

# Investment Adviser Brochure

## Item 1: Cover Page

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**This brochure provides information about the qualifications and business practices of J Capital Research Ltd. If you have any questions about the contents of this brochure, please contact us at Tel. +852 2168 0672 and/or by email at [info@jcapitalresearch.com](mailto:info@jcapitalresearch.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 J Capital Research Ltd also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

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

## **Item 3 Table of Contents**

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

## Item 4 Advisory Business

Established in 2010, J Capital Research Ltd (“we,” “our” or “us”) provides equities research to professional investors. Our primary owners are Anne Stevenson-Yang, Ding Chun and Tim Murray.

We provide a subscription research service, commissioned in-depth research on particular issuers and industries and corporate access services to our clients with respect to issuers of equity securities. Our research focuses on companies that have significant exposure to the Chinese market and that are listed on international stock exchanges. We use a collaborative research process in which members of our team undertake financial analysis and industry research under the supervision of a responsible analyst. Our research includes contacting issuers of securities, their competitors, vendors and customers. We have strict research compliance policies and procedures to avoid obtaining non-public material information or providing such information to our clients.

***Equities analysis:*** We offer equities analysis driven by fundamental research. Most of our work consists of intensive data collection and financial analysis of listed companies, after which we publish initial reports with price targets, followed by news-driven, periodic updates. Our advice is based on original research on an issuer and the markets in which it competes.

***Industry research:*** We also publish occasional industry research, analysis and commentary on topics related to sectors of the Chinese economy, including demand for iron ore, prices of cement, housing demand and gray market finance.

***Commissioned research:*** Our bespoke research is focused on deep research and analysis of particular, listed issuers of securities and industries. Unlike our subscription research service, commissioned research reports are provided exclusively to the paying client.

***Corporate access:*** Our corporate access services consist of guided trips within China to meet with industry experts in various parts of the Chinese economy. We do not compensate those experts, who meet with our clients out of professional courtesy. This service includes meetings with representatives and employees of individual companies.

## Item 5 Fees and Compensation

We charge a monthly subscription price for our standardized research product and may charge differing subscription prices to different clients. We individually negotiate the compensation we will receive for commissioned research and corporate access services. For corporate access services such as accompanied market visits, we customarily also charge for our travel and other out-of-pocket expenses.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

We do not receive performance-based fees and do not engage in discretionary investment management.

## **Item 7 Types of Clients**

Our clients are primarily investment managers, including managers of hedge funds and publicly offered investment funds. Under our Hong Kong regulatory qualification, we are also permitted to accept as clients any individual or entity that has at least 8,000,000 Hong Kong dollars under management, and we have made, and may in the future make, our subscription service available to persons of that kind.

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

We provide analyses and recommendations concerning both the acquisition and disposition of investments in exchange-listed equity securities. We may recommend utilizing cash positions as a possible hedge against adverse market movements.

We employ fundamental analysis focusing on the price of a security in relation to the issuer's book value, profitability, prospects and the quality of its management, the prospects of, and competitive conditions in, the industries in which the issuer operates, other characteristics of the security (such as the issuer's capital structure) and general market outlook. Our main sources of research information are databases and news sources, visits, interviews and meetings with company representatives, inspections of issuers' activities and operations, research material prepared by others, corporate rating services, annual reports, prospectuses, public filings with stock exchange and governmental authorities and issuer press releases. Other sources of research may include interviews with an issuer's competitors and industry experts.

### **Risk of Loss:**

We provides research on a security with a target price and a recommendation of BUY, SELL or HOLD. We do not recommend trading strategies.

All investments in securities carry a risk of loss, including substantial or even complete loss. Our information may be incomplete and our judgment faulty. Our price targets are backed by models whose assumptions we can defend, but fundamental research is prone to errors deriving from misunderstandings and misestimates concerning an issuer, its markets and competitive environment, general market conditions and general economic conditions. When we are aware of specific risks relating to a particular issuer or other more general factors, we warn our clients of those risks. We take care to work with experienced investment managers that, we believe, are aware of the risks associated with trading securities. We note the

following specific risks relating to the securities with respect to which we provide analyses and recommendations:

#### *Non-U.S. Investments*

Most of the securities with respect to which we provide analyses and recommendations are issued by non-U.S. issuers and principally traded outside the United States. Such investments involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than domestic issuers, and the regulation of non-U.S. securities markets, particularly in emerging market countries, is frequently less comprehensive and less effectively administered than regulation in the United States and other developed country markets. The non-U.S. securities markets may be less liquid and at times more volatile than comparable U.S. markets.

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

If a security is denominated in a currency other than the U.S. dollar, changes in the applicable exchange rate may result over time from the interaction of many factors directly or indirectly affected by economic and political conditions. Changes in currency values may affect both the U.S. dollar value of a security and the prospects of the issuer of that security. National governments rarely voluntarily allow their currencies to float freely in response to economic forces. Sovereign governments use a variety of techniques, such as intervention in the currency markets by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their currencies. Our clients may use hedging techniques on behalf of the accounts they manage with the objective of protecting against loss resulting from fluctuations of the valuation of foreign currencies, particularly the forward market in foreign exchange, currency options and currency futures. For certain currencies, however, there may not be a reliable and cost efficient method of hedging currency risk. Consequently, currency exchange rate fluctuations, currency devaluations and exchange control regulations may adversely affect the performance of investments. In addition, the costs of currency hedging may not offset any advantages gained by engaging in hedging transactions.

#### *Impact of Geopolitical Events*

Geopolitical events such as tensions between China and its neighboring countries and between China and the United States, the ongoing turmoil in countries in the Euro zone, the volatility of the price of oil, developments in the Middle East, Iran and elsewhere, and other geopolitical and domestic developments; the continued threat of terrorism; ongoing military and other actions and heightened security measures in response to these threats; and other unanticipated global events may cause disruptions to commerce, reduced economic activity and continued volatility in markets throughout the world. We cannot predict the extent and timing of any decreased

commercial and economic activity resulting from the above factors, or how any such decrease might affect the value of securities.

## **Item 9 Disciplinary Action**

We have no legal or disciplinary events to report in response to this item.

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

We have no financial industry affiliates other than our wholly owned subsidiary J Capital Research (Beijing) Limited (the operations of which are integrated with ours), and neither we nor our personnel engage in other financial industry activities. We do not recommend or select other investment advisers for our clients.

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

As required by Rule 204A-1 under the Investment Advisers Act of 1940, we have adopted a Code of Ethics (our “Code”), including an employee investment policy, that establishes various prohibitions and procedures with respect to investment transactions in accounts in which our employees and other persons who have access to information concerning the securities that we cover on behalf of clients (“Access Persons”) or their related persons (such as members of their immediate household) have a beneficial interest or with respect to which Access Persons exercise investment discretion. We consider all of our employees to be Access Persons. Our Code also sets forth the basic policies of ethical conduct for all of our managers, officers and employees (including a gift policy) and enjoins our personnel to comply with our fiduciary duties and obligations to our clients.

The employee investment policy set forth in our Code imposes duties of confidentiality as well as setting forth our personal trading policies and procedures. All Access Persons are required to certify their adherence to our Code annually. Our Code requires all of our Access Persons to obtain the approval of our Chief Compliance Officer before engaging in securities transactions of any kind. In addition, our Code forbids our Access Persons from trading in securities that we analyze on behalf of our clients. We require our Access Persons to disclose all of their securities holdings and transactions, and those of their immediate families, to our Chief Compliance Officer to determine compliance with the applicable restrictions. A copy of our Code of Ethics is available upon request.

## **Item 12 Brokerage Practices**

We do not select or recommend broker-dealers to clients.

## **Item 13 Review of Accounts**

We do not manage client funds and, therefore, do not conduct account reviews.

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

We compensate IND-X Securities (Asia) Limited for successfully referring non-U.S. clients to us by sharing with IND-X the compensation we receive from the referred clients. The compensation we pay to IND-X does not give rise to an increase in our charges to our clients.

## **Item 15 Custody**

We do not manage or have custody of client funds.

## **Item 16 Investment Discretion**

We do not manage client funds.

## **Item 17 Voting Client Securities**

We do not manage client funds and, accordingly, do not have authority to vote client securities.

## **Item 18 Financial Information**

We are not required to provide a balance sheet or other disclosures under this item.

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