

Form ADV Part 2A Brochure

March 28, 2013

# Atlantic Investment Management, Inc.

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This Brochure provides information about the qualifications and business practices of Atlantic Investment Management, Inc. (“Atlantic” 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 the 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.

*This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities of Atlantic described herein. The securities of the funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and other exemptions of similar import under U.S. state laws and laws of other jurisdictions where any offering may be made. Any offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.*

## **Item 2 – Material Changes**

Atlantic's most recent update to Part 2A of the Form ADV was made in March 2012. 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.

### Item 3 – Table of Contents

Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	1
Item 6 – Performance-based Fees and Side-by-Side Management.....	2
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Item 9 – Disciplinary Information .....	4
Item 10 – Other Financial Industry Activities and Affiliations .....	4
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	5
Item 12 – Brokerage Practices .....	6
Item 13 – Review of Accounts.....	7
Item 14 – Client Referrals and Other Compensation .....	8
Item 15 – Custody .....	8
Item 16 – Investment Discretion.....	8
Item 17 – Voting Client Securities.....	9
Item 18 – Financial Information .....	9

#### **Item 4 – Advisory Business**

Atlantic, a Delaware corporation formed in 1988, was founded by Alexander J. Roepers, the President and Chief Investment Officer of the firm. Mr. Roepers owns 100% of Atlantic. As of February 29, 2013, Atlantic manages net assets of approximately \$1.6 billion on a discretionary basis. Atlantic manages client assets according to general investment parameters agreed upon with each client and provides ongoing management of accounts.

Atlantic's investment strategy focuses on high conviction value-oriented investments in publicly-traded equities.

Atlantic provides individualized investment advice to clients, and clients may request and impose, if agreed upon by Atlantic, various investment restrictions or limitations. Different accounts managed by Atlantic have different levels of concentration and different geographic mandates. Atlantic does not provide individualized advice to investors within funds managed by Atlantic ("Atlantic Funds") 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.

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

Each managed account and each investor in an 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 may be 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 Fee: 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. In calculating performance fees, any loss in an account is carried forward so that no performance fee 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 fees are 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 or performance fees 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 between the parties and 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 fees are exclusive of brokerage commissions, transaction fees, custodial fees, and other costs and expenses that will be incurred by the 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.

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 fees or, in unusual circumstances, no performance fee. 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 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 it considers fair and equitable to all clients, and to prevent conflicts of interest from improperly influencing the allocation of investment opportunities among its client accounts 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 client accounts 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.

Please refer to the Governing Documents of each Atlantic Fund for more complete information on performance-based compensation arrangements.

## **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. Clients and 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 the exemption under either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940 (“Company Act”), and are therefore not required to register as investment companies under the Company Act.

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

Atlantic’s investment strategy focuses on high conviction value-oriented investments in publicly-traded equities. Our investment process is driven by intensive bottom-up research. Atlantic’s specialist investment team focuses its research on a limited number of companies suitable for our concentrated value investment strategy. Our approach leverages our industry knowledge, which is developed through approximately 1,000 management meetings annually in the United States, Europe and Asia.

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 may 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) long investments in undervalued companies, which are temporarily out of favor and candidates for an earnings turnaround, restructuring, or takeover; (ii) short investments in overvalued companies and 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.

A component of Atlantic’s investment strategy is the use of constructive shareholder engagement which consists of developing a rapport 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.

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, the resulting 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. We believe 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 tend to 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 originally, and losses, which are theoretically unlimited, when such prices increase.

***Investment in Non-U.S. Securities.*** Investments in non-U.S. companies may 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, capital and higher transaction costs. In addition, there may be 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 may not be subject to accounting, auditing and financial reporting standards and requirements comparable to the United States.

## **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 governed by an Investment Advisory Agreement. 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”) for all supervised persons of the firm 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 material, nonpublic information, 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. If, at the time of initial employment by Atlantic, an employee owns or otherwise controls any securities, he or she is permitted to maintain such positions on an indefinite basis. However, employees are strictly prohibited from adding to such positions. If an employee wishes to liquidate any such position, the employee must obtain pre-clearance from Atlantic’s Chief Compliance Officer (“CCO”).

Upon employment, employees must report the existence of all personal brokerage accounts over which they exercise influence, control, or discretion to the CCO. Prior approval of trades is not required for any account over which an employee does not have any influence or control. Employees must report the existence of such an account to the CCO and the CCO has the authority to request further information and documentation from employees regarding any account over which an employee claims to have no influence or control.

Also included in the Code are policies related to Insider Trading that are designed to prevent the misuse of Material Non-Public Information (“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 material non-public information. Additionally, Atlantic maintains a restricted list (the “Restricted List”). The Restricted List may include, among other things, the names of companies as to which Atlantic may have received non-public information. Employees may not 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 may not 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 information, reporting of certain gifts and business entertainment, required employee disclosure of outside business activities, and required employee disclosure of political contributions.



The Code 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 client or 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, willingness to execute related or unrelated difficult transactions in the future, 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, 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. Accordingly, 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.

Atlantic currently sublets office space and receives certain information technology services from UBS Securities, LLC ("UBS") at market rates. Atlantic will only use UBS to execute transactions for its clients where Atlantic believes that best execution will be achieved.

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 affected 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 funds, subject to reconciliation, review and approval by the Atlantic finance team. Atlantic monitors the activities of the fund administrators and reviews and approves the monthly net asset value prepared by each administrator.

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

The administrator of each Atlantic Funds 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 may enter into arrangements with third parties whereby Atlantic or its affiliates will pay to third parties who introduce clients to Atlantic or its affiliates a portion of the management fees received by Atlantic or its affiliates 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.

Clients should receive at least quarterly statements from the custodian and 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 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 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.