

**Item 1 – Cover Page**



**BROCHURE/FORM ADV PART 2A**

**Crystal Asset Management AG**

Seestrasse 41, 8702  
Zollikon, Switzerland  
Tel: + 41 44 389 11 22  
Fax: + 41 44 389 11 23  
CRD No.: 166429  
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## Introduction

This is the initial Brochure of Crystal Asset Management AG ("Crystal"). We are filing this to register with the U.S. Securities and Exchange Commission ("SEC") as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended ("Advisers Act").

Our Brochure provides information about the qualifications and business practices of Crystal as it pertains to our U.S. resident clients. It is our Form ADV Part 2A. If you have any questions about the contents of this Brochure, please contact Katharina Stumm, our Chief Compliance Officer, at +41 (44) 389 11 22, or e-mail her at [info@cr-am.ch](mailto:info@cr-am.ch).

**The information in this Brochure has not been approved or verified by the SEC or any state or foreign securities authority. Registration does not imply that Crystal has attained a certain level of skill or training. We encourage you to visit the SEC's Investment Adviser Public Disclosure ("IAPD") for more information about Crystal. The IAPD web address: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 – Material Changes

This Brochure is a new document, filed in connection with our submissions to become an SEC registered investment adviser. In future filings, Item 2 will be used to disclose the material changes that have been made to this Brochure since its last filing. We will amend this Brochure on the date when our SEC registration becomes effective.

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**Item 4 – Advisory Business**

Crystal is a limited liability company, organized in the Swiss canton of Zurich. Crystal was formed in May 2011. Our majority shareholders are: Dieter Albrecht, who is an employee and Chief Executive Officer (“CEO”); Bruno Teta, who is an employee and Chief Operating Officer (“COO”); Andreas Reutlinger, who is an employee and senior portfolio manager; and our Directors. Our Directors are Mr Albrecht, Ernst Thomke and Gaudenz Domenig (Board chairman). Each director is also a shareholder of Crystal. Our Chief Investment Officer, Achim Wagner, joined us on 1 April 2013. We have six employees. We have no “related persons” or “advisory affiliates” as these terms are defined and used in the Advisers Act.

Crystal emerged as a result of a spin-off from the Bellevue Group. Crystal operates as a fully independent wealth manager. The founding partners are Mr Albrecht (who was a founding partner of Bank am Bellevue AG in 1993), Mr Thomke, Mr Domenig and Mr Teta.

In this Brochure, we use the term “Clients” to include U.S. resident clients of the type identified in Item 7. The term “non-U.S. clients” refers to all other clients of Crystal residing outside the United States. The term “clients” refers to both U.S. resident clients and also non-U.S. resident clients.

Crystal concentrates its services on a small number of clients with entrepreneurial backgrounds. We believe that the best interests of our clients are served through positive, long-lasting relationships that build a firm foundation of trust.

Crystal manages client cash and securities (“Assets”) on a discretionary basis in a focused portfolio of exchange-traded Swiss and selected European equities, according to the client’s investment objectives and restrictions. A focused portfolio usually consists of between five to 20 securities, plus cash. The amount of cash or securities in an account would increase or decrease based upon Crystal’s view of the markets. The specific investment strategy and portfolio structure are based upon clients’ individual circumstances and specific requirements (objectives, strategies and restrictions).

Crystal normally accepts Client accounts with at least \$5,000,000, but would accept a smaller amount, in its sole discretion, in certain circumstances.

For our non-U.S. clients, we effect transactions in Swiss listed equities, certain non-Swiss listed equities and mini futures. We do not invest the Assets of our Clients in mini futures.

More information about Crystal is available in our Form ADV Part 1, available via the SEC’s web site.

As of the date of this Brochure, we manage the following assets for 39 clients:

Discretionary Assets	USD 634,200,000
Non-discretionary Assets	0
<b>Total</b>	<b>USD 634,200,000</b>

## Item 5 – Fees and Compensation

Our Clients pay a fee that is comprised of the following elements:

A “Management Fee”:

This is payable, in addition to value added tax, where or if applicable, as follows:

- 1% per annum where the assets under management are less than CHF 25 million;
- 0.8% per annum in the case of assets under management are between CHF 25 million and CHF 100 million; and
- 0.6% per annum in the case of assets under management over CHF 100 million.

The Management Fee is calculated and is due and payable quarterly in arrears, and is charged in Swiss Francs (“CHF”). The Management Fee is based on the amount of assets under management as at the end of the final bank working day of the respective calendar quarter in Zurich (Switzerland). Investments in foreign currency will be converted into CHF on this day for the purpose of calculating the Management Fee. If an account is closed during a quarter, a pro rata Management Fee will be calculated and charged.

A “Performance Fee”:

Crystal charges a Performance Fee of 10% above a “hurdle rate” of 8% in the annual net capital increase (which increases every year) in assets under management, taking into consideration investments and redemptions as well as any non-realized losses, as follows. For any losses carried forward from earlier accounting periods for which Crystal has earned a Performance Fee, a “high water mark” will be deducted. Increases or decreases in Assets will affect the hurdle rate and high water mark.

All fees are negotiable.

Qualified custodians selected by Clients hold all Client Assets. Assets are valued by the Client’s custodian. Fees are calculated by Crystal, using the Midix system, which is an IT software package used to consolidate records concerning Assets, reconcile custodian records with Crystal records, maintain records and calculate fees.

No fees are paid in advance. A Client may close his or her Account at will. Upon termination, fees for the period from the first date of the quarter to the date of termination are due and payable by the Client. Arrangements for the disposition or moving of Assets after account closure are handled upon Client instructions.

Crystal does not have authority to deduct its fee from Client Assets. A Client will instruct its custodian, acting as the agent of the Client, to deduct the fee from Client Assets and pay Crystal on receipt of a fee invoice from Crystal.

Crystal’s fees, above, are exclusive of brokerage commissions, transaction fees, custody fees, securities exchange fees, stamp duties and any other related costs, taxes and expenses:

these are incurred by the Client and invoiced by the custodian. A Client may also incur certain charges imposed by brokers, third party investment and other service providers such as deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

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

Our non-U.S. clients who invest in non-U.S. mini futures, the accounts of which are managed by Mr Reutlinger, pay only a Management Fee.

All other clients, including our U.S. Clients and non-U.S. clients, whose accounts are managed by Mr Albrecht and do not invest in non-U.S. mini futures but do invest in Swiss and European equities, pay both a Management Fee and a Performance Fee.

The investment process for both of the above types of clients and investments are separate.

Accordingly, Crystal does not believe that it engages in side-by-side management.

### **Item 7 – Types of Clients**

We provide discretionary investment management services to the following types of Clients:

- Individuals and high net worth individuals;
- trusts;
- foundations; and
- limited partnerships.

The percentage represented by each type is shown in our Form ADV Part 1. The mix of types of Clients may vary over time. We do not intend to solicit U.S. resident Clients and we will not engage a third party to solicit or refer U.S. resident Clients. We will, however, reply to unsolicited approaches from U.S. resident and non-U.S. resident prospects.

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

Crystal formulates its own investment advice for its Clients. Crystal's approach is based on fundamental research. This includes visiting companies, participating in investment workshops and seminars, generating our own research and reviewing research provided by third parties with a focus on Swiss and European equities. For timing purposes, the fundamental evaluation process is complemented by technical and quantitative analysis. Asset Allocation between cash and equities is dependent on a combination of factors, including risk return considerations, done with technical analysis, market sentiment and economic data.

With respect to portfolio allocation, Crystal limits the weighting of an individual Swiss or European equity holding to 15% of net assets of the respective account (with a limit of not more than 15% of any equity security, Swiss or European). If this cap is exceeded, Crystal will (would) rebalance the portfolio by partially selling the respective holding (certain portions of

that security). Although frequent trading is not an investment strategy, Crystal may sell a security within 30 days of its purchase if unforeseen circumstances require the sale as an appropriate strategic measure. This could occur because the stock has performed strongly and reached our fair value assumptions or because Crystal's view of the future market development or specific stocks has changed. Changes to Client objectives or restrictions may also trigger a trading response.

The investment strategy adopted by Crystal incurs the following risk assumptions (The risks in the investment strategy Crystal uses in managing portfolios are the following):

Stock Picking Risk: Crystal analyzes several factors when considering whether to purchase a security. One of these is the security's potential increase in value. A security may be sold at a price below the potential value identified when the purchase was made, which would be caused by one or more factors beyond the control of Crystal, leading to a profit less than originally desired, or even a loss. Client portfolios may sustain losses due to unanticipated market movements and failure to correctly predict the direction of securities prices, interest rates and currency exchange rates, among other factors.

Diversification Risk: Our investing focuses on the Swiss and European equity markets and individual portfolios may be concentrated in various sectors. Any investment program that concentrates in a particular sector or regional market may be more volatile than a program that invests more broadly. If a portfolio is not diversified, the decrease in the price of one particular security may have a bigger impact compared with a diversified portfolio than if the portfolio were diversified.

Market Risk: Overall, stock market risks will affect the value of a portfolio. Securities prices fluctuate every day. Fluctuations may lead to changes in correlations between or among securities, which could result in the simultaneous decrease of all security prices that may thereby negate all diversification effects.

Interest Rate Risk: Changes in interest rates or the holding of rates at low levels may affect industries differently. Financial Industries may be affected more significantly than non-cyclical industries.

Liquidity Risk: This is the risk that, due to insufficient trading volumes, a security cannot be traded at the required size (or quickly enough) to prevent a loss or make the expected profit. This may affect small cap stocks to a greater extent than large cap stocks.

**Clients should be aware that investing in securities involves the risk of loss that they should be prepared to bear.**

## **Item 9 – Disciplinary Information**

There is nothing to report for Crystal.

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

Our sole business is providing discretionary investment advisory services. We are not engaged in any other business activities. There are conflicts of interest in our business.

Crystal permits its officers, directors and employees to engage in outside activities, but requires them to disclose such activities. Appropriate controls would be implemented and monitored if any such outside interest involved a conflict of interest, including recusal, restriction or withdrawal.

Mr Domenig, our Chairman and a minority investor in Crystal, is *of counsel* with Prager Dreifuss AG, a law firm retained by Crystal for the provision of legal advice. Controls are in place to ensure that Mr Domenig is not involved in sending work to this firm, the provision of legal services to Crystal, considering such services or the setting or payment of fees.

Mr Domenig is Chairman and an investor in Burkhalter Holding AG (“Burkhalter”), a publically traded company in Switzerland. Certain Crystal clients hold the securities of Burkhalter. In light of this conflict, Crystal uses policies and procedures to ensure that Mr Domenig does not receive any confidential client information and is excluded from any discussions concerning investments in Burkhalter. Mr Domenig does not have any role in or influence over Crystal’s investment process. Any fees Mr Domenig receives from his involvement with Burkhalter are fully disclosed to Crystal. All future client investment decisions taken in respect of Burkhalter will be fully documented and independently verified.

Bank am Bellevue acts as custodian for U.S. clients and is also an approved broker for Crystal. Mr Teta holds a small position in the shares of Bank am Bellevue. Certain non-U.S. clients also hold shares in Bank am Bellevue. Crystal monitors the conflicts arising from this to ensure that best execution, broker selection decisions and fees are not affected. The continued non-U.S. client holdings in these shares is contingent upon the client’s declared investment objectives and restrictions.

Crystal employees and their family members may from time to time wish to buy, sell or hold securities that are or have been purchased, sold by or held for clients. Given Crystal’s fiduciary duties owed to its clients, every such transaction will be subject to Crystal’s Code of Ethics, as discussed in Item 11 below, including pre-clearance requirements and other conditions imposed upon them.

Dr. Thomke owns or controls, directly or indirectly, the equivalent of 10% of Crystal’s regulatory assets under management. He is also, through Thomke Invest AG, a closely held company that he controls, the owner of five per cent of Crystal. Dr. Thomke holds the equity securities of Tschentenbahnen AG, a non-listed Swiss company, a company that is also a client of Crystal. Information barriers are implemented to ensure that Dr Thomke does not receive any information about the portfolio of this client, or any Crystal client, and no Crystal client may be invested in this company.

Mr Teta and Katharina Stumm, Crystal's Chief Compliance Officer and Risk Officer, are married. Information barriers have been implemented to ensure that information cannot pass between these two individuals for purposes other than bona fide Crystal activities. All such communications are monitored.

Crystal receives IT support from Gubit AG, a company owned and operated by Christian Gustin, who is the brother-in-law of Mr Albrecht. Mr Gustin's wife is a client of Crystal. This conflict is addressed by the use of information barriers to prevent Mr Gustin, his wife and Gubit AG from receiving or seeing confidential client information about other Crystal clients, and controlled access when on the Crystal premises.

Certain Crystal officers, directors and employees, and family members, have Assets managed by Crystal. Information barriers have been implemented to ensure that no Crystal officer, director or employee controls his or her accounts or those of a family member, and all transactions are governed by Crystal's Code of Ethics (Item 11, below). Family members who have entered into such an agreement with Crystal pay a Management Fee of 0.6%, which may be different from what other clients pay, and also pay a Performance Fee as calculated above.

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

Crystal has a Code of Ethics ("Code") as required by Advisers Act Rule 204A-1. This Code sets out standards of conduct for covered personnel, which we categorize as "access persons". It imposes requirements aimed at preventing, detecting and correcting fraudulent activity or activities that would pose a conflict of interest in connection with personal transactions. The Code restricts their giving and receiving of gifts and their ability to accept certain positions with other companies. The Code also restricts personal securities transactions by various means. These restrictions apply to access persons, as stated in the Code.

In certain limited circumstances and in compliance with policies and procedures, including monitoring and testing, certain non-executive directors of Crystal may rebut the presumption that they are access persons. This requires a submission of relevant facts to the CEO and the CCO. The analysis of such a request and the results of compliance with policies and procedures, and monitoring and testing, will be reviewed on a regular basis.

In order to monitor compliance by our personnel with the Code and applicable law, each officer, director and employee is required to comply with initial, quarterly and annual reports of their accounts and securities positions, as well as the confirmation of each trade. In addition, each officer, director and employee is required to sign a statement to acknowledge that they have received, read and understand the Code and will comply with it, as well as confirming that they will not misuse inside information or confidential client information.

Individuals associated with Crystal, including Connected Persons, may request under the Code pre-clearance to buy or sell securities for their personal accounts that are bought or sold for or held by clients. Any such request is subject to pre-clearance and, if cleared, the

purchase or sale would be subject to controls, including a holding period, monitoring and testing. No person employed by Crystal shall place his or her own interests ahead of those of a client or make personal investment decisions based on a decision made for a client.

This is a summary of our Code. We will provide a copy of our Code upon request.

Apart from this, we maintain a log of material conflicts and the means to address them, as well as an inventory of compliance risks (as part of our risk management program), which we review on a regular basis.

## **Item 12 – Brokerage and Trading Practices**

Consistent with its fiduciary duties, Crystal aims to exercise care in making investment decisions. We will generally execute transactions on an aggregated basis as we believe this will allow us to obtain best execution and negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating orders, all Clients will be treated in a fair and equitable manner. We will not aggregate orders unless aggregation is consistent with our duty to obtain best execution. No account will be favored over any other client; however, a variety of factors determine whether or not a particular client may or may not participate in a particular aggregated transaction. These factors include: Client investment objectives and restrictions; current cash position; and the liquidity of the security compared to the Client's assets under management.

Aggregated orders filled in their entirety or partially will be allocated on an average price basis. All clients participating in the deal receive the same average price.

We place orders for execution in accordance with our best execution policy, procedures and criteria. Our policy seeks to achieve the most favorable net results for Clients on each transaction.

We use the following criteria when selecting brokers with whom to trade: research coverage; commission rates; ability to execute (speed); road shows, education on securities and industries and investment seminars; and execution factors (speed, price and timing).

We define best execution as seeking to obtain the best price available in the market. We use the following factors to achieve best execution: price; speed; likelihood of execution and settlement; size of the order; broker selection; and costs.

We have a trading errors policy. To the extent trading errors occur, we seek to ensure that clients' best interests are served. Our policy is to resolve all trade errors within a reasonable time while ensuring the client is not disadvantaged, consistent with the orderly disposition (and/or acquisition) of the securities in question. As a general matter, actual losses suffered by a client account as a result of a trade error caused by us will be reimbursed by us. We do not compensate clients for lost investment opportunities (e.g., failure to take advantage of investment or market improvements).

**Item 13 – Review of Accounts**

Crystal conducts daily reviews of Client accounts to determine, among other things, whether each account is appropriately positioned and whether investment objectives and policies are being followed.

Clients receive from their custodian a monthly account statement and trade confirmations. Clients receive from Crystal an invoice showing each fee calculation and quarterly communications from Crystal explaining account activity. Crystal forms a reasonable basis to believe that Clients receive account statements by receiving a copy of these statements.

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

Crystal has not entered into arrangements with any third party firm to solicit or refer Clients.

**Item 15 – Custody**

Assets are held at independent qualified custodians selected by Clients. Crystal does not hold Assets and does not have authority over Assets. As such, Crystal does not have custody for purposes of the Advisers Act.

**Item 16 – Investment Discretion**

We are exclusively retained to manage accounts on a discretionary basis. Within a Client's specified investment objectives and guidelines, we determine which securities are bought or sold, the total amount of securities to be bought or sold, the broker through which the securities are to be bought or sold and the commission rates to be paid, without consultation with the client. In exercising our investment discretion, we work to the investment policies and restrictions that are established at the inception of the relationship (as amended from time to time). The guidelines and/or offering documents cover matters such as the types and amounts of securities that will comprise the portfolio. In certain circumstances, some clients may also restrict certain securities from being purchased for their account.

**Item 17 – Voting Client Securities**

Crystal does not vote proxies. Proxy materials are received by the custodian and sent to the Client for it to give instructions to the custodian. Crystal receives duplicate copies of the proxy materials and Client voting record for its files.

**Item 18 – Financial Information**

We do not have any adverse financial information to disclose. Our management believes that we are financially sound.