

VELA Investment Management, LLC Firm Brochure - Form ADV Part 2A

This brochure provides information about the qualifications and business practices of VELA Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (614) 653-8352 or by email at: cco@vela-im.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about VELA Investment Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. VELA Investment Management, LLC's CRD number is: 306678.

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Registration as an investment adviser does not imply a certain level of skill or training.

Version Date: 09/2020

Item 2: Material Changes

VELA Investment Management, LLC has not yet filed an annual updating amendment using the Form ADV Part 2A.

- VELA Investment Management, LLC is the investment manager for the VELA Funds.
- The fee schedule for investment advisory fees has been amended.
- The ownership of VELA Investment Management, LLC has changed.

Item 3: Table of Contents

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

Item 4: Advisory Business

A. Description of the Advisory Firm

VELA Investment Management, LLC (hereinafter “VELA”) is a Limited Liability Company organized in the State of Delaware. The firm was formed in November 2019. The principal owner is Roderick Hadley Dillon however there are new members of VELA with minority ownership interest. VELA became an SEC registered investment adviser in June 2020.

B. Types of Advisory Services

Portfolio Management Services

VELA offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. VELA creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

VELA evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. VELA will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

VELA seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of VELA’s economic, investment or other financial interests. To meet its fiduciary obligations, VELA attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, VELA’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is VELA’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

Financial Planning

Financial plans and financial planning may include but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning.

Services Limited to Specific Types of Investments

VELA generally limits its investment advice to mutual funds, fixed income securities, equities, and ETFs. VELA may use other securities as well to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

VELA will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by VELA on behalf of the client. VELA may use model allocations together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

D. Wrap Fee Programs

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, and certain other administrative fees. VELA does not participate in wrap fee programs.

E. Assets Under Management

VELA has the following assets under management: (do you want to update?)

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$103,338,151	\$0	June 2020

Item 5: Fees and Compensation

A. Fee Schedule

Portfolio Management Fees

Total Assets Under Management	Annual Fees
All Assets	.75%

VELA uses the value of the account as of the last business day of the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based. VELA has the ability to also charge an account servicing fee.

The final fee schedule will be memorialized in the client's advisory agreement. Clients may terminate the agreement without penalty for a full refund of VELA's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract immediately upon written notice.

Financial Planning Fees

Fixed Fees

The fixed rate for creating client financial plans is between \$1,000 and \$5,000.

Hourly Fees

We charge up to \$200/hr. We will provide an estimate of the number of hours for the project. For projects that extend beyond a quarter, you will be billed in arrears for the actual amount of time worked. For the next quarter, we will estimate the number of expected hours and will charge you half of those hours upfront.

For instance, if we estimate 12 hours of consulting work in the quarter, then we will charge 6 hours upfront and the remainder at the end of the quarter. You will be billed/charged for the actual amount of time worked. If we come in under 12 hours, say 9 hours. You will only be charged 9 hours. If it only takes 5 hours, you will be refunded 1 hour, which may be considered in future billing. If it takes more than 12 hours, we will notify you prior to charging you more than 12 hours.

Clients may terminate the agreement without penalty, for full refund of VELA's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may terminate the Financial Planning Agreement generally upon written notice.

B. Payment of Fees

Payment of Portfolio Management Fees

Asset-based portfolio management fees will be invoiced and billed directly to the client, payable by check or bank transfer, on a quarterly basis. Fees are paid in arrears.

Payment of Financial Planning Fees

Financial planning fees are paid via check and wire.

Fixed financial planning fees are paid in arrears upon completion.

Mutual Funds

The VELA Funds will incur management and other fees as disclosed in the prospectus. To the extent that a client account is invested in a VELA Fund the account is not assessed a VELA investment management fee on the portion of the account invested in the Fund.

C. Client Responsibility for Third Party Fees

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by VELA. Please see Item 12 of this brochure regarding broker-dealer/custodian.

D. Prepayment of Fees

VELA collects its fees in arrears. It does not collect fees in advance.

E. Outside Compensation for the Sale of Securities to Clients

Neither VELA nor its supervised persons accept any compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

VELA does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

VELA generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Charitable Organizations
- ❖ Corporations or Business Entities
- ❖ Endowments & Foundations
- ❖ Registered Investment Companies – VELA Funds

There is an account minimum of \$1,000,000, which may be waived by VELA at its discretion.

Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss

A. Methods of Analysis and Investment Strategies

Methods of Analysis

VELA's methods of analysis include Fundamental analysis.

Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

Investment Strategies

VELA offers four strategies:

Small Cap - The Small Cap Strategy invests in a diversified portfolio of small capitalization stocks. Small cap companies tend to be underfollowed and in the early stages of their growth potential. These factors can cause meaningful divergences between price and value, presenting compelling opportunities to generate attractive returns for shareholders.

All Cap - The All Cap Strategy invests in a concentrated portfolio of stocks from a broad market capitalization spectrum, offering a unique exposure to our highest conviction ideas.

International - The International Strategy invests in a diversified portfolio of non-U.S. equities from a broad market capitalization spectrum. Value is primarily added through superior stock selection, rather than by country or sector allocation.

Large Cap 130/30 - The Large Cap 130/30 Strategy invests in long positions of attractively valued companies while also taking short positions in unattractive stocks.

The International and Large Cap 130/30 strategies are only available to clients and investors through the VELA Funds managed by VELA.

VELA uses long term trading.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

B. Material Risks Involved

Methods of Analysis

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Investment Strategies

Long term trading is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

C. Risks of Specific Securities Utilized

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

Mutual Funds: Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment

returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

Equity investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

Exchange Traded Funds (ETFs): An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

Market Risk. The market price of a security or instrument may decline, sometimes rapidly or unpredictably, due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic or political conditions throughout the world, changes in the general outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. In addition, local, state, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the fund and its investments and could result in decreases to the fund’s net asset value. The market value of a security or instrument also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

Political, geopolitical, natural and other events, including war, terrorism, trade disputes, government shutdowns, market closures, natural and environmental disasters, epidemics, pandemics and other public health crises and related events and governments’ reactions to such events have led, and in the future may lead, to economic uncertainty, decreased economic activity, increased market volatility and other disruptive effects on

U.S. and global economies and markets. Such events may have significant adverse direct or indirect effects on the fund and its investments. For example, a widespread health crisis such as a global pandemic could cause substantial market volatility, exchange trading suspensions and closures, and impact the ability to complete redemptions, all of which could affect fund performance. A health crisis may exacerbate other pre-existing political, social, and economic risks. In addition, the increasing interconnectedness of markets around the world may result in many markets being affected by events or conditions in a single country or region or events affecting a single or small number of issuers.

Management Risk. VELA's judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may prove to be incorrect and there is no guarantee that individual companies will perform as anticipated. The value of an individual company can be more volatile than the market as a whole, and VELA's intrinsic value-oriented approach may fail to produce the intended results.

Small and Mid-Cap Company Risk. Investments in smaller companies involve greater risks than investments in larger, more established companies. Historically, smaller company securities have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less-than-certain growth prospects of small and medium capitalization companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller companies to changing economic conditions. In addition, less frequent trading, with smaller volume than larger capitalization companies, may make it difficult to buy and sell shares of smaller companies. Also, the market price for smaller and medium capitalization companies tends to rise more in response to demand and fall more in response to selling pressure than is the case with larger capitalization companies. Further, smaller companies may lack depth of management, may be unable to generate funds necessary for growth or development, or may be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans that have a floating interest rate.

Non-U.S. and Emerging Markets Risk. Non-U.S. securities and U.S. securities of companies domiciled in non-U.S. countries may experience more rapid and extreme changes in value securities of U.S. companies. These companies may be subject to additional risks, including political and economic risks, civil conflicts and war, greater volatility, expropriation and nationalization risks, currency fluctuations, regulatory risk, higher transaction costs, delayed settlement, possible non-U.S. controls on investments, and less stringent investor protection and disclosure standards of non-U.S. markets. The potential departure of one or more other countries from the European Union may have significant political and financial consequences for global markets. These risks are magnified in emerging markets, as events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile.

For more specific risks relative to the VELA Funds such as Short Sale Risk, please carefully review the Fund prospectus.

Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9: Disciplinary Information

A. Criminal or Civil Actions

There are no criminal or civil actions to report.

B. Administrative Proceedings

There are no administrative proceedings to report.

C. Self-regulatory Organization (SRO) Proceedings

There are no self-regulatory organization proceedings to report.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

Neither VELA nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither VELA nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

Jason Richard Job is a lawyer. He will not offer clients any services in his role as a lawyer. Mr. Job is the President of and Chairman of the Board of Trustees of the VELA Funds.

Lisa M. Wesolek is an officer of the VELA Funds and a member of the Board of Trustees.

Jason Downey is a board member of Ohio Wesleyan University Board of Trustees.

VELA serves as the investment adviser to an open-end registered investment company. Certain persons listed in Schedule A of VELA's Part 1A of Form ADV are officers of the VELA Funds. As officers, these persons are involved in the day-to-day management of the VELA Funds. To avoid any potential conflicts of interest, these persons are subject to VELA's Code of Ethics and are supervised by the independent member of the VELA Fund's Board of Trustees. In addition, the Board of Trustees of the VELA Funds supervises the advisory services agreement between VELA and the VELA Funds. VELA does not believe these services create material conflicts of interest between VELA and its other clients.

D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections

VELA does not utilize nor select third-party investment advisers.

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

A. Code of Ethics

VELA has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. VELA's Code of Ethics is available free upon request to any client or prospective client.

B. Recommendations Involving Material Financial Interests

VELA recommends to its clients the purchase or sale of VELA Funds. VELA serves as the investment adviser for and receives fees from the VELA Funds. Therefore, a conflict of interest exists related to the potential duplication, or layering, of fees. To avoid this

conflict, we do not charge a separate investment advisory fee to clients on their assets which are invested in the VELA Funds.

C. Investing Personal Money in the Same Securities as Clients

From time to time, employees of VELA may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of VELA to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. VELA will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, employees of VELA may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of VELA to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, VELA will never engage in trading that operates to the client's disadvantage if employees of VELA buy or sell securities at or around the same time as clients.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

Custodians/broker-dealers will be recommended based on VELA's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and VELA may also consider the market expertise and research access provided by the broker dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in VELA's research efforts. VELA will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker dealer/custodian.

For advisory clients, VELA recommends Schwab Institutional, a division of Charles Schwab & Co., Inc.

1. Research and Other Soft-Dollar Benefits

While VELA has no formal soft dollars program in which soft dollars are used to pay for third party services, VELA may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions (“soft dollar benefits”). VELA may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client’s transactions paid for it, and VELA does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. VELA benefits by not having to produce or pay for the research, products or services, and VELA will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that VELA’s acceptance of soft dollar benefits may result in higher commissions charged to the client.

2. Brokerage for Client Referrals

VELA receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. Clients Directing Which Broker/Dealer/Custodian to Use

VELA may permit clients to direct it to execute transactions through a specified broker-dealer. If a client directs brokerage, then the client will be required to acknowledge in writing that the client’s direction with respect to the use of brokers supersedes any authority granted to VELA to select brokers; this direction may result in higher commissions, which may result in a disparity between free and directed accounts; the client may be unable to participate in block trades (unless VELA is able to engage in “step outs”); and trades for the client and other directed accounts may be executed after trades for free accounts, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. Not all investment advisers allow their clients to direct brokerage.

B. Aggregating (Block) Trading for Multiple Client Accounts

If VELA buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, VELA would place an aggregate

order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. VELA would determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any). When a trade is partially filled, the number of filled shares is allocated on a pro-rata basis to the appropriate accounts. Trades are not segmented by investment product.

Item 13: Review of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

All client accounts for VELA's advisory services provided on an ongoing basis are reviewed at least Quarterly by Jason Job, Chief Compliance Officer, with regard to clients' respective investment policies and risk tolerance levels. All accounts at VELA are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Jason Job, Chief Compliance Officer. Financial planning clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

With respect to financial plans, VELA's services will generally conclude upon delivery of the financial plan.

C. Content and Frequency of Regular Reports Provided to Clients

Each client of VELA's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian. VELA will also provide at least quarterly a separate written statement to the client.

Each financial planning client will receive the financial plan upon completion.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

VELA does not receive any economic benefit, directly or indirectly from any third party for advice rendered to VELA's clients.

With respect to Schwab, VELA receives access to Schwab's institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For VELA client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to VELA other products and services that benefit VELA but may not benefit its clients' accounts. These benefits may include national, regional or VELA specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of VELA by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist VELA in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of VELA's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of VELA's accounts. Schwab Advisor Services also makes available to VELA other services intended to help VELA manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In

addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to VELA by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to VELA. VELA is independently owned and operated and not affiliated with Schwab.

B. Compensation to Non - Advisory Personnel for Client Referrals

VELA does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

Item 15: Custody

When advisory fees are deducted directly from client accounts at client's custodian, VELA will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive quarterly account statements from the custodian and, in jurisdictions that require it, quarterly billing invoices from VELA. Clients are urged to compare the account statements they received from custodian with any statements they received from VELA.

Item 16: Investment Discretion

VELA provides discretionary and non-discretionary investment advisory services to clients. The advisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, VELA generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share. In some instances, VELA's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to VELA).

Item 17: Voting Client Securities (Proxy Voting)

VELA acknowledges its fiduciary obligation to vote proxies on behalf of those clients that have delegated to it, or for which it is deemed to have, proxy voting authority. VELA will vote proxies on behalf of a client solely in the best interest of the relevant client and has established general guidelines for voting proxies. VELA may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that a client's interests are better served by abstaining. Further, because proxy proposals and individual company facts and circumstances may vary, VELA may vote in a manner that is contrary to the general guidelines if it believes that

doing so would be in a client's best interest to do so. If a proxy proposal presents a conflict of interest between VELA and a client, then VELA will disclose the conflict of interest to the client prior to the proxy vote and, if participating in the vote, will vote in accordance with the client's wishes.

Clients may obtain a complete copy of the proxy voting policies and procedures by contacting VELA in writing and requesting such information. Each client may also request, by contacting VELA in writing, information concerning the manner in which proxy votes have been cast with respect to portfolio securities held by the relevant client during the prior annual period.

Item 18: Financial Information

A. Balance Sheet

VELA neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither VELA nor its management has any financial condition that is likely to reasonably impair VELA's ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

VELA has not been the subject of a bankruptcy petition in the last ten years.