

# Apex Capital Management (New York), LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Apex Capital Management (New York), LLC (“Apex” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 212-750-5400. 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 the Adviser is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

The Adviser's most recent update to Part 2 of Form ADV was made in March 2011. Since our last update, the Adviser's indirect ownership has changed. Apex continues to be wholly owned by Apex Capital Management (Cayman), Ltd. Chung Lew now owns 100% of Apex Capital Management (Cayman), Ltd. By virtue of the indirect ownership change, Apex is no longer affiliated with Apex Capital Management (Hong Kong), Ltd.

## Table of Contents

Material Changes.....	2
Table of Contents .....	2
Advisory Business .....	2
Fees and Compensation.....	3
Performance Based Fees and Side-by-Side Management .....	3
Types of Clients.....	4
Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Disciplinary Information .....	5
Other Financial Industry Activities and Affiliations .....	5
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	5
Brokerage Practices .....	6
Review of Accounts .....	7
Client Referrals and Other Compensation.....	7
Custody .....	7
Investment Discretion.....	7
Voting Client Securities .....	7
Financial Information .....	8

## Advisory Business

Apex was founded in August 2003 and is wholly owned by Chung Lew by virtue of his ownership of Adviser's parent, Apex Capital Management (Cayman), Ltd. As of December 31, 2011 the Adviser managed \$10 million on a discretionary basis on behalf of approximately 3 clients.

Apex provides investment advisory services on a discretionary basis to clients. These services are generally intended to be provided to commingled investment vehicles ("Private Funds") with investors being high net worth individuals, institutional investors, and other commingled investment vehicles. Apex may also provide investment advisory services to institutional based separately managed accounts ("SMAs" and together with Private Funds, "clients").

Apex generally seeks to employ two principal investment strategies: event driven trading and fundamental catalyst trading by investing in securities issued by companies located in or having significant exposure to the Asia region. Adviser regards an entity as having significant exposure to the Asia region if 25% or more of such entity's assets are located in the region, or 25% or more of such entity's sales or profits are derived from activity in the region, at the time of the initial investment. Apex invests in both local securities traded on the Asian markets as well as their

international counterparts, such as American Depositary Receipts (“ADRs”) and Global Depositary Receipts (“GDRs”).

Adviser and certain of its affiliates may also provide advice on currency and interest rate swap agreements, and other privately-negotiated derivative contracts that are neither regulated futures contracts nor securities contracts.

Advisory services provided to the Private Funds are fully described in the relevant Private Fund offering memorandum. Advisory services provided to SMAs may be tailored based on the particular needs to the client.

## **Fees and Compensation**

The basic fee schedule of Adviser is as follows: Apex receives a management fee based on net assets under management of 2% and an incentive fee of 20% of the annual profit, if any, charged to each client. Incentive fees are subject to a high-water mark. The management fee is paid monthly in arrears based on net assets at the end of each month. Redemption rights allow for quarterly redemptions with thirty days notice. Incentive fees are paid annually. Certain Private Funds impose an early withdrawal fee of 2% of capital withdrawn within six months of its contribution. This fee schedule is uniquely designed per individual or strategy, and is determined in negotiation with the investor.

Under certain circumstances fees may be negotiated and are refundable for periods the account is not under management. Further, the Adviser may enter into side agreements with specific investors in private investment funds that the Adviser provides investment advice to that may provide for different fees, withdrawal rights, access to information about the Private Funds’ investments, or other matters relating to an investment in the relevant Private Fund.

If a SMA terminates the investment management agreement with the Adviser in the middle of a billing period the Adviser will invoice the client for an amount that is pro-rated based on the number of days that the account was managed.

In addition to the Adviser’s investment management fees, clients bear trading costs and custodial fees.

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

As stated in the Fees and Compensation section above, the Adviser charges performance based fees which are fees based on a share of capital gains on or capital appreciation of the client’s assets.

The fact that the Adviser is compensated based on the trading profits may create an incentive for the Adviser to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance based fee received by the Adviser is based primarily on realized and unrealized gains and losses. As a

result, the performance based fee earned could be based on unrealized gains that clients may never realize.

## **Types of Clients**

Adviser provides investment advice to private investment funds and institutional based SMAs.

Adviser has set a minimum initial investment of \$1,000,000 and the minimum subsequent investment is \$250,000 but reserves the right to accept a lesser amount.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Apex's investment decisions are based on an analysis of a broad range of factors that can influence the price of a stock. We attempt to identify investment opportunities on the basis of market impact of fundamental events, news and flows or on anticipated price movements based on a specific catalyst. In particular, Apex seeks to maintain a thorough understanding of the factors that are driving price movements. We seek to maintain real time information on such factors through our extensive information network throughout the regional and international capital markets. We track an extensive set of data points, maintain continuous contact with the sell-side analysts, companies and other investors to gauge market expectations on the events, news and flows. Also we are tracking liquidity flows into and out of regional markets and shifts in local versus international investor sentiment.

Adviser generally employs two primary investment strategies:

- **Event Driven Trading** – this strategy attempts to capitalize on the divergence in pricing and sentiment among markets (e.g. ADRs and GDRs versus local Asian shares). This strategy is characterized by high turnover of investments and low volatility. This strategy also attempts to exploit short-term price inefficiencies to increase returns on intermediate positions and cross-board positions. The trading attempts to take advantage of information flow, short-term seasonal effects, and special events.
- **Fundamental Catalyst** – this strategy attempts to increase returns during market trends and is based on fundamental analysis. This trading typically involves lower turnover and higher volatility.

Adviser provides investment advice to clients on derivative transactions, taking into consideration: the available instruments; discussions with and information provided by private issuers of such instruments; financial and contractual terms of the derivative instruments as well as the financial situations of the client.

The description provided above is a brief overview of the investment strategy and is not intended to be complete. All investing involves a risk of loss and the investment strategy offered by Apex could lose money over short or even long periods. The Adviser's strategies utilize investment techniques such as options, futures, derivatives, margin transactions and short sales, which practices can in certain circumstances, maximize the adverse impact to which the clients may be subject. Adviser's strategy generally involves frequent trading of securities, which can impact

investment performance, particularly through increased brokerage and other transaction costs and taxes.

Apex primarily invests in securities issued by issuers having significant exposure to the Asia region. Due to this emphasis, the performance client accounts will tend to be affected to a greater extent by economic and political developments in such region than would be the case if Adviser emphasized a different geographic region or if the Adviser did not emphasize any geographic region. Additionally, investments in emerging markets also involve greater risk. Emerging market investments are often subject to higher volatility and may be less liquid than comparable developed market investments.

The above risks are not intended to serve as an exhaustive list or comprehensive description of all risks that may arise in connection with Apex's investment strategy. Investors should review the Private Fund's Private Placement Memorandum and other governing documents to understand the risks and potential conflicts of interests involved with Apex's strategy.

## **Disciplinary Information**

The Adviser and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of Apex or its personnel.

## **Other Financial Industry Activities and Affiliations**

Apex has a relationship that is material to the advisory business with Apex Capital Management (Cayman) Ltd., an exempted company incorporated with limited liability in the Cayman Islands. Apex Capital Management (Cayman) Ltd. is Apex's parent company and is the investment adviser to the Private Funds that Apex sub-advises. Apex has not identified any conflict of interest with respect to its affiliation with Apex Capital Management (Cayman) Ltd.

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

Adviser and its related entities and persons may invest as principal, or as agent on behalf of others, in the same categories of investments or contracts or in the same issuers in which client accounts invest. However, Apex will always put the interests of client accounts ahead of its own and its related persons.

Adviser has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 that sets forth the standards of conduct expected of its personnel. The Code of Ethics requires its personnel to report their personal securities holdings and transactions and requires the pre-approval certain investments. The adviser's personnel are also required to submit initial and annual holdings reports, quarterly transactions reports, and an annual acknowledgement and certification stating that the individual will comply and has complied with the Code of Ethics. The Adviser is required to keep copies of the Code of Ethics and records relating to the Code of Ethics.

All employees, managers and officers of the Adviser must comply with the Code of Ethics. The Code of Ethics states that the Adviser's personnel owe a fiduciary duty to the Adviser's clients,

which requires the Adviser's personnel to act in the best interests of its clients. In addition, the Adviser's personnel must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of clients. The Code of Ethics also contains policy restrictions on the use of insider information. The Adviser's personnel are required to promptly report any violations of the Code of Ethics to the CCO.

A copy of the Adviser's Code of Ethics shall be provided to any client or prospective client upon request by contacting Kevin King at (212) 750-5400.

## **Brokerage Practices**

Adviser is authorized to select broker-dealers and swap and derivative counterparties for client accounts. Apex and its affiliates receive "soft dollar" research products and services from broker-dealers, counterparties, custodians or prime brokers in connection with the level or volume of customer accounts or transactions directed by it to a broker.

The "soft dollar" arrangements provide free or reduced price research products or services to Adviser and its affiliates. Such "soft dollar" arrangements may cause private investment funds or accounts to pay more than the lowest transaction cost if the investment manager determines, based on the quality of research and brokerage services received merit the additional fees to the broker-dealer. These additional fees are a cost to the client account and indirectly to the investors in such funds or accounts. In such an arrangement, the investment manager benefits by receiving the research product or service free or at a reduced charge. The research services and products provided by a broker-dealer to the investment manager are not required to be used for the benefit of the client account whose transactions generated the soft dollar "credits" that are used to receive the research products and services. Within the last year, Adviser and its affiliates have received research services in the form of written reports, computer generated services, telephone contacts and personal meetings with security analysts. In most cases, research services are generated by third parties but are provided to Adviser by or through broker-dealers in which Adviser has such soft dollar arrangements.

Also, broker-dealers with whom Adviser has prime brokerage relationships provide Adviser with access to proprietary research and other services (e.g., standard investment, securities and economic research and credit reports, securities price and market data, and capital introduction services), which are used to service the Private Funds. To the best of Adviser's knowledge, these services are generally made available to all institutional investors doing business with these broker-dealers. These bundled services are made available to Apex on an unsolicited basis and without regard to the rates of commissions charged or paid by the Private Funds or the volume of business we direct to these broker-dealers. Since these products and services are merely made available by broker-dealers as part of a bundled business package to Adviser, who may or may not use them, Apex understands that broker-dealers do not set discrete prices for these products and services. Accordingly, we do not separately compensate these broker-dealers for the provision of these services and do not believe that we "pay-up" for the broker-dealers' services due to the difficulty associated with the broker-dealers not breaking out the costs for the services in question.

Adviser anticipates that it will frequently place orders for the purchase or sale of the same security at the same time for more than one client account, and will then allocate the purchases or sales across client accounts at the same price pursuant to each client's capital base. Such allocations will be made the same day. It is anticipated that participating client accounts generally will receive the lower brokerage fees or more favorable pricing associated with participation in larger block orders across multiple client accounts.

## **Review of Accounts**

Apex's Portfolio Managers review the most significant holdings of all accounts on a daily basis. These holdings are monitored in light of trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions. If a decision is made to purchase or sell with respect to such holding, each account holding such security is reviewed prior to selling or purchasing the security for such account. In addition, accounts are either reviewed periodically from the standpoint of specific investment objectives of the client or as particular situations may dictate.

Clients and Private Fund investors will receive unaudited reports on the performance of their accounts at least quarterly. Investors in Private Funds will receive audited annual financial statements on an annual basis.

## **Client Referrals and Other Compensation**

Apex does not directly or indirectly compensate any person for client or investor referrals. Other than the previously described products and services that Apex receives from broker-dealers in the Brokerage Practices section above, Apex does not receive any economic benefit from non-clients in connection with the provision of investment advice to clients.

## **Custody**

All client assets are held in custody by unaffiliated broker-dealers or banks; however the Adviser may have access to client accounts since it, or its affiliates, serve as the General Partner or Managing Member of the Private Funds. Limited partners of the Private Funds will not receive statements from the custodian. Instead the Private Funds is subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principals and distributed within 120 days of the partnership's fiscal year end.

## **Investment Discretion**

Apex typically manages client accounts on a discretionary basis, subject to the restrictions (if any) that have been provided by the SMA or in relevant Private Fund offering materials. For accounts handled on a discretionary basis, Apex has the authority to determine the securities to be bought and sold without obtaining client consent to specific transactions.

## **Voting Client Securities**

Adviser has adopted Proxy Voting Policies and Procedures that are designed to ensure that Adviser votes proxies with respect to client securities in the best interests of its clients. The

Procedures also require that Adviser identify and address conflicts of interest between Adviser and its clients. If a material conflict of interest exists, Adviser will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the client or take some other appropriate action. Adviser generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated). Generally, Adviser will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

In addition, as part of its Proxy Voting Policies and Procedures, Adviser has adopted procedures related to its receipt of class actions. Adviser recognizes that when a recovery is achieved in a class action, investors who owned shares in the company subject to the action have the option to either: (1) opt out of the class action and pursue their own remedy; or (2) participate in the recovery achieved via the class action. Collecting the recovery involves the completion of a Proof of Claim form which is submitted to the Claims Administrator. After the Claims Administrator receives all Proof of Claims, it dispenses the money from the settlement fund to those persons and entities with valid claims.

If class action documents are received by Adviser on behalf of its Private Funds, Adviser will ensure that the Private Fund either participates in, or opts out of, any class action settlements received. Adviser will determine the action to be taken when receiving class action notices and whether it is in the best interest of the Private Funds to recover monies from a class action. In the event Adviser opts out of a class action settlement, Adviser will maintain documentation of any cost/benefit analysis to support its decision.

Apex will not file Proof of Claim forms for SMAs.

Clients may obtain a copy of Adviser's Procedures and information about how Adviser voted a client's proxies by contacting Kevin King at (212) 750-5400.

## **Financial Information**

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