of representatives of the investment team, compliance and finance personnel, to review transaction costs, best execution, and the value of external research.

Research services obtained through the brokers generally include market information, technical data, recommendations, discussions with research analysts, access to and meetings with corporate executives, attendance at seminars or conferences and general reports. Atlantic does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among various accounts, believing that the research Atlantic receives will help Atlantic to fulfill its overall duty to its clients and investors. Atlantic may not use each particular research service, however, to service each client that may have generated a particular benefit. As a result, an Atlantic Fund or managed account client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific account. Broker-dealers selected by Atlantic may be paid commissions for effecting transaction for clients that exceed the amount other broker-dealers would have charged to effect these transactions if Atlantic determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or Atlantic's overall duty to its clients.

Subject to Atlantic's obligation to seek best execution of all transactions for its clients, Atlantic may consider referrals of potential clients or investors in the Atlantic Funds in determining its selection of brokers. Atlantic may have an incentive to select or recommend a broker or dealer based on its interest in

receiving investor referrals, rather than on the interest of the client in receiving the most favorable execution.

Atlantic has established allocation and aggregation procedures for the allocation of portfolio investment transactions among its clients. The allocation and aggregation procedures are designed to ensure that each client is treated fairly and that transactions are allocated in a manner that is fair and equitable to each client relative to all other clients, taking into account each investment's objectives and the policy of each client in the allocation process.

Orders to buy or sell the same security for multiple clients are generally placed on an aggregated basis and typically allocated proportionately to each participating client, taking into consideration the size of the order placed, investment restrictions, if any, and any other relevant factors. Each client that participates in an aggregated order will generally participate at the average share price for all of the transactions in that security on a given day.

Atlantic will only engage in cross trades (one client buying or selling securities from or to another client) when the transaction is in the best interests of, and consistent with the investment objectives and policies of, both clients involved in the transaction. Any cross trades between clients must be effected at the current market price of the security, based on current sales data relating to transactions of comparable size for the same security. All cross trades require pre-approval from the CCO.

Unless otherwise agreed to between Atlantic and each client, Atlantic will not ordinarily be responsible for losses resulting from trade errors in client accounts, whether caused by the actions of Atlantic or unrelated third parties, unless caused by the gross negligence, fraud or willful misconduct of Atlantic. Accordingly, Atlantic will not ordinarily be responsible for the consequences of ordinary trade errors, unless caused by the gross negligence, fraud or willful misconduct of Atlantic.

### **Item 13 – Review of Accounts**

To ensure conformity with investment guidelines and objectives, all accounts are reviewed on a daily, monthly, and quarterly basis. On a daily basis, the investment team monitors all account activity, including positions, exposures, trading activity and profit and loss ("P&L"). Atlantic finance and compliance personnel perform various control procedures to ensure that all account activity, positions and P&L are reviewed and reconciled.

On a monthly basis, the administrator for each Atlantic Fund calculates the net asset value of the fund, subject to reconciliation, review and approval by the Atlantic finance team. Atlantic monitors the activities of the fund administrator and reviews and approves the monthly net asset value prepared by the administrator.

For all accounts, Atlantic's brokerage and risk management committee reviews account activity, best execution, trade allocation, operational control and compliance monitoring, commission allocations, soft dollars, financing rates, counterparty risk and valuation.

The administrator of each Atlantic Fund provides investors with written monthly statements detailing their account information. Atlantic provides clients and investors with monthly reports

including performance, commentary, exposures, positions, and other portfolio characteristics. Investors also receive tax statements and audited financial reports for their respective Atlantic Fund within 120 days of its fiscal year end.

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

Atlantic or its affiliates have entered into arrangements with third parties whereby Atlantic or its affiliates will pay to third parties who introduce clients or investors to Atlantic or its affiliates a portion of the management fees received by Atlantic or its affiliates or funds from such clients. Such arrangements will be disclosed to Atlantic’s clients and investors in accordance with, and otherwise comply with, Rule 206(4)-3 under the Advisers Act to the extent applicable.

#### **Item 15 – Custody**

Funds and securities for all client accounts, including the Atlantic Funds, are held by qualified custodians.

Managed account clients should receive at least quarterly statements from the custodian for the account. Atlantic urges you to carefully review such statements and compare such official custodial records to account statements that we may provide you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investors in the Atlantic’s Funds receive monthly reports from Atlantic and annual audited financial statements.

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

Subject to the investment objectives, policies and restrictions of each client, Atlantic ordinarily has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each client, including the selection of, and commission paid to, brokers.

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

Atlantic has adopted a proxy voting policy, as required by the Advisers Act. Our proxy voting policy ensures that we will act in the best interest of our clients in determining whether and how to vote on any proxy voting matter. Votes on all matters are determined on a case-by-case basis and consideration is given to both the short-term and long-term implication of the proposal to be voted. Atlantic monitors proxy voting for conflicts of interest. In the event of a material conflict of interest, Atlantic may seek a third-party or client recommendation for voting.

Atlantic subscribes to a proxy monitoring and voting agent service offered through a third-party vendor (the “Proxy Adviser”). In accordance with this service, the Proxy Adviser provides proxy

analyses together with research and a vote recommendation for each shareholder meeting of the companies in which our clients invest. Atlantic retains responsibility for instructing the Proxy Adviser how to vote and we will apply our own proxy voting guidelines when we deem it appropriate to do so.

Upon request, Atlantic will provide a copy of its proxy voting policy and information on how the proxies were voted for a client's account.

#### **Item 18 – Financial Information**

Atlantic has no financial commitment that should impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.