



**Innocap Investment Management Inc.**

1155 Metcalfe Street, 2<sup>nd</sup> Floor  
Montreal, Québec, Canada  
H3B 5G2  
[www.innocap.com](http://www.innocap.com)

---

Part 2A of Form ADV: Firm Brochure

---

Updated: January 27<sup>th</sup>, 2018

This brochure provides information about the qualifications and business practices of Innocap Investment Management Inc. ("**Innocap**"). If you have any questions about the contents of this brochure, please contact us at (514) 390-7446 or [investorrelations@innocap.com](mailto:investorrelations@innocap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "**SEC**") or by any state securities authority.

Additional information about Innocap also is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## Item 2: Material Changes

This Brochure dated January 27<sup>th</sup>, 2018 reflects the following changes since the last version dated January 27<sup>th</sup>, 2017:

- Innocap now provides non-discretionary advisory services to Innocap Global Investment Management (Ireland) Ltd ("**IGIM**"), acting as investment manager to the IGIM Funds. IGIM is wholly-owned by Innocap. Innocap previously provided advisory services to Innocap Global Investment Management Ltd, a Malta-based affiliate of Innocap that ceased to operate in 2017.
- Mention is made to a transaction that was announced whereby La Caisse de dépôt et placement du Québec, along with Innocap's management, agreed to purchase NBC's stake in Innocap's share capital. This transaction is subject to usual closing conditions, including approval by relevant regulatory authorities and is expected to close sometime in March 2018.

### Item 3: Table of Contents

<u>ITEM 2: MATERIAL CHANGES</u>	<u>2</u>
<u>ITEM 3: TABLE OF CONTENTS</u>	<u>1</u>
<u>ITEM 4: ADVISORY BUSINESS</u>	<u>1</u>
<u>ITEM 5 - FEES AND COMPENSATION</u>	<u>2</u>
<u>ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT</u>	<u>4</u>
<u>ITEM 7 - TYPES OF CLIENTS</u>	<u>4</u>
<u>ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS</u>	<u>4</u>
<u>ITEM 9 - DISCIPLINARY INFORMATION</u>	<u>6</u>
<u>ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS</u>	<u>7</u>
<u>ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</u>	<u>10</u>
<u>ITEM 12 - BROKERAGE PRACTICES</u>	<u>11</u>
<u>ITEM 13 - REVIEW OF ACCOUNTS</u>	<u>12</u>
<u>ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION</u>	<u>13</u>
<u>ITEM 15 - CUSTODY</u>	<u>13</u>
<u>ITEM 16 - INVESTMENT DISCRETION</u>	<u>13</u>
<u>ITEM 17 - VOTING CLIENT SECURITIES</u>	<u>13</u>
<u>ITEM 18 - FINANCIAL INFORMATION</u>	<u>14</u>

---

## Item 4: Advisory Business

### Innocap Investment Management Inc.

Innocap is the result of more than a decade of investments in hedge fund strategies. As of the date of this Brochure, Innocap is jointly owned by National Bank of Canada ("**NBC**") and BNP Paribas S.A. ("**BNPP**"), each of which owns 50% of Innocap. On December 8<sup>th</sup>, 2017, a transaction was announced whereby La Caisse de dépôt et placement du Québec, along with Innocap's management, agreed to purchase NBC's stake in Innocap's share capital. This transaction is subject to usual closing conditions, including approval by relevant regulatory authorities and is expected to close sometime in March 2018.

### Services

Innocap may provide investment management and advisory services to financial institutions, pension funds, pooled investment vehicles and other accredited investors within the meaning of the laws of the relevant jurisdictions, as amended from time to time. In connection with providing these investment management and advisory services, Innocap may act as investment adviser with or without discretionary trading authority depending on the type of mandate. Innocap also offers customized alternative investment platform services to its clients. These services may be provided on a discretionary basis and be tailored to accommodate the individual needs and profiles of clients.

When acting on a discretionary basis, Innocap generally selects and delegates the management of a client's portfolio, in accordance with the client's investment guidelines and restrictions, to a sub-advisor (a "**Trading Advisor**"). In certain structures, portfolio management is delegated to the Trading Advisor directly by the Fund (as such term is defined below). In addition, Innocap may provide various services to its clients including risk management, asset control, reporting and due diligence and supervises the trading activities of the Trading Advisor.

In a non-discretionary relationship, Innocap solely provides recommendations to the client. A client can choose between the various services offered by Innocap which include risk measurement and/or management, asset control, reporting and due diligence on hedge fund managers. Innocap's non-discretionary services are provided according to a client's investment objectives and business models.

In addition, the funds platform services may be offered under two (2) types of fund structures:

- (1) Funds in which the assets of several investors are pooled ("**Commingled Funds**"); and
- (2) Funds dedicated to a sole investor ("**Dedicated Funds**").

The Commingled Funds provide investors with access to various investment strategies while dividing the costs and expenses between a large number of investors. The Dedicated Funds offer investors a tailored and dedicated approach to their investment needs subject to additional requirements which may notably consist of a higher minimum subscription amount. Investors in the Dedicated Funds may be granted a broader role than investors in Commingled Funds, including input on investment guidelines and restrictions.

Innocap currently offers non-discretionary advisory services to IGIM and acts as investment manager to the Innocap Funds, as defined below. These services are detailed hereinafter.

#### (i) Advisory Services to IGIM

Innocap serves as the investment advisor to Innocap Global Investment Management (Ireland) Ltd ("**IGIM**") its wholly-owned subsidiary, acting as investment manager of (i) Irish open-ended umbrella

investment companies established as undertakings for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations (the “**UCITS Funds**”); and (ii) Irish qualifying investor alternative investment funds (along with the UCITS Funds, the “**Irish Funds**”).

In addition, Innocap supports IGIM in connection with its offering of technical assistance and support services to a fund of a Luxembourg SICAV and investment management services to another fund within the same structure (the “**Luxemburg Funds**”).

Moreover, Innocap acts as investment advisor to IGIM, the platform manager, for several funds incorporated as exempt companies in the Cayman Islands (the “**Cayman Funds**”, and together with the Irish Funds and the Luxembourg Funds, the “**IGIM Funds**”).

The management of the portfolio of the IGIM Funds is delegated to different Trading Advisors, which implement various types of investment strategies following their respective investment approaches. Innocap provides IGIM with the following advisory services: selection, due diligence and ongoing monitoring of the Trading Advisors, risk management services, operation and middle office services and legal and compliance services. Innocap does not have discretionary authority with respect to the IGIM Funds and solely provides advice to IGIM in accordance with the investment advisory agreements entered into between IGIM and Innocap and in line with the disclosures set forth in the IGIM Funds’ offering documentation. Innocap does not make recommendations to IGIM as to specific securities or investments the IGIM Funds may purchase or sell.

Alstra Fund plc – Markham Rae I Fund, which is offered in the United States pursuant to the exemption from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D, is currently the only IGIM Fund offered to U.S. persons and shares may only be sold to Permitted U.S. persons, as defined in the offering documentation.

#### (ii) Investment Management Services – Innocap Funds

Innocap acts as the investment manager of limited partnerships registered under the laws of the Province of Ontario (Canada) and limited partnerships registered under the laws of the Province of Quebec (Canada) (the “**Innocap Funds**”, and along with the IGIM Funds, the “**Funds**”). The Innocap Funds are solely offered to Canadian residents and are not offered to U.S. persons.

#### Clients’ Assets

As of October 31<sup>st</sup>, 2017, Innocap managed USD 308,996,790 on a discretionary basis (Innocap Funds only).

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

#### Compensation

Innocap generally charges each Innocap Fund a management fee based on the net asset value (“**NAV**”) of each such fund. Management fees are notably based on the complexity of the fund’s investment strategy, the size of the mandate and the reporting requested by the client.

With respect to the IGIM Funds, Innocap is generally paid an advisory fee which is negotiated and based on the NAV of each class of shares of these funds.

#### Additional Fees

The Innocap Funds may also bear the following fees:

#### Trading Advisor Fees

Fees paid to Trading Advisors vary and generally include a management fee based on the NAV of the relevant Innocap Fund and a performance fee based on the net trading gain of such Fund. Further details can be obtained from Innocap and are disclosed in the relevant offering documentation (where applicable).

#### Administration Fee

The Innocap Funds also bear administrative fees and expenses based on its NAV, sometimes subject to a minimum fee, which may include administration fees, registrar and transfer agent fees and expenses, accounting, audit and legal costs, custodial fees, bookkeeping and recordkeeping costs, communication and promotional expenses, other professional fees and expenses, any trading and investment-related costs and expenses and dissolution costs, regardless of whether profits are realized.

#### Trading Fees

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

#### Other Fees

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

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

relation to annual reports and financial information, and similar ongoing expenses. The fees and expenses payable to service providers may change from time to time.

Fees and charges which are identifiable with a particular Innocap Fund shall be charged to it and other charges will be allocated to the Innocap Funds in a manner which Innocap believes is fair and equitable, depending on the charge. Some charges may be split equally among Innocap Funds or may be allocated pro rata to the net assets in each relevant fund.

#### **Side Letters**

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

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

Innocap does not charge performance-based fees to its clients.

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

#### **Type of clients**

Innocap may provide investment management and advisory services to financial institutions, pension funds, pooled investment vehicles and other accredited investors within the meaning of the laws of the relevant jurisdictions, as amended from time to time.

Innocap currently offers non-discretionary advisory services to IGIM and acts as investment manager to the Innocap Funds.

#### **Minimum account size**

The minimum subscription amount in a Fund varies. With respect to a Dedicated Fund, the minimum initial investment is generally set at USD 25 million but may vary depending of the investment objectives and particular circumstances of a specific account.

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

#### **Methods of Analysis**

Innocap offers advice about the selection and appointment of Trading Advisors, each of which is in charge of the trading of the portfolio of a specific Fund, and specializes in various strategies which are outlined hereinafter. Innocap performs due diligence on, and monitors, the Trading Advisors. Innocap generally evaluates potential Trading Advisors by considering, to the extent such information is available, a variety of different factors including, without limitation: education, experience, background and reputation of key personnel, investment philosophies, risk management techniques employed, operational capabilities, risk/reward attributes of the Trading Advisor's strategy, portfolio composition, information obtained through personal interviews and literature, as well as economic factors.

#### **Investment Strategies**

The Funds may deploy various strategies, including:

- Multi-Strategy;
- Convertible Arbitrage;

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

### **Risk of Loss**

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

Profitable trading is often dependent on anticipating trends or trading patterns. In addition, markets experiencing random price fluctuations, rather than defined trends or patterns, may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. Any factor which may lessen major price trends (such as, but not limited to, governmental controls affecting the markets) may reduce the prospect for future trading profitability. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in prices moving the maximum amount allowed in a single day could also be detrimental to profits or cause losses. Increases in margin levels on financial instruments may occur in the future. Such increased margin and other potential regulatory changes may adversely impact the trading strategies. No assurance can be given that the trading techniques and strategies of the Funds will be profitable in the future.

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

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

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



## Item 9 - Disciplinary Information

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

From at least 2004 through 2012, BNPP, one of Innocap's shareholders, knowingly and willfully moved over \$8.8 billion through the U.S. financial system on behalf of Sudanese, Iranian, and Cuban sanctioned entities, in violation of U.S. economic sanctions, including more than \$4.3 billion in transactions involving entities that were specifically designated by the U.S. Government as being cut off from the U.S. financial system. BNPP engaged in this criminal conduct through various sophisticated schemes designed to conceal from U.S. regulators the true nature of the illicit transactions. On June 30, 2014, the U.S. Department of Justice (the "**Department of Justice**") and the Office of the U.S. Attorney for the Southern District of New York (the "**SDNY**", and together with the Department of Justice, the "**DOJ**") filed a notice of intent to file a one-count criminal information in the District Court for the Southern District of New York (the "**District Court**"), and the New York County District Attorney's Office ("**DANY**") filed a two-count criminal information in the Supreme Court of the State of New York, County of New York (the "**Supreme Court**") against BNPP. The DOJ's information, which was filed on July 9, 2014, charged BNPP with conspiracy to commit violations of the International Emergency Economic Powers Act and the Trading with the Enemy Act, and regulations issued thereunder. DANY's information charged BNPP with the crime of falsifying business records in the first degree and conspiracy in the fifth degree. BNPP agreed to resolve the action brought by DANY through a plea agreement dated June 30, 2014 and the action brought by the DOJ through a plea agreement dated June 28, 2014 (the "**Plea Agreements**"). The Plea Agreements required BNPP to plead guilty to the charges set out in the respective information and to pay over \$6.2 billion to the U.S. and New York state governments. The Plea Agreements also required BNPP to lawfully undertake certain remedial actions to address the conduct described in the Plea Agreements and the attachments thereto (the "**Conduct**"). On April 15, 2015, BNPP was sentenced by the Supreme Court to a three-year conditional discharge, in line with the DANY Plea Agreement, while requiring BNPP to implement compliance procedures and training, among other things. On May 1, 2015, the District Court entered a final judgment of conviction against BNPP, while requiring remedies that are materially the same as those set forth in the DOJ Plea Agreement, including a term of probation of five years and an obligation of continued cooperation.

BNPP also entered into regulatory settlements relating to the Conduct. BNPP agreed to enter into a Cease and Desist Order Issued Upon Consent with the Board of Governors of the Federal Reserve System (the "**Federal Reserve**") and the French Autorité de Contrôle Prudentiel et de Résolution (the "**ACPR**") to resolve certain findings by the Federal Reserve and ACPR relating to the Conduct. BNPP also agreed to enter into an Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent with the Federal Reserve to resolve certain findings by the Federal Reserve relating to the Conduct. BNPP and the New York State Department of Financial Services (the "**DFS**") entered into a Consent Order to resolve certain findings by the DFS relating to the Conduct. Additionally, BNPP entered into a Settlement Agreement with the United States Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") to resolve certain findings by OFAC relating to the Conduct. The settlement with the Federal Reserve required BNPP to pay \$508 million to the Federal Reserve, while the settlement with the DFS required BNPP to pay \$2.2434 billion to the DFS.

Neither Innocap nor any other affiliate of BNPP registered with the SEC as an investment adviser under the Investment Advisers Act or a broker-dealer under the Securities Exchange Act of 1934 was named in any of these settlements or involved in the Conduct underlying these settlements.

In addition, pursuant to an offer of settlement that NBC, one of Innocap's shareholders, presented at a hearing on March 29, 2017, in which NBC neither admitted nor denied the findings or rule violations upon which the penalty is based, a Panel of the NYMEX Business Conduct Committee (the "**Panel**") found that between December 17, 2014 and January 21, 2015, two NBC traders executed a series of trades in NYMEX Crude Oil Futures between two accounts wholly owned and controlled by NBC. The Panel further found that NBC failed to diligently supervise its traders in a manner sufficient to ensure that they executed the trades in compliance with Exchange rules.

## Item 10 - Other Financial Industry Activities and Affiliations

Innocap has relationships and arrangements that are material to its advisory/management/business and/or its clients with the following entities that are related persons (the "**Related Persons**"):

**NBC:** NBC is a bank incorporated under the *Bank Act* (Canada) and is a reporting issuer that holds 50% of the voting and equity shares of Innocap.

**InRIS UCITS PLC:** IGIM, a wholly-owned subsidiary of Innocap, acts as the investment manager of InRIS UCITS PLC.

**InRIS QIAIF PLC:** IGIM, a wholly-owned subsidiary of Innocap, acts as the alternative investment fund manager of InRIS QIAIF PLC.

**Icare Investment Solutions PLC:** IGIM, a wholly-owned subsidiary of Innocap, acts as the investment manager of Icare Investment Solutions PLC.

**Alstra Fund PLC:** IGIM, a wholly-owned subsidiary of Innocap, acts as the alternative investment fund manager of Alstra Fund PLC.

**Baldr Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Fund Inc., a Cayman Fund.

**Baldr Avalon Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Avalon Fund Inc., a Cayman Fund.

**Baldr Draco Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Draco Fund Inc., a Cayman Fund.

**Baldr Greenwich Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Greenwich Fund Inc., a Cayman Fund.

**Baldr Lancaster Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Lancaster Fund Inc., a Cayman Fund. (IN LIQUIDATION)

**Baldr Mason Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Mason Fund Inc., a Cayman Fund. (IN LIQUIDATION)

**Baldr Odessa Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Odessa Fund Inc., a Cayman Fund.

**Baldr Sherwood Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Sherwood Fund Inc., a Cayman Fund.

**Baldr Sonata Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Sonata Fund Inc., a Cayman Fund.

**Baldr Spitfire Fund Inc.:** IGIM, a wholly-owned subsidiary of Innocap, acts as the platform manager of Baldr Spitfire Fund Inc., a Cayman Fund.

**Innocap Global Investment Management (Ireland) Ltd.:** IGIM, a wholly-owned subsidiary of Innocap, acts as investment manager for the IGIM Funds and has hired Innocap as its investment advisor in respect of such Funds.

**BNPP:** BNPP is a French Société anonyme (S.A.) that holds 50% of the outstanding voting and equity securities of Innocap.

### **Conflicts of Interest**

Innocap is subject to conflicts of interest in managing or providing advice to the Funds, which could impact Innocap's objectivity and the performance of its obligations. Innocap has adopted a Compliance Manual and a Code of Ethics (see Item 11) which include policies and procedures designed to monitor, manage and reduce potential conflicts of interest.

#### ***Affiliation with Innocap's shareholders***

Innocap's affiliation with NBC, BNPP and their respective subsidiaries makes it important to put in place policies aimed at addressing any potential conflicts of interest and ensuring that all investment decisions and their execution are made in the best interest of Innocap's clients, notably:

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

#### ***Outside Business Activities and Directorships***

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

may be prohibited from engaging in transactions with respect to the securities or instruments of such company, which prohibition may have an adverse effect on clients of Innocap.

#### ***Directors' and Officers' Conflicts of Interest***

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

More specifically, a director of Innocap, François Bourassa, senior manager for the specialized transactions and products department at NBC, is also a director of IGIM. In addition, François Rivard, Evelyne Morin, Nicolas Charron-Gedah and Daniel Baillet have been appointed as directors of some of the Funds. As a result of these affiliations, it could be said that the agreements between Innocap and such entities, directly or through IGIM, were not negotiated at arm's length. However, the directors and officers have fiduciary duties to Innocap and consequently have exercised and will continue to exercise good faith and integrity in handling all Innocap's affairs.

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

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

#### ***Compensation Practices***

Innocap is very careful with any particular benefits, compensation or remuneration practices that are inconsistent with its obligations towards its clients. It is Innocap's policy to never accept commission-based remuneration. In connection with the services rendered to the Funds, Innocap has no revenues other than those specifically disclosed in the relevant offering documentation. In connection with the Dedicated Funds platform services, all revenues will be stated in the agreement with the relevant client.

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

Innocap may cause the Innocap Funds to enter into transactions, including, without limitation, securities transactions, derivative contracts, and other transactions of a similar nature, with its affiliates or certain of its clients. There may be perceived conflicts of interest in the fact that NBC and BNPP are the shareholders of Innocap. Innocap may enter into such dealings provided that they are on an arm's length basis and on terms no less favourable to the Innocap Funds than could reasonably have been obtained had the dealing been effected with an independent third party, provided that such activity complies with applicable legislation.

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

Innocap has retained NBC to provide certain services such as IT infrastructure and equipment and accounting.

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

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

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

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

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

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

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

Where permitted by applicable laws and regulations, Innocap's affiliates may be provided with enhanced transparency in relation to assets comprised in the Funds. Investors wishing to invest in such Funds should be aware that they may not necessarily benefit from the same level of transparency as such affiliates and, consequently, from the same possibility to assess the global risk of such Funds. However, Innocap's affiliates will not be granted a preferential treatment with respect to the liquidity to redeem or subscribe from the Funds.

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

From time to time, Innocap may cause clients to invest in Innocap Funds that are managed or advised by its Related Persons or its affiliates or have other business relationships (such as fee sharing agreements) with Innocap or its affiliates. This conflict of interest is mitigated by the fact that Innocap has a fiduciary duty to place the interest of its clients first and that we are not receiving unduly two incomes from the same source (i.e. double-dipping).

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

#### **Code of Ethics**

Pursuant to Rule 204A-1 under the Advisers Act, Innocap has adopted a Code of Ethics (the "**Code**") which incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and

financial circumstances of the Funds and clients must be kept confidential; and independence in the investment decision-making process must be maintained at all times. The Code is also designed to address and mitigate potential conflicts of interest.

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

### **Personal Trading**

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

## **Item 12 - Brokerage Practices<sup>1</sup>**

Innocap may have full discretionary authority with regard to the Innocap Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Even in cases where Innocap has full discretionary authority, Innocap's authority is limited by its own internal policies and procedures and each Innocap Fund's investment guidelines. In cases where Innocap delegates trading authority to a third party, as in the case of the Innocap Funds, it aims to ensure that Trading Advisors seek to obtain best execution by requiring that each investment management agreement with a Trading Advisor contain obligations for the Trading Advisor to comply with applicable guidance regarding best execution and soft dollars. The Trading Advisors typically request that accounts be opened with the brokers through which their own investment funds trade. The proposed brokers are evaluated by Innocap's Risk Oversight Committee in accordance with the criteria set forth below.

With regards to the IGIM Funds, Innocap does not actively trade in individual equities or fixed income securities. Innocap typically makes recommendations to IGIM for the IGIM Funds strategies managed by the Trading Advisors; thus, it does not have the same duty to seek best execution as an adviser that invests directly in equities and fixed income securities. For more information on IGIM's brokerage practices, please refer to IGIM's Form ADV Part 2A, Item 12.

### **Criteria for recommendation of Broker-Dealers**

When evaluating a proposed broker-dealer, Innocap will generally look for the following criteria:

- understanding of the business and the investment objective, strategy and approach of the funds for which the broker-dealer will act;
- capacity to provide services for the daily activities of a fund, day after day and without material failures even when transactions become more complex;
- strong financial situation and good capitalization, in particular, broker-dealers (the corporate group which they belong to, or their guarantor, if applicable) will be assessed based on criteria such as:
  - FDIC tier 1 common capital ratio;
  - Basel III minimum capital requirement;

---

<sup>1</sup> Innocap does not offer brokerage services.

- Credit ratings;
  - Credit default swap spread; and
  - Stock performance.
- strong global securities lending presence;
- strong technological capabilities;
- cash management capabilities in order for the fund to obtain better returns for any cash holdings.

Innocap, while evaluating broker-dealers, will also give importance to the broker-dealer's back office.

### **Soft Dollars**

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

Trading Advisors may enter into soft dollar arrangements, subject to Innocap's prior approval and in compliance with applicable laws.

### **Brokerage for Client Referrals**

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

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

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

The Funds are analyzed and monitored on an ongoing basis by IGIM and Innocap's Risk and Due Diligence Department. These reviews are subject to the Chief Compliance Officers' oversight. On a daily, weekly and monthly basis, where applicable, the IGIM and Innocap's Risk and Due Diligence Department reviews a number of reports that are designed to identify the Funds that are outside the expected ranges for returns, volatility, exposure to asset classes and exposure to industry sectors.

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

Clients receive account statements directly from their chosen custodian, prime brokers or the Fund's administrator on at least a quarterly basis, and as may be required by applicable legislation. Innocap may supplement these statements with reports provided during client meetings or as requested. In addition, investors of the funds receive audited annual financial statements.

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

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

Innocap may compensate placement agents who introduce new investors that commit capital to an Innocap Fund. The amount paid to placement agents is based on point-in-time negotiation and all placement fees will be fully disclosed to investors referred by placement agents. As of the date hereof, Innocap does not compensate any parties for client referrals.

## **Item 15 - Custody**

Innocap does not have custody of client funds or securities.

## **Item 16 - Investment Discretion**

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

Innocap provides non-discretionary investment advice to IGIM with respect to the IGIM Funds.

## **Item 17 - Voting Client Securities**

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

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



*A copy of Innocap's Policies is available to clients upon request, as is information about how Innocap has voted.*

Proxy voting for the Funds will generally be delegated to the Trading Advisors. When such delegation occurs, Innocap and IGIM aim to ensure that the Trading Advisor has appropriate policies in place in order to vote proxies in the best interests of the Funds.

## **Item 18 - Financial Information**

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