

**Item 1 – Cover Page**

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**This brochure on Form ADV (the “Brochure”) provides information about the qualifications and business practices of LRT Capital Management, LLC (“LRT”, or “we” or “Adviser”). The information in the Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. LRT is a registered investment adviser with the Securities and Exchange Commission (“SEC”). Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.**

**Additional information about LRT is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

This Part 2A constitutes an update to the Adviser's ADV Part 2 dated March 31, 2014. This Item 2 discusses only specific material changes that are made to the Brochure. Each time we will reference the date of our last annual update of the Brochure, which was March 31, 2014.

The material changes to LRTs' policies or practices since the last brochure is to the Management Fee and Performance Allocation as follows:

### **Management Fee**

Prior to February 1, 2014, in consideration for portfolio management services provided pursuant to an investment management agreement between the Partnership and the General Partner, the General Partner received a management fee ("Management Fee") equal to 1/4th of 1.0% per quarter (approximately 1.0% annually) of each Limited Partner's share of the Partnership's Net Asset Value. As of February 1, 2014, no Management Fee is currently charged with respect to any Limited Partner's share of the Partnership's Net Asset Value.

### **Performance Allocation**

In consideration for its services and with respect to the investment tranches of Limited Partners who are Qualified Clients that invested in the Partnership on or before February 1, 2014, the General Partner receives an annual performance allocation equal to twenty percent (20%) of the net increase in Net Asset Value, in respect of each Limited Partner's Capital Account during such Fiscal Year (or such other period) as determined on the accrual basis of accounting (the

"Performance Allocation"), provided, however, that the Performance Allocation shall be subject to a Loss Carryforward.

In consideration for its services and with respect to the investment tranches of Limited Partners who are Qualified Partners that invest in the Partnership on or after February 1, 2014, the General Partner receives an annual performance allocation equal to twenty five percent (25%) of the Partnership's net profits attributable to a Limited Partner, but only to the extent that such profits are in excess of a hurdle rate of four percent (4%) (the "Hurdle Rate") and excess of cumulative unrecovered losses carried forward from prior years based on a "high water mark" formula.

Pursuant to SEC Rules, Clients receive a summary of any materials changes to the Brochure, and any subsequent versions of the Brochure within 120 days of the close of LRTs' fiscal year, which is December 31.

We will provide you with a new version of the Brochure as necessary based on changes or new information, at any time, without charge. Currently, you may request a copy of this Brochure by contacting Mr. Lukasz Tomicki at +1 (573) 268-2451 or [info@lrtcapi.com](mailto:info@lrtcapi.com).

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#### **Item 4 – Advisory Business**

LRT Capital Management, LLC (“**LRT**”) is an investment advisory firm registered with the SEC. The owner and control person of LRT is Mr. Lukasz Tomicki. LRT provides asset management services to its sole client, LRT Global Opportunities, LP, a Delaware limited partnership (“**Partnership**”) organized on July 11, 2012.

LRT is the investment adviser and General Partner of the Partnership and is responsible for the day-to-day administration of the Partnership’s affairs. LRT has complete discretionary investment authority over the Partnership’s assets and the Partnership has given complete discretion to LRT to manage the Partnership’s assets in accordance with the Partnership’s Confidential Private Placement Memorandum (“**Offering Documents**”).

The Partnership was formed to pool investment funds of its investors (each a “**Limited Partner**” and, collectively, “**Limited Partners**,” and together with LRT, “**Partners**”). The Partnership’s investment objective is capital appreciation. The Partnership seeks to achieve its objective primarily by investing securities issued by publicly traded companies. However, there are no restrictions on the Partnership’s investments.

As of February 27, 2014, LRT had \$6,950,000 assets under management.

LRT does not provide advisory services to separate managed account clients.

This Brochure provides information regarding the Investment Adviser and the qualifications, business practices, and nature of advisory services that should be considered. Please contact Mr. Lukasz Tomicki if you have any questions about this Brochure. Additional information about the Investment Advisor is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for LRT is 165074.

#### **Item 5 – Fees and Compensation**

As of February 1, 2014, no Management Fee is currently charged by LRT with respect to any Limited Partner’s share of the Partnership’s Net Asset Value.

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

Generally, LRT receives for its services and with respect to the investment tranches of Limited Partners who are Qualified Clients that invested in the Partnership on or before February 1, 2014, the General Partner receives an annual performance allocation equal to twenty percent (20%) of the net increase in Net Asset Value, in respect of each Limited Partner’s Capital Account during such Fiscal Year (or such other period) as determined on the accrual basis of accounting (the “Performance Allocation”), provided, however, that the Performance Allocation shall be subject to a Loss Carryforward.

In consideration for its services and with respect to the investment tranches of Limited Partners who are Qualified Partners that invest in the Partnership on or after February 1, 2014, the General Partner receives an annual performance allocation equal to twenty five percent (25%) of the Partnership's net profits attributable to a Limited Partner, but only to the extent that such profits are in excess of a hurdle rate of four percent (4%) (the "Hurdle Rate") and excess of cumulative unrecovered losses carried forward from prior years based on a "high water mark" formula.

## **Item 7 – Types of Clients**

The sole client of LRT is the Partnership.

The Partnership offers limited partnership interests in the Partnership ("Interests") on a continuous basis to persons who are Accredited Investors (as such term is defined in Rule 501 of Regulation D under the Securities Act) and Qualified Clients (as such term is defined in Rule 205-3(d)(1) of the Investment Advisers Act of 1940, as amended, subject to certain exceptions. Each Interest represents a percentage interest in the Partnership determined by reference to the capital account of each Limited Partner in relation to the aggregate capital accounts of all Limited Partners.

The Partnership Interests are continuously offered in the sole discretion of LRT. The minimum initial investment or capital contribution that will be accepted from a new Limited Partner is one hundred thousand dollars (\$100,000); however, LRT will have the discretion to accept lesser amounts. There is no minimum or maximum aggregate amount of monies that may be contributed by all Limited Partners to the Partnership. Limited Partners are not required to make any additional capital contributions to the Partnership. The minimum additional capital contribution that will be accepted from an existing Limited Partner is twenty five thousand dollars (\$25,000), unless LRT agrees otherwise. LRT, in its sole discretion, can accept or reject any initial subscriptions from prospective Limited Partners and any additional capital contributions from existing Limited Partners.

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

Before purchasing an Interest in the Partnership, investors should carefully consider various risk factors and conflicts of interest, as well as suitability requirements, restrictions on transfer and withdrawal of Interests and various legal, tax and other considerations, all of which are discussed in the Offering Documents. The Partnership's investment program entails substantial risk of loss that investors should be prepared to bear and there can be no assurance that their investment objectives will be achieved.

### **Investment Strategies**

LRT looks to invest in a concentrated portfolio of companies with sustainable competitive advantages, purchased at attractive valuations and held for the long term while employing no debt or leverage.

LRT look to invest in companies with **sustainable competitive advantages** when their share prices trade at low valuations due to market inefficiencies. To identify investment candidates LRT performs primary source research and detailed analysis of the nature of competition in the industries the investment candidates operate in.

**Potential sources of competitive advantages include:**

- Patents, brands, government approvals, licenses
- Processes, scale based cost advantages and unique resources
- Network effects
- Switching costs

**Things that are not competitive advantages:**

- Size and market share, often don't matter for profitability (example: General Motors).
- Technology, unless it's proprietary or leads to network effects. (AMD, Intel, NVidia).
- Replicable cost advantages such as lean manufacturing, outsourcing, or operational excellence.
- Hot new products, especially in industries with short product cycles (Motorola, Crocs).

What differentiates LRT from most value oriented investors is a focus not only on the “margin on safety” but also on the opportunity cost of not investing (the present value of future growth). While traditional value investors focus heavily on the “margin of safety”, looking to buy companies trading below their intrinsic value, very few incorporate opportunity costs into their analysis.

**Margin of safety vs. opportunity cost**

Wonderful businesses with competitive advantages and growth opportunities rarely look cheap on a statistical basis. For example, in the early 1990s Warren Buffett failed to invest in Walmart, because the stock had risen in value a lot already. As Walmart went on to dominate retailing in the US over the following decade, and the stock price rose 8x, Buffett went on to say during the 2004 annual meeting: “Thumb sucking on Wal-Mart cost us in the area of \$10 billion.”

When companies have sustainable competitive advantages but are growing quickly, especially by acquisition, their stock prices often look quite expensive relative to current earnings. In each of the following cases, the company never appeared “cheap” relative to current earnings. Examples:

- XPO Logistics (3rd party logistics, growth by acquisition)
- Transdigm Group (aerospace component supplier, growth by acquisition)
- Kansas City Southern (US railroad, organic growth)

**When is growth worth paying for?**

Large and growing markets by themselves are meaningless unless there are substantial barriers to competitive entry. Investors often obsess about large markets (example: “If only I could sell one of x to everyone in China”) without regard to how extremely competitive large markets are.

Sustained high rates of return on capital require dominating a market or industry. The global automotive market is huge which translates into a large number of competitors and fierce rivalry – as a result no company earns high rates of return. LRT looks to invest in small companies that operate in niche markets, because small markets can be more easily dominated, leading to sustained high rates of return. For example:

- **Graco (NYSE:GGG)** dominates the industrial pump and fluid management business. It is a small company, with a \$4 billion market cap, but has sustained an average return on capital invested of nearly 30% over the past ten years.
- **Scotts Miracle-Gro (NYSE:SMG)** dominates the lawn care business. It is a small company, with a \$4 billion market cap, but has sustained an average return on equity of 20% over the past ten years.
- The most profitable retailer in the United States is **H.E.B** which dominates the market in south Texas. The company has averaged returns on invested capital of over 12% according to a recent study by Accenture. The company is privately held.

On the other hand, many companies experience deteriorating results as their market grows because growing markets attract competition. Examples:

- **Cisco (Nasdaq: CSCO)** has experienced deteriorating results as Juniper and Huawei have moved into the telecom / router markets. Cisco's return on invested capital is half of what it was ten years ago.
- **Garmin (Nasdaq: GRMN)** used to have a near monopoly on GPS navigation. As competitors have entered, the company's return on invested capital has fallen nearly 70%.

Only growth coupled with barriers to entry is worth paying a premium for.

### **Market Inefficiency: Why competitive advantages are often not priced in by the markets**

- Investors have extremely short time horizons, and competitive advantages matter only in the long run. Plenty of people I speak to about potential investment opportunities agree with my analysis but refuse to invest because they “don't think the stock price will do much in the next three months”.
- Investors are more likely to sell winners – i.e. “let's lock in a profit, because it's gone up a lot”; yet companies with competitive advantages are likely to continue to outperform.
- Investors assume that the current state of the world (good or bad) will persist indefinitely. This means that businesses with “hot” products are often priced as if they can sustain high profits forever. Conversely, businesses experiencing a string of bad luck or bad execution are often priced as if their earnings will be perpetually depressed. Businesses with competitive advantages are more likely than not to recover from stumbles and regain their former profitability.

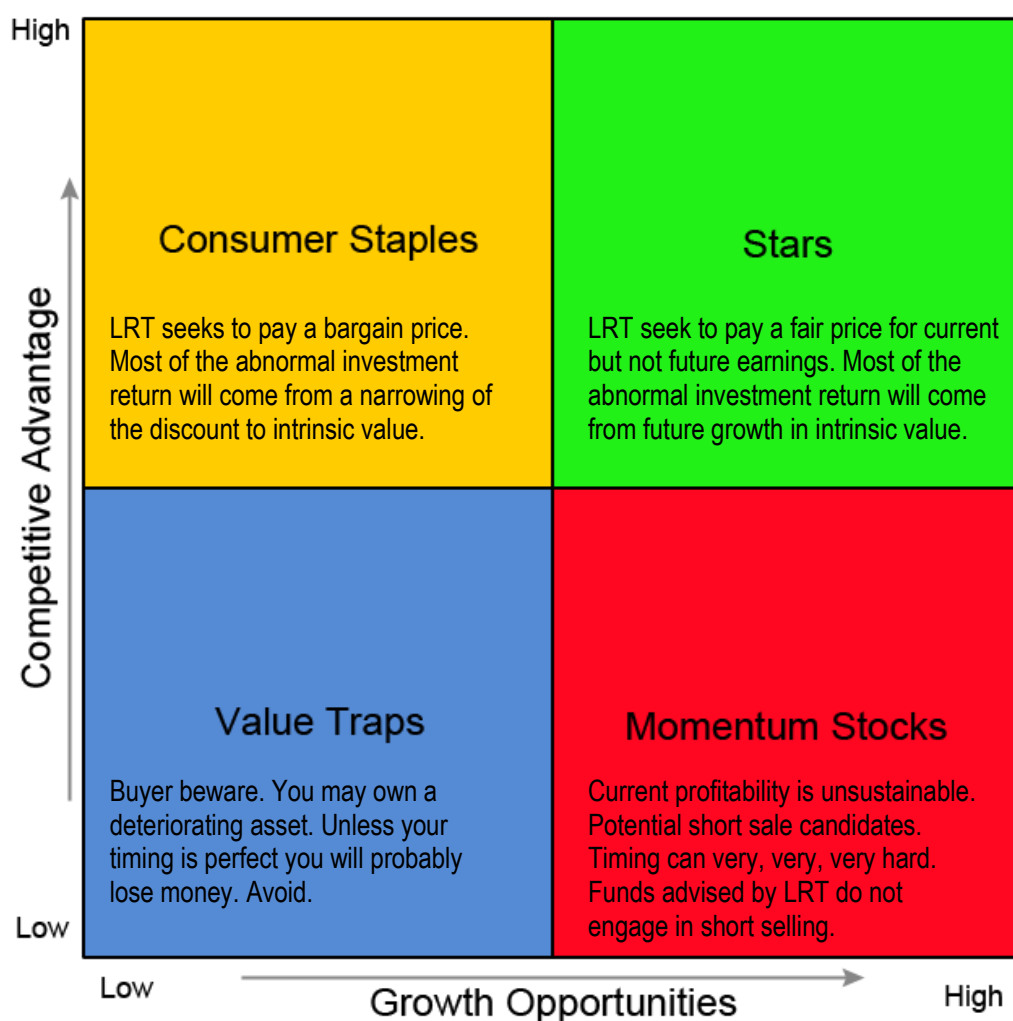
#### **Example #1: Moody's Inc.**

- Moody's has a very strong competitive advantage. The company benefits from incredibly

strong network effects and regulatory barriers to entry. During the mid-2000s the company clearly put profits before integrity and rated thousands of subprime bonds triple-AAA. Despite this, Moody's has been able to recover and retain operating profit margins of over 40%. Since 2006, the shares have returned over 75%.

**Example #2: Advanced Micro Devices, Inc.**

- Advanced Micro Devices (AMD) had a temporary advantage in the computer chip market in the 2005 – 2006 period. AMD's shares were selling at a very high valuation in 2006, despite the fact that AMD does not have competitive advantages that can prevent profit margins from eroding. Only a year later Intel had release new chips that surpassed those of AMD. Since 2006, AMD's share price has lost 90% of its value.



No assurance can be given, however, that the Partnership will achieve its objective, and investment results may vary substantially over time and from period to period.



## **Item 9 – Disciplinary Information**

This section requires registered investment advisers to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the advisory business or the integrity of the firm's management. Neither LRT nor Mr. Lukasz Tomicki has been involved in any legal, regulatory or disciplinary events. No prospective Client has threatened LRT or Mr. Lukasz Tomicki with disciplinary activities.

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

Broker-Dealer Affiliations. None.

Futures/ Commodities Affiliations. None.

Material Relationships. LRT acts as general partner and Adviser to the Partnership.

Conflicts of Interest. LRT is accountable to the Partnership as a fiduciary and, consequently, must exercise good faith and integrity in handling the business of the Partnership. Nevertheless, in the conduct of such business, conflicts may arise between the interests of LRT and those of investors, and you should be aware of these conflicts of interest before investing.

Diverse Limited Partners. The Limited Partners are expected to include taxable and tax-exempt entities and persons or entities resident of or organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by LRT that may be more beneficial for one type of Limited Partner. In making such decisions, LRT intends to consider the investment objectives of the Partnership as a whole, not the investment objectives of any Limited Partner individually.

Use of Third Party Marketers. LRT may enter into fee sharing arrangements with third party marketers or solicitors who refer investors to the Partnership. All such arrangements shall be conducted in compliance with SEC Rule 206(4)-3. Such third party marketers may have a conflict of interest in advising prospective investors whether to purchase or redeem Interests.

Advisory Services to Others. LRT and/or its managers, members, officers, affiliates and employees provide investment advice to other parties and may manage other accounts and private investment vehicles similar to the Partnership. In connection with such other investment management activities, LRT and/or its managers, members, officers, affiliates and employees may decide to invest the funds of one or more other accounts or clients or recommend the investment of funds by other parties, rather than the Partnership's funds, in a particular security or strategy. In addition, LRT and such other persons will determine the allocation of funds from the Partnership and such other accounts or clients to investment strategies and techniques on whatever basis they consider appropriate or desirable in their sole and absolute discretion.

Lack of Separate Representation. Neither the Partnership Agreement nor any of the agreements, contracts and arrangements between the Partnership, on the one hand, and LRT on the other hand, were or will be the result of arm's-length negotiations. The attorneys, accountants and

others who have performed services for the Partnership in connection with this offering, and who will perform services for the Partnership in the future, have been and will be selected by LRT. No independent counsel has been retained to represent the interests of investors or Limited Partners, and the Partnership Agreement has not been reviewed by any attorney on their behalf. Investors are therefore urged to consult their own counsel as to the terms and provisions of the Partnership Agreement.

No Obligation of Full-Time Service. Neither LRT and/or Mr. Lukasz Tomicki have any obligation to devote their full time to the business of the Partnership. They are only required to devote such time and attention to the affairs of the Partnership as they decide is necessary for the

Partnership's operations and they may engage in other activities or ventures, including competing ventures and/or unrelated employment, which may result in various conflicts of interest between such persons and the Partnership.

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

Code of Ethics. None.

Personal Trading by LRT and Affiliates. LRT and its principals and affiliates may make trades and investments for their own accounts. In these accounts, they may use trading and investment methods that are similar to, or substantially different from, the methods used by them to direct the Partnership's account. The records of these personal accounts will not be made available to Limited Partners.

### **Item 12 – Brokerage Practices**

Soft Dollars and Directed Brokerage. LRT may be offered non-monetary benefits or "soft dollars" by brokers to induce LRT to engage such brokers to execute securities transactions on behalf of the Partnership. These soft dollars may take the form of research and other related services regarding securities investments and may be available for use by LRT or their affiliates in connection with transactions in which the Partnership does not participate. Brokers may also solicit or refer investors to invest in the Partnership. The availability of these benefits may influence LRT to select one broker rather than another to perform services for the Partnership. LRT intends to use its best efforts to assure either that the fees and costs for services provided to the Partnership by such brokers are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services or that the Partnership also will benefit from the services.

Brokerage Practices. Portfolio transactions for the Partnership will be allocated by LRT to brokers on the basis of best execution and in consideration of such brokers' ability to effect transactions, the brokers' facilities, reliability and financial responsibility, and the provision or payment of the costs of research and other services or property. Interactive Brokers, LLC will

provide brokerage and custodian services for the Partnership, and will generally execute (on the basis of payment against delivery) the securities transactions of the Partnership. Accordingly, the Broker may receive substantial brokerage commissions and/or margin interest related to the securities transactions of the Partnership. The Partnership is not committed to continue its brokerage and custodial relationship with the Broker for any minimum period, and may enter into brokerage and custodial relationships with other brokers.

Referral of Investors. LRT may also direct some Partnership brokerage business to brokers who refer prospective investors to the Partnership. If such referrals occur, they are likely to benefit LRT while, at the same time, provide little, if any, benefit to the Limited Partners.

Consequently, LRT will have a conflict of interest with the Partnership when allocating Partnership brokerage business to a broker who has referred investors to the Partnership. To prevent Partnership brokerage commissions from being used to pay investor referral fees, LRT will not allocate Partnership brokerage business to a referring broker unless LRT determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to the Partnership.

Selling commissions and/or referral fees may be paid in connection with the sale of Interests. LRT may share a portion of its Management Fee with third parties introducing Limited Partners to the Partnership, or LRT may use its own resources to compensate third parties for such introductions.

Placement agents may or may not be used by the Partnership in connection with the Partnership. If a placement agent is used, the Partnership will not bear any related placement fee, other than a placement fee paid by the Partnership and offset against the Management Fee on a dollar-for-dollar basis.

Allocation of Trades. LRT may at times determine that certain securities will be suitable for acquisition by the Partnership and by other accounts managed by LRT, possibly including LRT's own accounts, or accounts of an affiliate. If that occurs and LRT is not able to acquire the desired aggregate amount of such securities on terms and conditions which LRT deems advisable, LRT will endeavor to allocate, in good faith, the limited amount of such securities acquired among the various accounts for which LRT considers them to be suitable. LRT may make such allocations among the accounts in any manner which it considers to be equitable under the circumstances including, but not limited to, allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Aggregation of Orders. LRT may aggregate purchase and sale orders of securities held by the Partnership with similar orders being made simultaneously for other accounts or entities if, in LRT's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit based on an evaluation that the Partnership will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for

the Partnership will be affected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at LRT's sole discretion, and the Partnership may be charged or credited, as the case may be, with the average transaction price.

## **Item 13– Review of Accounts**

### **Account Reviews**

LRT provides professional investment management services to the Partnership and monitors its portfolio on a continuous basis. Each Limited Partner receives from the Partnership: (a) annual financial statements of the Partnership audited by an independent certified public accounting firm, (b) an unaudited quarterly performance report from the LRT discussing the results of the

Partnership, (c) copies of such Limited Partner's Schedule K-1 to the Partnership's tax returns, and (d) other reports as determined by LRT in its sole discretion. The Partnership bear all fees incurred in providing such tax returns and reports.

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

LRT does not have any such referral arrangements.

## **Item 15 – Custody**

INTERACTIVE BROKERS, LLC will provide brokerage, custodian and clearing services (the "**Prime Broker**") for the Partnership. The Partnership reserves the right to use other and/or additional firms for brokerage services.

## **Item 16 – Investment Discretion**

LRT has discretionary authority to manage funds and securities on behalf of the Partnership as described in its Offering Documents. LRT has the authority to determine the type of securities and the amount of securities that can be bought or sold for the Partnership's portfolio without obtaining the Limited Partner's consent for each transaction.

## **Item 17 – Voting of Client Securities**

LRT, as a matter of policy and as a fiduciary to the Partnership, has a responsibility for voting proxies for portfolio securities in the collective best interest of the Partnership and its Limited Partners.

## **Item 18 – Financial Requirements**

Regulations require that registered investment advisers provide certain financial information if they require or solicit prepayment of fees six months or more in advance. LRT does not require this sort of prepayment and therefor there is nothing to disclose in this regard. LRT does not have a financial condition that is likely to impair its contractual commitments to the Partnership. Neither LRT nor Mr. Lukasz Tomicki has ever been the subject of a bankruptcy petition and currently neither is the subject of a bankruptcy petition.