

# ISAM Funds (UK) Limited

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## PART 2A OF FORM ADV: FIRM BROCHURE

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF ISAM FUNDS (UK) LIMITED ("ISAM" OR THE "FIRM"). IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT [COMPLIANCE@ISAM.COM](mailto:COMPLIANCE@ISAM.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. ISAM IS A REGISTERED INVESTMENT ADVISER. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY ANY LEVEL OF SKILL OR TRAINING. ADDITIONAL INFORMATION ABOUT ISAM IS ALSO AVAILABLE ON THE U.S. SECURITIES AND EXCHANGE COMMISSION'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).



**ITEM 2: MATERIAL CHANGES**

This is an initial filing of ISAM Funds (UK) Limited's ("ISAM" or the "Firm") brochure, whereby ISAM is seeking approval from the U.S. Securities and Exchange Commission ("SEC") as a registered investment adviser. Since ISAM has not previously filed a firm brochure with the SEC, there are no material changes to be disclosed to this brochure at the present time.

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#### **ITEM 4: ADVISORY BUSINESS**

Formed in 2008 and headquartered in London, ISAM Funds (UK) Limited ("ISAM") or (the "Firm") is an alternative investment adviser which offers advisory and sub-advisory services to institutional managed accounts and pooled investment vehicles on a discretionary basis. The Firm specializes in quantitative investing and has two distinct strategies: ISAM Systematic Trend and ISAM Systematic Equities. *See Item 8- Methods of Analysis, Investment Strategies and Risk of Loss.*

ISAM is ultimately owned by International Standard Asset Management ("ISAM Cayman"), an exempted company that is incorporated under the laws of the Cayman Islands. Roy Sher is an ultimate beneficial owner with more than 25% of issued share capital of ISAM Cayman, and therefore an indirect owner of ISAM.

ISAM is authorized and regulated by the Financial Conduct Authority ("FCA") as a collective portfolio management investment ("CPMI") firm. CPMI firms are UK full-scope alternative investment fund manager ("AIFM") firms which also provide MiFID services. In addition, ISAM is registered as an investment adviser with the U.S. Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940 (the "Advisers Act"), the Commodity Futures Trading Commission ("CFTC") as a commodity trading advisor ("CTA") and a member of the NFA.

As of October 1, 2021, ISAM's total assets under management were approximately USD\$ 5.845 billion and regulatory assets under management were approximately USD\$ 6.6 million. All assets are managed on a discretionary basis.

ISAM's practices, as mentioned in this Brochure, are qualified in their entirety with respect to each portfolio by the applicable investment management agreement or offering documents which govern such portfolio. Institutional managed account clients may elect to impose restrictions on investing in certain securities, derivatives or types of securities or derivatives.

#### **ITEM 5: FEES AND COMPENSATION**

Pursuant to relevant management agreements, ISAM (or an affiliate thereof) receives certain fees for its investment advisory services. Management fees are generally based on a percentage of market value of the net assets under management. ISAM reserves the right, in its sole discretion, to negotiate and charge different fee structures under certain circumstances.

In accordance with Rule 205-3 under the Advisers Act, ISAM will typically charge a performance-based fee subject to a high-water mark. This fee will vary across accounts as stated in the relevant management agreements. *See Item 6 – Performance-Based Fees and Side-By-Side Management for more information about performance-based fees.*

Management and performance fees are generally payable to an affiliate of ISAM that acts as the manager for the relevant investment strategy (the "Manager") and delegates investment management authority for ISAM's investment strategies to ISAM and its affiliate, ISAM USA LLC ("ISAM USA"). The Manager may, in its sole discretion, pay all or any portion of its share of the management fee and performance fee to any affiliate or third party. Fees are billed according to relevant management agreements. Management fees are generally calculated and billed monthly in arrears and performance fees are generally accrued monthly and crystallized on a periodic basis (e.g., quarterly or annually), as described in the applicable management agreement. For ISAM pooled

investment vehicles, the third-party administrator arranges the payment of management and performance fees to ISAM or the Manager, as applicable.

In addition to management and performance fees, investors in ISAM funds will also bear certain investment and operating fees and expenses incurred directly or indirectly by the fund.

These costs and expenses generally include but are not limited to: (i) all costs and expenses associated with the offering and investor services; (ii) operational costs such as legal, director, tax, accounting, bookkeeping, audit, valuation and other professional fees and expenses, administration, custody, organizational, insurance, cyber security, proxy and voting services, taxes imposed on the fund, costs and expenses relating to regulatory compliance matters, and fees payable to governments or agencies (iii) research and investment and trading/execution related expenses, such as brokerage commissions, transaction costs, market data and alternative data costs, interest on borrowings and related software and hardware expenses; and (iv) extraordinary expenses.

The expenses borne by each fund will be described in further detail and subject to the terms and conditions set out in the fund's governing and offering documents.

In addition to the above management and performance fees, institutional managed account clients bear the cost of certain investment and operating fees and expenses associated with maintaining their accounts. Such fees and expenses include but are not limited to taxes, custodial fees, brokerage commissions and transaction costs.

*See Item 12 –Brokerage Practices, for more information.*

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As mentioned in Item 5, the Firm manages accounts with varying performance-based fees with different structures. This may result in a potential conflict of interest, in that ISAM may have an incentive to favor the accounts with a higher paying performance by, for example, seeking to direct them more profitable investment opportunities in order to increase the fees received by ISAM and its affiliates. ISAM manages this conflict of interest by implementing a fair allocation policy to ensure that all clients are treated in a fair, equal and consistent manner, which prohibits the allocation of investment opportunities based on anticipated compensation or profits to ISAM and its affiliates.

## **ITEM 7: TYPES OF CLIENTS**

ISAM provides investment management services to institutional managed accounts and pooled investment vehicles. All the Firm's clients are "qualified clients" eligible to be charged performance compensation under Rule 205-3 of the Advisers Act. Generally, investors must invest a minimum amount of \$1,000,000, though this may be waived, modified or negotiated at ISAM's sole discretion.

Note this brochure is only intended for qualified purchasers. In general, the definition of "qualified purchaser" includes entities with \$25,000,000 or more in "investments" (as defined by the SEC), as well as certain other specified categories of entities.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

As noted above, the Firm utilizes two distinct quantitative investment strategies in its trading on behalf of its clients: ISAM Systematic Trend and ISAM Systematic Equities.

### **ISAM Systematic Trend**

The ISAM Systematic Trend strategy is fully systematic. The strategy seeks to capture profits from market divergence, utilizing adaptive trend seeking methods on a medium-term time frame with a shorter-term focus on risk management. ISAM Systematic Trend employs the trading strategies developed over many years of active fund management. The systems are specialist to trend following and applied to a broad range of financial and commodity futures markets.

### **ISAM Systematic Equities**

The ISAM Systematic Equities strategy is a fully quantitative strategy applied across liquid equities. The strategy uses statistical methodologies applied to a broad number of datasets and publicly available information on individual companies. A wide range of data including market prices, fundamental, sentiment and alternative sources is analyzed using proprietary statistical tools to identify potential return forecasts. The return forecasts are combined with risk forecasts and transaction cost estimates in our proprietary investment system to calculate target positions and desired trades for each security.

### **Material Risk Factors**

The above strategies are speculative in nature and suitable only for sophisticated investors who are aware of the risks involved. There can be no assurance that the investment strategies will achieve their investment objectives, and investing in securities and other financial instruments involves a risk of loss that clients should be prepared to bear. Potential clients should consider the following risks associated with ISAM's strategies.

### **General Investment Risks**

Clients should be aware that all investments in financial instruments entail the risk of loss. The success of ISAM's investment strategies may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, and changes in laws. These factors may affect the level and volatility of securities prices and the liquidity of the investments. Unexpected volatility or illiquidity could impair a strategy's profitability or result in losses. Past performance is not necessarily a guide to future performance.

### **Financial Market Dislocation Generally**

The impact of market, legal, regulatory, reputational, and other unforeseen risks affecting market participants cannot be predicted and could adversely affect the business of ISAM and its strategies, restrict the ability of a strategy to acquire, sell, or liquidate investments at favorable times and/or prices, restrict a strategy's investment and trading activities, and impede a strategy's ability to achieve its investment objectives.

### **Epidemics and Pandemics**

Many countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, currently, COVID-19. The epidemic or pandemic outbreak of an infectious disease in a country or region of the world or globally, together with any resulting restrictions on travel, transportation or production of goods, provision of services or quarantines imposed, could have a negative impact on the U.S., regional or global economy and business activity in any of the countries in which a strategy may invest and thereby adversely affect the performance of the strategy. While the economic impact of the ongoing global outbreak of the coronavirus is presently uncertain, such outbreak and any future outbreak of an infectious disease or any other serious public health concern in a country, region or globally could materially harm the strategy's investments. In addition, COVID-19 has led to significant volatility in the securities, commodities and other markets and the coronavirus and any future outbreak of an infectious disease or any other serious public health concern may lead to additional volatility and illiquidity of a strategy's investments.

### **Computer Systems Failures**

The trading strategies operated by ISAM are based on computer generated trading signals. In addition, certain components of the trading strategies generate trades that are principally processed using a fully automated trading infrastructure. Such strategies are thus highly dependent on the proper functioning of the information technology systems and processes of ISAM, the strategies, electronic trading platforms, exchanges, data providers, service providers and market infrastructure. In addition, such strategies are highly dependent on establishing reliable electronic communication links between the above parties.

Accordingly, any information technology or communication systems degradation or failure at any of the above parties or their respective contractors could lead to errors, delays or disruptions in the trading process. Any such errors, consequential errors, delays or inability to trade (even for a short period), could, in certain market conditions cause an investment in a particular strategy to experience significant losses or to miss significant trading opportunities.

In addition, any information technology or communication systems degradation or failure could lead to materially detrimental consequences for the strategy including holding erroneous positions, experiencing significant trading losses, failing to comply with trading limits and regulations as well as failing to comply with risk limits which may adversely impact the performance of an investment in the strategy.

### **Disaster Recovery and Data Security Measures May Not Be Effective**

ISAM's strategies rely on the information technology and data management systems of ISAM and those of ISAM's service providers (collectively, "Service Providers"). These systems can fail or be subject to interruption, damage, or destruction caused by natural or man-made occurrences such as extreme weather, fires, or earthquakes; quarantines and other mobility and/or access restrictions; widespread or prolonged loss of access to key personnel; power loss or computer, network, or telecommunications failures; usage errors by personnel; infiltration by unauthorized persons, including through malware, ransomware, hacking, and other forms of cyber-attacks, some of which may not be detected for an extended period of time ("Cyber Attacks"); terrorist attacks; vandalism or other intentional acts of destruction; or similar events or malfeasance (collectively referred to hereafter as "Disaster/Security Events"). With the increasing interconnectedness of our global economy, a massive Cyber Attack aimed at a country's critical infrastructure and economic systems may create chaos more catastrophic than a terrorist attack, natural disaster, or pandemic. Any failure, interruption, damage, or destruction of a Service Provider's information technology and/or data management systems could have a material adverse impact on the operations of the strategies, including impairing their financial performance. In addition, a breach in the security of a Service Provider's systems could result in the theft, disclosure, or loss of proprietary, confidential, and other sensitive information relating to ISAM, such as, depending on the Service Provider affected, personal information relating to the Members or information about ISAM's financial condition, investment positions, or any pending legal or audit matters. This could adversely affect ISAM and its strategies and could result in, among other things, reputational harm. Any of the foregoing could also lead to litigation in which ISAM could incur liability.

ISAM has in place information security, incident response, backup, and disaster recovery procedures intended to prevent or mitigate damage if a Disaster/Security Event occurs. Other Service Providers are believed to have in place systems and procedures with respect to Disaster/Security Events, but the ISAM and its affiliates do not control or supervise such systems and procedures and cannot provide assurance of their efficacy.

A breach caused by a Disaster/Security Event could nevertheless occur despite procedures and systems designed to prevent such breaches, and any procedures or systems could fail or be insufficient to avoid, mitigate, or remedy any resulting interruption or failure. In particular, Cyber Attacks continue to evolve over time, and their ever-changing methods and technologies often are not known until used against a potential target. Therefore, a Service Provider may be unable to anticipate the forms of Cyber Attacks that could be used against its systems or to implement adequate protections against them.

### **Operating History**

ISAM's Systematic Equities strategy is a new strategy with limited operating history. The past performance of ISAM, any of its key personnel, its respective affiliates, or other investment strategies managed by any of them is not indicative of the future results of an investment in this strategy. There can be no assurance that the strategy will achieve its investment objective.

### **Business Dependent Upon Key Individuals**

The success of ISAM's strategies is highly dependent upon the expertise and abilities of the key personnel. The loss of their services could have a material adverse effect on the performance of the strategies and could make it impossible for ISAM to continue to manage investments for the strategy.

### **Limited Diversification**

An ISAM investment strategy may not be as diversified as other investment strategies or investment vehicles. From time to time, ISAM may concentrate a strategy's investments in a limited number of industries or issuers and/or strategies, the strategy's performance may become more susceptible than a diversified portfolio to fluctuations in value or loss resulting from adverse economic or business conditions that affect those industries, issuers, or strategies. Accordingly, clients should expect that the strategy's performance may be subject to high volatility.

### **Limited Investment Opportunities**

At times, ISAM may be unable to identify suitable investments for a particular strategy or a strategy may be unable to purchase suitable investments in periods of market volatility or disruption or for any number of other reasons. As a result, a strategy may not always be fully invested.

### **Material Non-Public Information**

As a result of the operations of ISAM and its affiliates, as well as investments made by ISAM's segregated managed accounts, ISAM or key persons may come into possession of confidential or material, non-public information that might be relevant to an investment decision to be made by a particular strategy. Consequently, the strategy may be restricted from buying or selling an investment, which if such information had not been known to ISAM, may have otherwise been undertaken.

### **Increased Use in the Markets of Algorithmic Trading Methods**

In recent years, there has been a substantial increase in financial instrument trading systems, methods, and strategies employing algorithmic and other quantitative trading methods. There also has been an increase in the overall volume of trading and liquidity of the financial instrument markets. While the effect of any increase in the proportion of funds traded pursuant to algorithmic or other quantitative trading approaches in recent years cannot be determined, any such increase could alter trading patterns or affect execution of trades to the detriment of ISAM and its strategies.

### **Quantitative Analysis**

ISAM's strategies rely upon quantitative models and systems. Such models and systems may entail the use of sophisticated statistical calculations and complex computer systems, and there is no



assurance that ISAM will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose the strategy to the risk of significant losses. In addition, the analytical techniques used by ISAM cannot provide any assurance that the strategy will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by ISAM change in ways not anticipated. The effectiveness of quantitative models and systems may diminish over time, and attempts to apply existing quantitative models and systems to new or different markets, strategies or financial instruments may prove ineffective.

To the extent that information regarding positions or trades becomes or is required to be made publicly available, there is a material risk that other market participants may seek to reverse engineer ISAM's quantitative investment strategies from such public information. The use of an investment strategy by other persons, whether as a result of reverse engineering, "frontrunning" or other actions, may have a material adverse effect on the performance of the strategies.

### **Availability and Accuracy of Information**

ISAM selects investments on the basis of information and data derived from firsthand research by ISAM and publicly-available research reports by various analysts. Although ISAM intends to evaluate all such information and data and to seek independent corroboration when ISAM considers it appropriate and when it is reasonably available, ISAM will not in many cases be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in such cases will be dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud and accounting irregularities relating to certain of the financial instruments may result in material losses. In addition, certain ISAM strategies may rely on the financial information made available (on a non-confidential basis) by the issuers, servicers, third party modeling firms, third party data providers including macro-economic data and trustees of securities in which the strategy will invest.

### **Turnover**

The capital of a particular strategy may be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions, mark-ups, and fees. These commissions and fees will reduce the strategy's profits.

### **Trade Errors**

Trading errors are an intrinsic factor in any complex investment process and will occur notwithstanding the exercise of due care and the existence of procedures reasonably designed to prevent such errors. Except to the extent required by non-waivable provisions of federal or state securities laws, ISAM will bear any losses resulting from trade errors in connection with its investment activities in the absence of fraud, willful misconduct, or gross negligence by ISAM or its affiliates or personnel. Any gains or benefits that result from trade errors will also accrue to the relevant strategy.

### **Equities**

Certain ISAM strategies will invest in equity and equity derivative securities. 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 strategy may suffer losses if invested in equity securities of issuers whose performance diverges from ISAM's position.

### **Non-U.S. Securities**

Securities of non-U.S. issuers historically have been highly volatile and may involve greater risks than comparable U.S. and non-U.S. issuers, because of, among other things, instability of some

foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or political uncertainty or other changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation in a non-U.S. jurisdiction also may affect investment in non-U.S. issuers. Additional considerations related to non-U.S. issuers include that such securities may be subject to greater price volatility, substantially less liquidity and smaller market capitalizations of their securities markets than securities of U.S. issuers. Finally, investments in issuers located in non-U.S. jurisdictions could be affected by other factors not present in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

### **Investments in Emerging Markets**

Certain ISAM strategies may invest in financial instruments and other instruments of certain non-U.S. corporations and countries. Investing in the financial instruments of companies (and governments) in certain countries (such as emerging nations or countries with less well-regulated financial instruments markets than the U.S., the UK or other European Union countries) involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including, among other things, political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; the small size of the financial instruments markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; certain government policies that may restrict ISAM's investment opportunities; and, in most cases, less effective government regulation than is the case with financial instruments markets in the United States. In addition, accounting and financial reporting standards in such countries are not equivalent to standards in more developed countries, and, consequently, less information is available to investors.

### **Small- to Micro-Cap Stocks**

At any given time, certain ISAM strategies may have investments in small- to micro-cap companies. While smaller companies may have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger corporations. In addition, ISAM may be unable to sell certain small- or micro-cap stocks at an advantageous time or price. In most cases, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Also, due to thin trading in some of these stocks, an investment in these stocks may be considered less liquid than an investment in many larger-capitalization stocks, making purchases or sales at desired prices or in desired quantities more difficult. When making large sales, ISAM may have to sell the securities at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of the securities of smaller companies. Accordingly, such stocks may be required to be held for a lengthy period of time and often require more time to sell and result in higher selling expenses than does the sale of securities for which there is an active market. In some cases, the strategy's disposition of the securities may be dependent upon a major issuer liquidity event (i.e., a sale of the issuer).

### **Currency and Exchange Rate Risks**

Certain ISAM strategies may invest in financial instruments denominated in currencies other than the U.S. Dollar or in financial instruments that are determined with references to currencies other than the U.S. Dollar. The strategies however, will generally value their assets in U.S.

Dollars. To the extent unhedged, the value of the strategy's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of their investments in the various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which the strategy may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of the strategy's financial instruments in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the strategy's non-U.S. Dollar financial instruments. The strategy may also utilize forward currency contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

### **Futures Trading**

Certain ISAM strategies invest in futures contracts. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets. Futures prices are highly volatile. No assurance can be given that any strategy will be profitable or that it will not incur substantial losses.

Futures are typically traded on "margin." The open positions must be "marked to market" daily, requiring additional margin deposits if the position reflects a loss that reduces the relevant strategy's equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits result in a high degree of leverage. Because margin requirements normally range upward from as little as two percent (2%) or less of the total value of the contract, a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially greater value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin. Such a profit or loss may materialize suddenly, since the prices of futures frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

### **Over-the-Counter and Other Derivative Instruments in General**

In addition to commodities and futures contracts, ISAM's investment strategies may use various derivative instruments, including forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including: (i) exposing a strategy to the risk of loss due to an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment; (ii) lack of liquidity of certain derivative instruments, especially when traded in large amounts, making it difficult to close out a position without incurring a loss; and (iii) the embedded leverage of derivative instruments may magnify the gains and losses experienced by the strategy and could cause its net asset value to be subject to wider fluctuations than would be the case if the strategy did not use the leverage feature in derivative instruments

### **Use of Swap Agreements**

ISAM may use swap agreements. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary investment transactions. Interest rate swaps, for example, do not typically involve the delivery of financial instruments, other underlying assets or principal. Accordingly, the market risk of loss with respect to an interest rate swap is often limited to the amount of interest payments that ISAM is

contractually obligated to make on a net basis. If the other party to an interest rate swap defaults, ISAM's risk of credit loss may be the amount of interest payments that it is contractually entitled to receive on a net basis. However, where swap agreements require one party's payments to be "up-front" and timed differently than the other party's payments (such as is often the case with currency swaps), the entire principal value of the swap may be subject to the risk that the other party to the swap will default on its contractual delivery obligations. If there is a default by the counterparty, ISAM may have contractual remedies pursuant to the agreements related to the transaction. The investment performance of a strategy, however, may be adversely affected by the use of swaps if ISAM's forecasts of market values, interest rates or currency exchange rates are inaccurate. Swap agreements can also be centrally cleared at a clearinghouse. Cleared swaps are more liquid and more readily able to be valued.

### **Short Sales**

ISAM strategies may affect short sales of financial instruments in those instances when the strategy determines that a given financial instrument is overvalued or overpriced or as part of a hedging strategy. Short sales are transactions in which ISAM sells a financial instrument the strategy does not own in anticipation of a decline in the market value of the financial instrument. Although the gain is limited by the price at which ISAM sold the financial instrument short, losses from short sales may be unlimited if the financial instrument sold short continues to appreciate. Additionally, even though the strategy secures a "good borrow" of a financial instrument sold short at the time of execution, the lending institution may recall the lent financial instrument at any time, thereby forcing the strategy to purchase the financial instrument at the then prevailing market price, which may be higher than the price at which such financial instrument was originally sold short by the strategy.

### **Hedging Transactions**

ISAM's investment strategies may utilize financial instruments such as derivatives for investment purposes and to seek to hedge against fluctuations in the relative values of the strategy's positions as a result of changes in exchange rates, interest rates, equity prices and levels of other interest rates and prices of other securities. Such hedging transactions may not always achieve the intended effect and can also limit potential gains.

While ISAM may enter into such transactions to seek to reduce currency, exchange rate and interest rate risks, unanticipated changes in currency, interest rates and equity markets may result in a poorer overall performance of the strategy. For a variety of reasons, the strategy may not obtain a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the strategy to risk of loss.

There can be no assurance that a given exposure will be hedged at any given time or, even if the exposure is hedged, that such hedge will be effective.

### **Leverage**

ISAM's investment strategies employ leverage. The strategies may "leverage" investment returns with commodity interests, swaps, forwards and other derivative instruments. Leverage thus increases volatility and the risk of loss to the strategies, as well as the possibility of gains. In general, the use of leverage results in certain additional risks to the strategy. For example, should the securities pledged to brokers to secure the strategy's margin accounts decline in value, the strategy could be subject to a "margin call" pursuant to which the strategy must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of

the strategy's assets, the strategy might not be able to liquidate assets quickly enough to pay off its margin debt.

Material risks associated with ISAM's strategies are comprehensively outlined in investment management agreements for institutional managed account clients, and the offering memoranda for ISAM's pooled investment vehicles.

#### **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as ISAM are required to disclose all material facts regarding any legal or disciplinary event that would be material to a client's or perspective's evaluation of the Firm or the integrity of its management. As far as ISAM is aware, there are no legal or disciplinary events that are material to a client's evaluation of our advisory business or to the integrity of our management.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

ISAM is authorised and regulated by the FCA as a CPMI firm. CPMI firms are UK full-scope AIFM firms which also provide MiFID services. In addition, ISAM is registered with the CFTC as a CTA and a member of the NFA.

Certain individuals associated with ISAM are registered with the NFA as Associated Persons and/or listed as Principals of ISAM.

ISAM USA LLC (previously defined as "ISAM USA") is an affiliate of ISAM and is applying for registration as an investment adviser with the SEC under the Advisers Act concurrently with ISAM. ISAM USA is also registered with the CFTC as a Commodity Pool Operator ("CPO") and as a CTA with respect to ISAM Systematic Trend.

Both ISAM and ISAM USA act as delegated-advisors of ISAM Systematic Management and ISAM Systematic Equities Management, the Cayman Managers, exempted companies that are incorporated under the laws of the Cayman Islands and are ultimately owned by ISAM Cayman, also an exempted company that is incorporated under the laws of the Cayman Islands. ISAM Systematic Management is registered with CFTC as a CTA and is a member of the NFA.

ISAM believes the relationship with ISAM USA does not create any actual or potential material conflicts of interest.

ISAM also has a business unrelated to its funds offering, ISAM Capital Markets, which offers full service multi-asset brokerage and execution to institutional clients globally. ISAM Capital Markets is registered with the CFTC as a CTA and is a member of the NFA. The two businesses are managed at group level but operate entirely independently from one another and are separately regulated as such we believe there is no conflict of interest between the entities.

ISAM does not recommend or select external investment advisers for its clients and subsequently does not receive compensation directly or indirectly from those advisers.

#### **Multiple Clients**

ISAM manages or advises the accounts of multiple clients. The investment methods and strategies ISAM utilizes in managing and advising a particular client's account may be utilized by ISAM in managing other accounts; however, investment decisions and allocations will not necessarily be made in parallel among all client accounts. Investments made on behalf of a particular client may not, and are not intended in all cases to, replicate the investments, or the investment methods and

strategies, of other client accounts, and in some cases ISAM may take positions for certain clients that are different to those of others. Accordingly, different client accounts may produce materially different investment results.

ISAM may have a conflict of interest in managing and advising client accounts because the financial benefit derived from certain client accounts may be greater than that derived from other accounts, which could provide an incentive to favor certain client accounts over others. ISAM manages this conflict of interest by implementing a fair allocation policy to ensure that all clients are treated in a fair, equal and consistent manner, which prohibits the allocation of investment opportunities based on anticipated compensation or profits to ISAM or its affiliates.

#### **Other Activities; Proprietary Trading**

ISAM may engage in, invest in, participate in, or otherwise enter into other business ventures of any kind, nature, or description, alone or with others, including, without limitation, the management of or investment in other investment or trading entities or vehicles, and clients shall not have any right in or to any such activities or the income or profits derived therefrom.

ISAM may invest and trade for their own accounts, including in securities and other financial instruments that are the same as or different from those traded or held by the strategies. ISAM has established policies and procedures designed to ensure that any such trading is conducted on a fair and equitable basis over time, however, conflicts of interest may arise between ISAM and its clients with respect to matters such as the allocation of investment opportunities, purchases and sales of financial instruments in connection with particular trading situations and allocation of personnel, resources and expenses. The records of trading by ISAM will not be made available to clients, except to the extent required by law.

### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

In the course of providing investment advisory services, conflicts of interest may arise. ISAM has in place various policies and procedures designed to address and manage specific conflicts of interest.

ISAM has in place a compliance program and Conflicts of Interest Policy that is intended to identify, mitigate and, where possible, prevent actual and potential conflicts of interest. The Conflicts of Interest Policy states the procedures to be followed and measures to be adopted in order to prevent, manage and monitor such conflicts, in order to prevent conflicts of interest from adversely affecting the interests of clients.

ISAM has a fiduciary duty to uphold a high standard of business ethics and conduct and to act in the best interests of its clients and prospective clients. In compliance with Rule 204A-1 under the Advisers Act, ISAM has adopted a Code of Ethics which sets out its fiduciary responsibilities and commitment to maintaining the highest ethical standards. The policy provides that no employee shall place his or her own interests ahead of those of our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All supervised persons at ISAM must acknowledge the terms of the Code of Ethics annually, or as amended.

ISAM will provide a copy of its Code of Ethics upon request.



ISAM has in place a Gifts and Entertainment Policy which is designed to address the conflict with regards to the acceptance and offering of material gifts, entertainment or other items of value which may be viewed as influencing decision-making and therefore unlawful. The policy sets out the pre-clearance and various reporting requirements that apply to any employee when accepting or offering gifts and entertainment.

ISAM has also adopted a Personal Account Dealing Policy which sets forth the standards of business conduct when employees ("Covered Persons") engage in certain personal securities transactions. The purpose of the Personal Account Dealing Policy is to identify any personal dealings that may conflict with client orders or give rise to market abuse concerns,

Under the policy, Covered Persons are required to obtain pre-approval for certain personal investments and are prohibited from making certain transactions. Certain classes of securities are deemed Exempt Securities under the policy, this is due to the fact that transactions in these securities are considered to not materially conflict with the best interests of ISAM's clients. The policy also contains a 30-day holding period for securities covered by the policy. All Covered Persons are required to file initial and annual securities holdings reports in addition to quarterly transaction reports.

Covered Persons may, on occasion, buy or sell securities for themselves that an ISAM buys or sells for its client portfolios. However, all such transactions are subject to ISAM's Personal Account Dealing Policy. Where such transactions are believed to be adverse to clients' interests, pre-approval will be denied and therefore the transaction cannot be effected by Covered Persons.

ISAM employees and principals may be investors in the pooled investment vehicles for which ISAM acts as investment adviser. To manage the conflict that these pooled investment vehicles could be treated more favorably, we seek to provide a process that is designed to prevent an unfair advantage in the timing and sequencing of trades for all client accounts over time. However, it is possible that one client account may receive a less favorable trade execution in any given trading sequence.

## **ITEM 12: BROKERAGE PRACTICES**

ISAM has a fiduciary duty to place the interests of clients above its own when selecting broker-dealers and when executing, or placing or transmitting, orders with other entities for execution. Accordingly, ISAM has established and implemented a Best Execution Policy which is designed to ensure ISAM takes all sufficient steps to obtain the best possible result for its clients, taking into account the various execution criteria including but not limited to the requirement to manage market impact, price costs, speed, likelihood of execution and settlement, size, nature, or any other consideration relevant to the execution of the order.

As ISAM strategies are fully systematic, the system automatically produces target positions and trades which generate buy or sell algorithmic orders with broker dealers.

The underlying algorithms that generate target positions and trades are based on publicly available information on individual companies. These do not rely on research from broker dealers and third parties that are in connection with client transactions.

ISAM has discretion over the selection of the broker-dealers used to execute client transactions and to negotiate the rate of commissions payable for such services. ISAM aims to select broker-dealers who have the skills and capabilities to provide cost-effective, efficient, and timely

execution algorithms and who comply with any applicable legal restriction. ISAM will use a broker-dealer selected from those approved for the relevant instrument class, and where we believe that broker-dealer will enable us to obtain the overall best possible result for the execution of client orders.

ISAM has no directed brokerage arrangements. If it were to engage in such arrangements, there is no assurance that best execution could be achieved.

As a general matter, broker-dealers are subjected to an initial approval process. This approval process involves the review of financial and related quantitative and qualitative information concerning the proposed broker-dealer. The commissions paid are also subject to regular review and analysis.

ISAM monitors and analyses the effectiveness of its best execution arrangements, with the review of broker-dealer transaction cost analysis (TCA) reports and internal TCA monitoring and analysis, to identify and, where appropriate, correct any deficiencies. As part of the Compliance Monitoring Programme, the Compliance Team perform independent execution monitoring in order to seek to ensure the best possible result is achieved for clients on a consistent basis. Any exceptions raised from such monitoring are escalated to determine whether execution strategies and processes require enhancing. Exceptions are also reported to the Compliance and Risk Committee.

Given the nature of its trading programme, ISAM does not routinely recommend, request, require or permit a client to direct brokerage.

In the pursuit of best execution, ISAM may aggregate orders for client accounts and then allocate the investments or acquired among the participating accounts in a manner that ISAM believes is fair, equitable and consistent, in accordance with ISAM's Fair Allocation Policy.

ISAM does not participate in any soft dollar arrangement with brokers, nor does it rely on or select brokers for research or market data that they may provide.

### **ITEM 13: REVIEW OF ACCOUNTS**

Due to the frequency of the investment activity that characterizes ISAM's quantitative strategies, all client accounts are monitored and reviewed on a daily basis to determine the appropriate position and whether any applicable investment constraints and speculative position limits are being complied with. These reviews take into consideration the investment objectives, policies and restrictions of the applicable account, as well as market conditions and any legal or regulatory restrictions.

ISAM's internal control framework incorporates procedures, reports and reconciliations generated by the appropriate department with regards to cash management, trade execution, counterparty risk, cash payments, system monitoring and risk measurement. Key to this framework is the ISAM daily risk pack which monitors risk thresholds and identifies breaches and logs resolution and the operations daily checklist. These are signed off daily by the Risk team and the Operations team.

Given ISAM's strategies are fully systematic, ISAM employs significant risk controls (pre- and/or post-trade controls) incorporated directly into the trading system as well as monitoring techniques through automated and/or manual procedures to ensure that portfolios are managed in accordance



with account-specific guidelines or restrictions as well as applicable regulatory requirements and internal policies. ISAM has policies and procedures in place to address any investment guideline breaches.

The Firm's Chief Compliance Officer is responsible for the Compliance Monitoring Program which includes periodic risk assessments with input from external compliance advisors.

Client reports are customizable, and generally include but not limited to the following: official Net Asset Value ("NAV"), current and historical performance for the portfolio, performance attribution, recent market conditions, risk allocation and general business update.

ISAM provides audited financial statements to investors in ISAM pooled investment vehicles on an annual basis.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, ISAM and its affiliates may pay solicitation or referral fees to persons who introduce clients to ISAM or an affiliate. These fees are disclosed to the relevant client and governed by written agreements, as permitted by Rule 206(4)-1 under the Advisers Act.

#### **ITEM 15: CUSTODY**

ISAM does not maintain physical custody of client funds or securities. However, under SEC Rule 206(4)-2 (the "Custody Rule"), ISAM may be deemed to have custody under certain circumstances. In such cases, client funds and securities will be maintained at one or more "qualified custodians," within the meaning of the Custody Rule. A "qualified custodian" generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. ISAM encourages clients to review such statements and compare such official custodial records to the account statements that ISAM may provide to you. ISAM statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Additionally, clients should contact ISAM if they do not receive account statements from their custodian on at least a quarterly basis. Notwithstanding the foregoing, for ISAM-sponsored funds, an independent public accountant will audit such funds on an annual basis, and copies of the audited financial statements will be sent to the investors in the funds, as described above in "Review of Accounts."

#### **ITEM 16: INVESTMENT DISCRETION**

ISAM receives discretionary authority from its clients, either through their investment advisory agreements or through the constituent documents of ISAM-sponsored funds, which grant a power of attorney in favor of ISAM to select the identity and amount of any investments to be bought and sold for the clients' accounts. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the clients' accounts. Institutional managed account clients may be able to negotiate the terms of the investment management agreement and may be able to impose investment restrictions on such account provided that ISAM is comfortable that the restrictions will not materially impact the performance of the account. Investors in ISAM's pooled investment vehicles may not impose limitations on the investment decisions. ISAM will invest in accordance with the investment guidelines as outlined in the offering memorandum.

#### **ITEM 17: VOTING CLIENT SECURITIES**

ISAM strategies are fully quantitative. The investment trading decisions are determined solely by proprietary models, which do not consider corporate action issues. The strategies do not invest in companies with the intention of taking any activist role in directing management or of taking any form of controlling interest. As a result, ISAM does not believe that it would be cost-effective for the Firm to review each proxy vote and assess the underlying proposals, as the outcome of such proposals typically does not materially impact the implementation of ISAM's investment strategies. In order to reconfirm its proxy voting policy, ISAM will regularly review the estimated potential benefits associated with casting such proxies on behalf of its clients. ISAM reserves the right to vary this practice where it determines that doing so is in the best interests of its clients, although it is not anticipated that ISAM will do so. Clients generally may not direct specific proxy votes for the securities held in their accounts. Clients/investors or prospective clients/investors may inquire further about ISAM's proxy voting policy by contacting the Chief Compliance Officer at [compliance@isam.com](mailto:compliance@isam.com).

#### **ITEM 18: FINANCIAL INFORMATION**

Registered investment advisers are required in this Item to provide investors with certain financial information or disclosures about the adviser's financial condition. ISAM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to meet contractual and fiduciary commitments to its clients. ISAM is not required to deliver a balance sheet along with this Disclosure Brochure as ISAM does not collect advance fees of \$1,200 or more for services to be performed six months or more in the future.



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