

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.

As of March 2024

Item 2: Material Changes

VELA Investment Management is no longer participating in the UBS MAC Program. One of the previously reported owners of VELA Investment Management is no longer an owner as of March 15, 2024.

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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. VELA has 15 owners with Roderick Hadley Dillon, Jr. as its principal owner. VELA became a SEC registered investment adviser in June 2020. Jason will provide updated language.

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 to aid in the selection of portfolio securities to meet a 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. VELA will request discretionary authority from clients to select securities and execute securities transactions without permission from the client prior to each transaction.

VELA manages the investment strategies described in Item 8.a. These investment strategies may be part of a client’s investment program or may be a clients only investment. If a client decides to utilize one or more of VELA’s separately managed account strategies, the client’s Investment Policy Statement will include the description of the strategies chosen.

VELA makes investment decisions in accordance with the fiduciary duties owed to its clients 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.

We are fiduciaries under the Investment Advisers Act of 1940 when providing advisory services to you. In addition, when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title 1 of

ERISA and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We are required to act in your best interest and not put our interests ahead of yours.

In addition, we must:

- Meet a professional standard of care when making investment recommendations
- Never put our financial interests ahead of yours when making recommendations
- Avoid misleading statements about conflicts of interest, fees and investments
- Follow policies and procedures designed to ensure that we give advice to you that is in your best interest
- Charge no more than is reasonable for our services
- Give you basic information about conflicts of interest

We benefit financially from the rollover of your assets from a retirement account to an account that we manage because your assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

Services Limited to Specific Types of Investments

VELA generally limits its investment advice to mutual funds, including its own open-end mutual fund family, the VELA Funds, fixed income securities, equities, options, derivatives and ETFs. However, VELA may also use other securities to help diversify a client portfolio when applicable.

Stifel, Nicolaus & Company, Incorporated Connect Program

VELA is an investment adviser in the Stifel, Nicolaus & Company, Incorporated (Stifel)'s Connect program. A Stifel Financial Advisor provides its clients with investment advisory services on a non-discretionary basis and assists its clients in the selection of an investment management, such as VELA, to manage the client's Connect account on a discretionary basis, in accordance with the terms of a separate investment advisory agreement between the client and VELA. In each case, the Stifel Financial Advisor will assist the client in establishing and maintaining a relationship with VELA. In the Connect Program VELA will have trading authority over your account.

For Client's in the Connect Program, Stifel will provide you with disclosures regarding the Connect Program. You should carefully review those disclosures.

Connect Program clients to whom VELA provides discretionary investment management services have a minimum account size of \$250,000 and an annual investment management fee of .50%.

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 carried out 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. VELA allows clients to impose reasonable 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 is an investment manager for the Stifel Connect program.

E. Assets Under Management

VELA's regulatory assets under management, as defined in Form ADV Part 1, are as follows:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$ 397,813,678	\$ 78,325	12/31/23

VELA's assets under management include mutual funds, separately managed accounts and wealth management accounts as of 12/31/23 are \$ 391,221,4480.

Item 5: Fees and Compensation

A. Fee Schedule

Portfolio Management Fees

VELA's annual investment management fee is 0.75%. VELA uses the value of the account as of the last business day of the billing period, after taking into account deposits and withdrawals plus or minus 5% of the value of the account as of the previous end of day, for purposes of determining the market value of the assets upon which the annual advisory fee of 0.75% is based. VELA also includes cash, cash equivalents and money market funds in determining the market value of assets but does not include a margin balance in determining the market value. The fees we charge for investment advisory services are specified in the Investment Advisory Contract (IAC) between VELA and each individual client.

VELA may also charge an account servicing fee. You will pay VELA an annual account servicing fee which is documented in your IAC. Account servicing fees will be invoiced and billed directly to you, payable by check, bank transfer, or debited from your custodial account(s), on either an annual basis or quarterly basis, in arrears, as detailed in your IAC with VELA. The account servicing fee will be waived if you are invested in a VELA strategy or mutual fund.

Mutual fund investments, including investments in the VELA Funds, pay an investment management fee at the fund level. VELA does not charge an additional investment management fee for mutual fund investments in accounts for which we provide investment management services.

Some clients pay us a performance-based advisory fee. (Item 6 provides more information about performance-based fees.)

Annual Minimum Fee for Separately Managed Accounts

VELA will charge an annual minimum fee for separately managed accounts which are less than the firm's minimum account size. VELA will determine the annual minimum fee by taking the client's fee rate multiplied by the minimum account size (i.e. $\$1,000,000 \times 0.75\% = \$7,500$). At the end of each calendar quarter, VELA will compute its investment management fee and will charge the higher of the investment quarterly management fee or a quarter of the annual minimum fee. Annual minimum fees are billed quarterly in arrears.

Connect Program Fees

For Clients in the Connect Program, you will pay two separate fees as part of the program. You will pay an annual investment management fee of .50%, quarterly in arrears, to VELA as the discretionary manager of your Connect account. In addition, you will pay fees to Stifel as detailed in their disclosures. You should understand the total cost of the Connect Program when considering enrolling.

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 debited from your custodial account(s) on a quarterly basis. Fees are paid in arrears.

Payment of Connect Program Fees

VELA will provide an invoice to Stifel for investment management fees due to VELA under the Connect Program. Stifel will charge your account for VELA's investment management fees and submit those fees to VELA.

Mutual Funds

The VELA Funds will incur management and other fees as disclosed in the prospectus. To the extent that your account is invested in a VELA Fund your account is not assessed a VELA investment management fee on the portion of your account invested in the VELA Fund. Charles Schwab, the custodian for VELA clients, charges a separate transaction fee for VELA Fund Class I transactions.

C. Client Responsibility for Third Party Fees

You are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, administration 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 fees the quarter after investment advisory services have been provided (in arrears). We do not bill our clients in advance for investment advisory services.

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 receives performance-based fees (an investment advisory fee based on a percentage of capital gains or on capital appreciation of client assets) from some separate account clients.

CONFLICTS OF INTEREST

The receipt of performance-based fees from separate accounts creates conflicts of interest. Performance-based fees paid to investment advisers can be significantly higher than asset-based fees paid on other advisory accounts. VELA can potentially receive higher fees from accounts with a performance-based compensation structure than from those accounts that pay an asset-based fee as described in Item 5. For example, VELA has an incentive to direct the best investment ideas to an account that pays a performance-based fee or to allocate or sequence trades in favor of the performance-based fee account. To manage these conflicts:

- All accounts within a strategy are managed to the strategy's model portfolio.

- VELA performs a periodic review of each investment strategy's model portfolio versus each client account. In this review, every position size for each client account is compared to our model weights.
- VELA's trade allocation policies and procedures are designed to ensure that all clients are treated fairly and equitably and to prevent this conflict from influencing the allocation of investment opportunities among clients.

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 for wealth management accounts which may be waived at VELA's discretion. For our All Cap Concentrated Separately Managed Account (SMA) the account minimum is \$2,000,000 and for our Small Cap and Focus Strategy SMAs the account minimum is \$5,000,000, which may also 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 the following investment 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 Concentrated - The All Cap Concentrated 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 Plus - The Large Cap Plus Strategy invests in long positions of attractively valued companies while also taking short positions in unattractive stocks.

Income Opportunities - The Income Opportunities Strategy seeks to provide current income and long-term capital appreciation.

Focus Strategy - The Focus Strategy is a more concentrated version of the All Cap Concentrated Strategy. The Focus Strategy invests in a concentrated portfolio of 10 to 15 stocks of any size market capitalization that we believe are undervalued. All holdings of the Focus Strategy are part of the All Cap Concentrated strategy.

Short Duration - The Short Duration Strategy invests in fixed income securities across a broad group of industries, geographies and company market capitalizations.

The International, Income Opportunities, Short Duration and Large Cap Plus strategies are only available to clients and investors through the VELA Funds managed by VELA. The Small Cap strategy is available in both a separately managed account and through the VELA Funds. The Focus and All Cap Concentrated strategies are only available as a separately managed account.

All investments carry a certain amount of risk. 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.

All investments carry a certain amount of 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 investing 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.

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.

Large Cap Company Risk. Returns on investments in securities of larger companies could trail the returns on investments of smaller and mid-sized companies. Larger companies may be unable to respond as quickly as smaller and mid-sized companies to competitive challenges or to changes in business, product, financial or other market conditions. Larger companies may not be able to maintain growth at the high rates that may be achieved by well-managed smaller and mid-sized companies.

Concentration Risk. Certain of our strategies will concentrate their investments in a small number of securities. The small number of securities held may not be diversified across all sectors or industries as compared to a broad index such as the S&P 500 or Russell 300. As a result, the value of a client's account may vary in response to changes in the market value of individual securities, industries or sectors and may lead to higher volatility.

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.

Derivatives Risk. Derivatives, including options, futures contracts, and forward contracts, may be riskier than other types of investments and may increase volatility. Derivatives may be sensitive to changes in economic and market conditions and may create leverage, which could result in losses that significantly exceed the original investment. Derivatives expose a portfolio to counterparty risk, which is the risk that the derivative counterparty will not fulfill its contractual obligations (and includes credit risk associated with the counterparty). Certain derivatives are synthetic instruments that attempt to replicate the performance of certain reference assets. Regarding such derivatives, the portfolio does not have a claim on the reference assets and is subject to enhanced counterparty risk. Derivatives may not perform as expected, so the portfolio may not realize the intended benefits. When used for hedging, the change in value of a derivative may not correlate as expected with the current security or other risk being hedged. In addition, given their complexity, derivatives expose the portfolio to risks of mispricing or improper valuation. Certain of the portfolio's transactions in derivatives could also affect the

amount, timing and character of distributions which may result in realizing more short-term capital gain and ordinary income subject to tax at ordinary income tax rates than it would if it did not engage in such transactions.

Value-Oriented Investment Strategies Risk. Value stocks are those that are believed to be undervalued in comparison to their peers due to adverse business developments or other factors, or those where VELA believes the aggregate present value of the company's future cash flow is materially greater than that which the market is currently reflecting via the target company's share price. Value investing is subject to the risk that the market will not recognize a security's inherent value for a long time or at all, or that a stock judged to be undervalued may be appropriately priced or overvalued. In addition, during some periods (which may be extensive), value stocks generally may be out of favor in the market.

Options Risk. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two commonly used options are calls and puts:

A **call** option gives the owner the right to buy a stock at a certain price within a specific period of time. A **put** option gives the owner the right to sell a stock at a certain price within a specific period of time.

We may buy puts and calls and write covered calls at times, all with the intent to enhance risk-adjusted and tax-adjusted returns for our clients. Options may be exercised at any time prior to the option expiration date.

We may purchase "**protective puts**", in which case the client pays a fee (premium) for the ability to sell the underlying security at a specific price (the strike price) if the underlying security loses market value. Instances in which we would buy protective puts include when we have a large exposure to a certain industry, and/or when we have large short-term gains in certain securities and we want to hedge against downward price movements while we are waiting for the gains to go long term.

With a protective put, if the stock price declines, the purchased put provides protection below the strike price. However, the protection lasts only until the expiration date of the put. If the stock price rises, the client participates fully, less the cost of the put.

We may write "**covered calls**", in which case we sell a call option on a security owned by a client. With a covered call, the client receives a fee (premium) for making the option available, and the counter-party purchasing the option has the right to buy the security from the client at an agreed upon price (the strike price). We would look to write calls at a strike price above our estimate of intrinsic value for the underlying security. We believe this would be a useful approach to generate additional income for the client as well as offset the cost of protective puts when we use them.

Covered call writers forgo the right to profit from the difference between the call strike price and the price of the underlying security, net of the premium received for writing the call option. If the underlying security does not rise above the strike price before the option expires, the call writer retains the premium and the option will expire unexercised.

We may **buy a call** on a security that we would like to own but for which we think there could be binary outcomes and volatile price movements in the short term. By buying a call option, we can secure the right but not the obligation to buy the security with much less capital than we would use to buy the underlying security.

If the price of the underlying security rises above the strike price before the option expires, we can elect to exercise the call option and buy the underlying security at a lower value than market value, net of the premium paid for the call option, if we still view the underlying security as an attractive investment opportunity. There are risks associated with buying and selling call and put options. If VELA buys a put or call option, VELA risks losing the entire premium invested in the option if VELA does not exercise the option. If VELA sells (writes) a put option, there is risk that VELA may be required to buy the underlying investment at a disadvantageous price. If VELA sells (writes) a covered call option, there is a risk that VELA may be required to sell the underlying investment at a disadvantageous price. VELA will receive a premium from writing options, but the premium received may not be sufficient to offset any losses sustained from exercised options.

D. Other Risk Categories

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 client investments and could result in decreases to client asset values. 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.

For more specific risks related to the VELA Funds such as ADR, Borrowings, Corporate Debt Securities, Convertible Securities, Currency, Cybersecurity, Emerging Market, Foreign Tax, High Yield/High Risk Securities/Junk Bonds, Illiquid Securities, Investment Company and Exchange Traded Fund (ETF), Long-Short Strategy, MLP and MLP-Related Securities, MLP Tax Risk, Preferred Stock, REIT, Redemption, Sector Emphasis and Short Sale Risk, please carefully review the VELA Funds prospectus and the Statement of Additional Information.

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 Supervised Persons 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 Operation or a Commodity Trading Advisor

Neither VELA nor its Supervised Persons 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

Supervised Persons of VELA serve as:

- the President of and Chairman of the Board of Trustees of the VELA Funds,
- an officer of the VELA Funds and a member of its Board of Trustees,
- a board member of Ohio Wesleyan University Board of Trustees and is the Chairman of the Investment Committee and Vice Chairman of the Finance Committee,
- as the Chair of the Investment Committee of the Ohio Chamber of Commerce and on the Finance Committee of a foundation.

A Supervised Employee of VELA serves on the Investment Committee for a client prospect. That Supervised Person will excuse themselves from any matters which involve decisions regarding our investment management services or potential services we may provide.

Supervised Persons invest in private placements, which VELA does not currently offer to its clients. Certain of our Supervised Persons are invested in the same private placements as our clients offer or invest in as well as creating entities, such as limited liability companies, in which to invest in private placements.

Several employees of the firm are CPAs but do not offer tax advice to clients.

VELA serves as the investment adviser to an open-end registered investment company for which VELA receives an investment management fee. Certain persons listed in Schedule A of VELA's Part 1A of Form ADV are officers of the VELA Funds. As officers, these individuals 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 members 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.

Mutual fund investments, including investments in the VELA Funds, pay an investment management fee at the fund level. VELA does not charge an additional investment management fee for mutual fund investments in accounts for which we provide investment management services.

VELA also receives the administrative fee for the VELA Funds, which typically covers operating expenses of a mutual fund. VELA personnel have access to a segregated bank account which is used for payment of VELA fund expenses. VELA is not involved in the payment of any 12b-1 expenses which are paid by the VELA fund's distributor.

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

VELA utilizes investment products from unaffiliated third-party managers. VELA does not pay compensation to the unaffiliated third-party managers.

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 you 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 you on your assets which are invested in the VELA Funds.

C. Investing Personal Money in the Same Securities as Clients

If VELA manages a strategy or mutual fund in a specific asset class (i.e. international or small cap), Supervised Persons are only permitted to purchase that asset class for their personal accounts via the VELA strategy or mutual fund except for direct obligations of the US Government.

All Supervised Person are prohibited from purchasing any individual equity (ETFs are considered to be individual equity securities or fixed income (except direction obligations of the

US Government) securities. Supervised Persons are permitted to sell individual security holdings; however, the sale must be precleared or meet the de minimis guidelines.

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

Supervised Persons of VELA may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for Supervised Persons of VELA to buy or sell securities before or after recommending securities to clients resulting in Supervised Persons profiting from the recommendations they provide to clients. Such transactions may create a conflict of interest.

To mitigate this potential conflict, all Supervised Persons must preclear equity securities transactions except if the transaction meets the requirements of the Code's de minimis exception. Preclearance will be granted by the CFO or in the case of a preclearance request from the CFO by another authorized individual. In addition, no Supervised Person will be permitted, unless it meets the de minimis exception requirements, to sell any equity security which has been sold in a client account for the past three trading days.

Our Code of Ethics is designed to assure that the personal securities transaction, activities and interest of our Supervised Persons will not interfere with making investment decisions in your best interest and implement such decisions.

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.

Clients may pay commissions that are higher than another qualified financial institution might charge to affect the same transaction where VELA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a financial institution's services, including among others, the value of research provided, execution

capability, commission rates and responsiveness. VELA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Research and Other Soft-Dollar Benefits

VELA has no formal soft dollar program in which soft dollars are used to pay for third party services. However, VELA does receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions. These services benefit all our investment strategies.

If VELA enters into soft-dollar arrangements they will be 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 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 and Client Referrals

VELA receives no client referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party. VELA does have a trading relationship with a certain broker-dealer whose affiliate has an intermediary relationship with the VELA Funds. The intermediary relationship has no effect on the trading relationship as VELA relies solely on best execution to place trades.

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 non-directed 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 non-directed 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.

VELA has a trade allocation policy for the VELA Funds, SMAs and directed brokerage accounts. When a trade is partially completed, the shares are allocated on a pro-rata basis to the appropriate client accounts. All grouped trades are allocated to the participant accounts at average cost.

Certain programs in which VELA provides advisory services such as, wrap fee accounts, are considered directed brokerage accounts. When determining whether to participate in a wrap fee

program you should consider, among other things, VELA's brokerage practices and the fees charged by the program sponsor in relation to the expected trading volume.

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.

C. Fixed Income Trading

VELA trades fixed income securities via three primary channels. To obtain best execution on fixed income trades, VELA strives to maintain strong relationships with several Wall Street broker/dealer firms which transact in fixed income securities. The primary trading channels include: 1) directly with a specific broker/dealer counterparty, with trade details typically negotiated over the Bloomberg chat function; 2) via an electronic trading platform which could entail a direct counterparty trade or putting several counterparties in competition against each other; and 3) via an electronic trading platform but done so anonymously. The choice of which three to utilize for a particular trade is based on several variables, which may include (but not necessarily limited to) certainty of execution, liquidity of the security, known inventory at a particular counterparty, and the opportunity cost between obtaining the best available price and necessity to maintain strong relationships with Wall Street broker/dealer firms. Not all variables are considered for each trade - the determination is situational based on the current environment at the time of the trade.

Item 13: Review of Accounts

A. Frequency and Nature of Periodic Review

All client accounts are reviewed on a regular basis by the respective portfolio manager and the client services team. The review includes the client's respective investment policies and risk tolerance levels.

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).

C. Content and Frequency of Regular Reports Provide to Clients

In addition to the statement you will receive from your custodian, you will receive a performance report from us on at least a quarterly basis. These reports include account values, securities holdings, investment performance and a summary of investment management fees.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by 3rd Parties for Advice Rendered to Clients

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

With respect to custodians VELA receives access to Charles Schwab's institutional trading and custody services, which are typically not available to 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 with certain custodians. Custodial 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 at Charles Schwab, Charles 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 the custodian or that settle into custodial accounts.

Certain custodians also make 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 the custodian. Other potential benefits may include occasional business entertainment of VELA personnel by custodial 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. Certain custodians also make 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, custodians may make available, arrange and/or pay vendors for these types of services rendered to VELA by independent third parties. Custodians 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 any custodian.

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.

VELA does not have physical custody of any client assets. However, due to certain types of money movement activities, which have been authorized by some of our clients, we are deemed to have custody under amended Rule 206(4)-2.

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 the 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 way 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.