

# OCEANIC INVESTMENT MANAGEMENT LIMITED

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Douglas, Isle of Man IM1 1EE

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

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

**Item 2: Material Changes**

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Since this is our first brochure prepared using the SEC's revised Form ADV Part 2A, we have no material changes in prior filings to report.

**Item 3: Table of Contents**

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**Item 4: Advisory Business**

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Oceanic Investment Management Limited ("**OIML**", the "**Adviser**", "**we**", "**us**", "**our**" or the "**Firm**"), is an independent investment management firm, and its first hedge fund was launched in August 2002. The Adviser's principal place of business is in Douglas, Isle of Man and it currently provides investment advisory services to the following entity:

- Oceanic Hedge Fund, a Cayman Islands exempted company (the "**Fund**");

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

As of January 1, 2012, the Firm managed US\$ 1,400,000,000 in the Fund, all which is managed on a discretionary basis.

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**Item 5: Fees and Compensation**

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Oceanic Investment Management Limited receives an annual Management Fee of 1.75% charged on a semi-annual basis.

Fees are deducted from the Investors' accounts by instructing the Funds' administrator. The Fund shall pay for their organizational and initial offering expenses as well as for their operating expenses including, but not limited to, all accounting, auditing, tax preparation, legal, administration, and trading costs. The Fund may incur brokerage and other transaction costs.

Oceanic Investment Management Limited and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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**Item 6: Management and Performance Fees**

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**Management Fee**

The Investment Manager is entitled to receive from the Fund the Management Fee at the rate of 1.75 per cent per annum of the Net Asset Value of the Fund before deduction of that month's Management Fee and any accrued Performance Fees. The Management Fee is accrued daily and calculated and paid monthly in arrears as at each Dealing Day.

**Performance Fee**

The Investment Manager is also entitled to receive a Performance Fee from the Fund calculated on a Share-by-Share basis so that each Share is charged a Performance Fee, which equates precisely with that Share's performance. This method of calculation ensures that (i) any Performance Fee paid to the Investment Manager is charged only to those Shares which have appreciated in value, (ii) all holders of Shares of the same Class have the same amount per Share at risk in the Fund, and (iii) all Shares of the same Class have the same Net Asset Value per Share.

The Performance Fee will be calculated in respect of each period of six months ending on 31 December and 30 June in each year (each a "Calculation Period"). The Performance Fee will be deemed to accrue on a monthly basis as at each Valuation Day.

For each Calculation Period, the Performance Fee in respect of each Share (other than Class M Ordinary Shares) will be equal to 20 per cent of the appreciation in the Net Asset Value per Share during that Calculation Period above the Base Net Asset Value per Share. The "Base Net Asset Value per Share" is the greater of the Net Asset Value per Share of the relevant Class at the time of issue of that Share and the highest Net Asset Value per Share of the relevant Class achieved as of the end of any previous Calculation Period (if any) during which such Share was in issue. Shares which are acquired in the secondary market will be treated as if they were issued on the date of acquisition at the then most recent Offer Price for these purposes. The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value before making any deduction for accrued Performance Fees.

Class M Ordinary Shares will not be subject to the Performance Fee.

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

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

If the Investment Management Agreement is terminated during a Calculation Period, the Performance Fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant period.

#### Adjustments

If Shares are subscribed for at a time when the Net Asset Value per Share is other than the Peak Net Asset Value per Share, certain adjustments will be made to reduce inequities that could otherwise result to the subscriber or to the Investment Manager. The "Peak Net Asset Value per Share" is the greater of (i) the price at which Shares of that Class were first issued and (ii) the highest Net Asset Value per Share of the relevant Class in effect immediately after the end of a Calculation Period in respect of which a Performance Fee (other than pursuant to a Performance Fee Redemption) was charged. For these purposes, Shares acquired in the secondary market will be treated as if they were redeemed (by the transferor) and subscribed for (by the transferee) on the date of the transfer at the most recent Offer Price.

(A) If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Peak Net Asset Value per Share, the shareholder will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Shares. With respect to any appreciation in the value of those Shares from the Net

Asset Value per Share at the date of subscription up to the Peak Net Asset Value per Share, the Performance Fee will be charged at the end of each Calculation Period by redeeming at par value such number of the shareholder's Shares as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to 20 per cent of any such appreciation (a "Performance Fee Redemption"). The aggregate Net Asset Value of the Shares so redeemed (less the aggregate par value which will be retained by the Fund) will be paid to the Investment Manager as a Performance Fee. Performance Fee Redemptions are employed to ensure that the Fund maintains a uniform Net Asset Value per Share. As regards the shareholder's remaining Shares, any appreciation in the Net Asset Value per Share of those Shares above the Peak Net Asset Value per Share will be charged a Performance Fee in the normal manner described above.

(B) If Shares are subscribed for a time when the Net Asset Value per Share is greater than the Peak Net Asset Value per Share, the shareholder will be required to pay an amount in excess of the then current Net Asset Value per Share of that class equal to 20 per cent of the difference between the then current Net Asset Value per Share (before accrual for the Performance Fee) and the Peak Net Asset Value per Share (an "Equalisation Credit"). At the date of subscription, the Equalisation Credit will equal the Performance Fee per Share accrued with respect to the other Shares of the same Class (the "Maximum Equalisation Credit"). The Equalisation Credit is payable to account for the fact that the Net Asset Value per Share has been reduced to reflect an accrued Performance Fee to be borne by existing holders of Shares and serves as a credit against Performance Fees that might otherwise be payable by the Fund but that should not, in equity, be charged against the holders of Shares making the subscription because, as to such Shares, no favourable performance has yet occurred.

The Equalisation Credit ensures that all holders of Shares of the same Class have the same amount of capital at risk per Share.

The additional amount invested as the Equalisation Credit will be at risk in the Fund and will therefore appreciate or depreciate based on the performance of the Fund subsequent to the issue of the Shares but will never exceed the Maximum Equalisation Credit. In the event of a decline as at any Valuation Day in the Net Asset Value per Share of those Shares, the Equalisation Credit will also be reduced by an amount equal to 20 per cent of the difference between the Net Asset Value per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the Net Asset Value per Share will result in the recapture of any reduction in the Equalisation Credit but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

At the end of each Calculation Period, if the Net Asset Value per Share (before accrual for the Performance Fee) exceeds the Peak Net Asset Value per Share, that portion of the Equalisation Credit equal to 20 per cent of the excess, multiplied by the number of Shares subscribed for by the shareholder, will be applied to subscribe for additional Shares for the shareholder. Additional Shares will continue to be so subscribed for at the end of each Calculation Period until the Equalisation Credit, as it may have appreciated or depreciated in the Fund after the original subscription for

Shares was made, has been fully applied. If the shareholder redeems his Shares before the Equalisation Credit has been fully applied, the shareholder will receive additional redemption proceeds equal to the Equalisation Credit then remaining multiplied by a fraction, the numerator of which is the number of Shares being redeemed and the denominator of which is the number of Shares held by the shareholder immediately prior to the redemption in respect of which an Equalisation Credit was paid on subscription.

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

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The Firm's client is the Fund. As a Qualifying Investor Fund the Shares may only be held by Qualified Investors. The QIF Guidance as defined further in the confidential offering memorandum of the Fund provides that a "Qualified Investor" means a Professional Investor, an Experienced Investor, and/or a Knowledgeable Employee. The minimum initial investment for the Funds is US\$100,000.

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

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The Fund's objective is to achieve capital appreciation through focused long/short investments in the shipping, energy and related sectors and associated commodities.

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

Whilst the Fund is predominately market neutral, it is likely to have long/short positions in each of the above sectors from time to time, based on fundamental analysis. Short term positions are also taken based on cyclical and statistical analysis of individual stocks, energy based commodities or pair trades between stocks and/or commodities.

The fundamental analysis will govern the degree of market risk taken by the Investment Manager on behalf of the Fund from time to time. Typically, the Investment Manager will be short one or two of the sub-sectors in the Fund's investment universe, whilst it will be long one or two sub-sectors and neutral for the remainder. The short-term cyclical trades will also take a market risk, whilst the pair trades will generally be market neutral.

### ***Risk of Loss Factors***

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

### **Past Performance**

The past performance of the Fund and the Investment Manager may not be indicative of the future performance.

### **Business Dependent Upon Key Persons**

The continued success of the Fund is significantly dependent upon the expertise of the Directors and the Investment Manager.

### **Performance Fee**

The Investment Manager will receive the Performance Fee from the Fund, based upon the appreciation, if any, in the net assets of the Fund. The Performance Fee theoretically may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect. In addition, because the Performance Fee is calculated on a basis which includes unrealised appreciation, it may be greater than if such compensation were based solely on realised gains.

### **Withholding Tax Considerations**

Where the Fund invests in securities that are not subject to withholding tax at the time of the acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Fund may not be able to recover such withheld tax and so any change may have an adverse effect on the Net Asset Value. Where the Fund sells securities short that are subject to withholding tax at the time of sale, the price obtained may reflect the withholding tax liability of the purchaser. In the event that in future such securities cease to be subject to withholding tax, the benefit thereof would accrue to the purchaser and not the Fund.

**Restriction on Auditors' Liability**

The Fund has entered into an engagement letter with PricewaterhouseCoopers ("PwC") containing provisions limiting the liability of PwC arising out of or in connection with the engagement of PwC as auditors of the Fund. The engagement letter contains provisions indemnifying PwC in certain circumstances.

**Net Asset Value Considerations**

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

**Valuation of Financial Instruments of the Fund and Determination of Net Asset Value**

The Administrator values the assets and liabilities of the Fund in accordance with the Articles of Association and as outlined within this Offering Memorandum. If the Directors determine that the market price does not fairly represent the value of an asset or liability, or that liquidation or third-party market valuations are unavailable to value an asset or liability, the Directors will value such investment as they, in their sole discretion, reasonably determine.

In determining the Net Asset Value and the Net Asset Value per Share, the Directors or their delegate may seek the assistance of, or advice from, the Investment Manager. These procedures, however, may be unable to detect every error contained in the valuation information. To the extent the information received by the Fund is inaccurate or unreliable, the valuation of the Fund's financial instruments may be inaccurate. The Fund may hold certain financial instruments that will not have readily assessable market values. In such instances, the Directors will determine the fair value of such financial instruments in good faith based on various factors. In connection with certain financial instruments for which no external pricing information is available, the Investment Manager may rely on internal pricing models. Such valuations may vary from similar valuations performed by independent third parties for similar types of financial instruments. The valuation of certain illiquid financial instruments is inherently subjective and subject to increased risk that the information utilized to value the financial instrument or to create the price models may be inaccurate or subject to other error. Inaccurate valuations may, among other things, prevent the Fund from effectively managing its investment portfolios and risks, may result in the Fund exceeding certain investment guidelines and may affect the diversification and risk management of the Fund's portfolios. The value of the Fund's portfolio may also be affected by changes in accounting standards, policies or practices.

Due to a wide variety of market factors and the nature of certain financial instruments to be held by the Fund, there is no guarantee that the value determined by the Administrator will represent the value that will be realised by the Fund on the eventual disposition of the investment or that would, in fact, be realised upon an immediate disposition of the investment. As a result, a shareholder redeeming any of its Shares prior to realisation of such an investment may not participate in gains or losses therefrom. Moreover, the valuations to be performed by the Administrator are inherently different from the valuation of the Fund's financial instruments in the event the Fund was forced to liquidate all or a significant portion of its financial instruments, which liquidation valuation could be materially lower.

**Availability of Investment Strategies**

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

**Investments in Undervalued Securities**

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

**Investments in Unlisted Securities**

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

**Highly Volatile Markets**

The prices of financial instruments in which the Fund may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Fund is subject to the risk of failure of any of the exchanges on which its positions trade or of its clearinghouses.

**Highly Volatile Instruments**

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

**Concentration of Investments**

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

**Investment and Trading Risks in General**

All securities investments present a risk of loss of capital. The Investment Manager may utilise such investment techniques as option transactions, limited diversification, margin transactions, short sales and futures and forwards contracts which practices can, in certain circumstances, maximise any losses within the Fund.

Futures and certain options and other instruments which involve an element of gearing carry a high degree of risk. A relatively small market movement or certain investment strategies involving such instruments will have a disproportionately large impact, unfavourable as well as favourable, in the amount of funds invested or committed to such instruments or strategies.

**Derivatives**

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

**Options**

The Fund may buy or sell (write) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is covered when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Fund's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the Fund may enter into. When the Fund buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of the Fund's investment in the

option (including commissions). The Fund could mitigate those losses by selling short, or buying puts on, the securities as to which it holds call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities underlying put options. When the Fund sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered". If it is covered, the Fund would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Fund might suffer as a result of owning the security.

When the Fund sells an option on a futures contract, it may be required to deposit margin in an amount that may be determined by the margin requirement established for the futures contract underlying the option and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, such as currency forwards, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

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

### **Swap Agreements**

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

Swap agreements tend to shift the Fund's investment exposure from one type of investment to another. For example, if the Fund agrees to exchange payments in US Dollars for payments in Euro, the swap agreement would tend to decrease the Fund's exposure to Euro interest rates and increase its exposure to US Dollar interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Fund. If a swap agreement calls for payments by the Fund, the Fund must be prepared to make such payments when due. In addition, if counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Fund.

### **Total Return Swaps**

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

the total return receiver is synthetically long. This may create a highly leveraged exposure to such underlying asset.

**Forward Contracts**

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

**Futures Contracts**

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

Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund from promptly liquidating unfavourable positions and subject the Fund to substantial losses. In addition, the Fund may not be able to execute futures contract trades at favourable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, some regulations and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialised activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

**Contracts for Difference**

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

**Brokers and Counterparties**

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

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

**Government Restrictions and Market Illiquidity**

The imposition of controls by governmental authorities might limit trading to less than that which would otherwise take place, to the possible detriment of the Fund. In respect of such trading, the Fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to the Fund.

**Currency**

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

**Short-Selling**

Short-selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short-selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Fund engages in short sales will depend upon the Investment Manager's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. There can be no assurance that the Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Fund can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can

be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Legal and regulatory restrictions may impact on the ability of the Fund to sell a security short and/or may require the Fund to disclose any short position with possible adverse consequences to the Fund.

**Leverage and Financing Risk**

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

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

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

**Equity Securities**

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

**Illiquid Portfolio Instruments**

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

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

investment. As a result, a shareholder redeeming from the Fund prior to realisation of such an investment may not participate in gains or losses therefrom.

### **High-Yield Securities**

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

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

The Fund may invest in bonds or other fixed-income securities. The Fund may invest in debt instruments that are unrated, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions.

### **Hedging Transactions**

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

The success of the Fund's hedging strategy will depend, in part, upon the Investment Manager's ability correctly to assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund's hedging strategy will also be subject to the

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

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

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

**Portfolio Turnover**

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

**Execution of Orders**

The Fund's trading strategy depends on its ability to establish and maintain an overall market position in a combination of financial instruments selected by the Investment Manager. The Fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, systems failures or human error attributable to the Fund, its brokers, agents or other service providers. In such event, the Fund might only be able to acquire some, but not all, of the components of such position, or if the overall position were to need adjustment, the Fund might not be able to make such adjustment. As a result, the Fund would not be able to achieve the market position selected by the Investment Manager, and might incur a loss in liquidating its position. In addition, the Fund may rely on electronic execution systems, and such systems may be subject to failure, causing the interruption of trading orders made by the Fund.

**Systemic Risk**

Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Fund interacts on a daily basis.

**Business and Regulatory Risks of Hedge Funds**

Legal, tax and regulatory developments that may adversely affect the Fund could occur during the term of the Fund. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the FSA, the SEC, other regulators and self-regulatory organisations and exchanges authorised to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities

may adversely affect the ability of the Fund to pursue its investment programme, its ability to obtain leverage and financing and the value of investments held by the Fund. There has been an increase in governmental, as well as self-regulatory scrutiny of the alternative investment industry in general. It is impossible to predict what, if any, changes in regulations may occur, but any regulations which restrict the ability of the Fund to trade in securities or the ability of the Fund to employ, or brokers and other counterparties to extend, credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on the Fund's portfolio.

**Charges**

Charges are not made uniformly throughout the life of an investment in the Fund, which may contribute to a shareholder getting less than the amount invested upon the redemption of Shares.

**Financing Arrangements**

The financing used by the Fund to leverage its portfolio will be extended by securities brokers and dealers in the marketplace in which the Fund invests.

While the Fund will attempt to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so will be limited. The Fund is therefore subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to the Fund. Because the Fund currently has no alternative credit facility which could be used to finance its portfolio in the absence of financing from broker-dealers, it could be forced to liquidate its portfolio on short notice to meet its financing obligations. The forced liquidation of all or a portion of the Fund's portfolio at distressed prices could result in significant losses to the Fund.

**Counterparty Risk**

Some of the markets in which the Fund may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. Subject to the investment restrictions referred to herein, the Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Fund has no internal credit function which evaluates the creditworthiness of its counterparties. The ability of the Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

**Lending of Portfolio Securities; Counterparty Insolvency**

The Fund may lend securities on a collateralised and an uncollateralised basis, from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail

financially. In the event of the bankruptcy of the other party to a securities loan, the Fund could experience delays in recovering the loaned securities. Additionally, the Fund may enter into repurchase and reverse repurchase agreements, which involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to the Fund.

**Counterparty Default**

The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that the Fund will monitor on an ongoing basis, the creditworthiness of firms with which it will enter into repurchase agreements, interest rate swaps, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, the Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the Net Asset Value of the Fund being less than if the Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In addition, the Fund may use counterparties located in jurisdictions outside the United States or the European Union. Such local counterparties are subject to the laws and regulations in foreign jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalise about the effect of their insolvency on the Fund and its assets. Shareholders should assume that the insolvency of any counterparty would result in a loss to the Fund, which could be material.

**Prime Broker**

In relation to the Fund's right to return of assets equivalent to the Fund's investments, legal and beneficial title to which has been transferred to a prime broker, the Fund may rank as one of that prime broker's unsecured creditors and, in the event of the insolvency of that prime broker, the Fund may not be able to recover such equivalent assets in full. In addition, the Fund's cash held with the prime brokers will not be segregated from the relevant prime broker's own cash and will be used by such prime broker in the course of its business and the Fund will therefore rank as an unsecured creditor in relation thereto.

**Interpositioning**

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

**Global Economic and Market Conditions**

The economies of countries differ in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by

trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

**Global Investments**

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

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

**Investment and Repatriation Restrictions**

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

In addition to the foregoing investment restrictions, prior governmental approval for foreign investments may be required under certain circumstances in some emerging countries.

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

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

**Government Involvement in the Private Sector**

Government involvement in the private sector varies in degrees among the emerging countries in which the Fund may invest. Such involvement may include government ownership, wage and price controls or imposition of trade barriers or other protectionist measures.

**Misconduct of Employees and of Third-Party Service Providers**

Misconduct by employees or by third-party service providers could cause significant losses to the Fund. Employee misconduct may include binding the Fund to transactions that exceed authorised limits or present unacceptable risks and unauthorised trading activities or concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers, including, without limitation, failing to recognise trades and misappropriating assets. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Fund's business prospects or future marketing activities. Although the Investment Manager will adopt measures to prevent and detect employee misconduct and to select reliable third-party providers, such measures may not be effective in all cases.

**Terrorist Action**

There is a risk of terrorist attacks on the United States and elsewhere causing significant loss of life and property damage and disruptions in global markets.

Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity.

**Identity of Beneficial Ownership and Withholding on Certain Payments**

Under recently enacted legislation, in order to avoid a US withholding tax of 30% on certain payments (including payments of gross proceeds) made after 31 December 2012 with respect to certain US investments, the Fund will be required to enter into an agreement with the US Internal Revenue Service (the "Service") identifying certain direct and indirect US equityholders. A non-US investor in the Fund could be required to provide to the Fund information which identifies its direct and indirect US ownership. Any such information provided to the Fund will be shared with the Service. A non-US investor who fails to provide such information to the Fund would be subject to the 30% withholding tax with respect to its share of any such payments attributable to US investments of the Fund. Shareholders should consult their own tax advisors regarding the possible implications of this legislation on their investments in the Fund.

**Item 9: Disciplinary Information**

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This Item is not applicable.

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

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This Item is not applicable.

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

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

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

We and our affiliates and employees have a financial interest in the Fund through the Performance Allocation and/or a direct investment interest in the Fund. As such, we could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

### ***Code of Ethics & Personal Trading***

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a “**Code of Ethics**” that incorporates an “**Employee Investment Policy**” that establish various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which an employee has investment discretion.

In general, employees (and members of their immediate households) are permitted to invest in equities, options or futures but must obtain written pre-approval from the CCO. The spirit of the Code of Ethics and the Employee Investment Policy is to discourage frequent trading in employee personal accounts. In addition, employees may not acquire securities for their own account in an initial public offering. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

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

These policies apply to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving government securities or open-end mutual funds, ETFs or other instruments which afford the Investor no discretion over individual securities transactions.

Our Code of Ethics, including our Employee Investment Policy, is available upon request.

## **Item 12: Brokerage Practices**

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

### ***Aggregation***

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

### ***Allocation***

Our allocation policy prohibits any allocation of trades in a manner that would result in our proprietary accounts, affiliated accounts, or any particular Client or group of Clients

receiving more favourable treatment than other Funds. Currently, however, allocation is not an issue for Oceanic Investment Management Limited since all of our trades are made via the Fund.

**Best Execution**

As an investment advisory Firm, we have a fiduciary duty to seek best execution for client transactions. As a matter of policy and practice, we seek to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

**Principal Trading**

Our policy and practice is to not engage in any principal transactions.

**Soft Dollars**

Oceanic Investment Management Limited does not currently use “soft dollars”, i.e., Clients’ trading activities used to purchase research services or products that would otherwise have been an expense of the Firm. In the event that we use “soft dollars”, we intend to keep any such arrangements within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

**Item 13: Review of Accounts**

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**Review of Accounts**

The Fund managed by the Firm is reviewed on a daily basis to assure conformity with investment objectives and guidelines.

**Reporting**

As soon as practicable after the end of each fiscal year, we will distribute an audited financial report for the Fund with respect to the previous fiscal year to all Investors within 120 days of fiscal year-end. In addition, the Fund will generally distribute net asset value updates and performance reports with attribution analysis on a monthly basis.

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

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We do not currently utilize any third party marketers or solicitors for client referrals.

We do not currently provide advice to parties other than the Investors in the Fund. The Firm also does not provide other advisory services to the Investors in the Fund.

**Item 15: Custody**

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This Item is not applicable.

**Item 6: Investment Discretion**

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

Pursuant to the terms of our investment management agreement, Oceanic Investment Management Limited has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account.

**Item 7: Voting Client Securities**

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Oceanic Investment Management Limited has established proxy voting policies and procedures since we are required to vote proxies for certain investments and on corporate actions.

To the extent Oceanic Investment Management Limited has been delegated proxy voting authority on behalf of its Client, Oceanic Investment Management Limited complies with its proxy voting policies and procedures that are designed to ensure that, in cases where Oceanic Investment Management Limited votes proxies with respect to client securities, such proxies are voted in the best interest of the Fund. The Investors in the Fund may not direct voting of proxies.

**Item 8: Financial Information**

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This Item is not applicable.