



**NEWPORT ASIA LLC**  
International Investment  
Management

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Form ADV, Part 2A  
Item 1: Cover Sheet

# Disclosure Document

Prepared: May 1, 2015

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This brochure provides information about the qualifications and business practices of Newport Asia LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Newport Asia LLC is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the advisor.

Additional information about Newport Asia LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



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Item 2: Material Changes

Our previous annual update was dated January 13, 2015. This item will be updated with the next annual updating amendment to reflect material changes to the Part 2.

Please contact us at (415) 677-8620 if you would like a copy of our updated Part 2. Additional information about us is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 3

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## **ITEM 4: ADVISORY BUSINESS**

### **Who we are**

Newport Asia LLC (referred to as “we,” “our,” “us,” or “Newport Asia”) became registered as an investment advisor with the SEC in February 2002. We provide investment services to onshore investment limited partnerships that are exempt from registration as investment companies (referred to together as the “Newport Funds” and individually as a “Newport Fund”).

We are wholly-owned by five principal owners and officers: Michael Ellis, Christopher H. Legallet, John M. Mussey, Thomas R. Tuttle, and Eric Sandlund.

### **Services we offer**

We serve as the general partner and investment adviser to the following Newport Funds:

- Newport Asia Growth & Income Fund, LP (the “Growth & Income Fund”)
- Newport Asia Advisors Fund, LP (the “Advisors Fund”)
- Newport Asia Institutional Fund, LP (the “Institutional Fund”)
- Newport Asia Partners Fund, LP (the “Partners Fund”)
- Newport Asia Japan Fund, L.P. (the “Japan Fund”)
- Newport Asia Growth Fund, L.P. (the “Growth Fund”)
- Newport Asia China Fund, L.P. (the “China Fund”)

### **Assets under management**

As of March 31, 2015, we have \$2.59 billion in discretionary assets under management. We do not manage assets on a non-discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

As investment adviser to the Newport Funds, we receive an annual advisory fee from each investor based on the assets under management in those funds, as outlined below:

<u>Fund Name</u>	<u>Annual Fee</u>
Growth & Income Fund	1.50%
Partners Fund	1.50%
Institutional Fund	1.50%
Growth Fund	1.50%
Japan Fund	1.50%
Advisors Fund	1.50%
China Fund	1.50%

Investors pay the annual fee in quarterly installments at the beginning of each quarter. In order to avoid duplicating management fees, the China Fund’s Partnership Agreement provides that no management fee shall be assessed on the Capital Account(s) of any Newport Fund that is invested in the China Fund.

If an investor contributes capital on a day other than the first day of a calendar quarter, the Newport Fund will prorate the management fee for that contribution. For investors that withdraw capital on a date other than the end of a calendar quarter, no refund of prepaid fees will be given. Fees are paid by transferring the amount due from the investor account to the Newport Asia LLC account.

#### Other Costs Involved

Each Newport Fund bears all of its ongoing operating costs, either directly or by reimbursing Newport Asia. These costs include, among other things:

- brokerage commissions on portfolio transactions;
- custodial fees;
- bookkeeping, accounting audit and other professional fees and expenses;
- legal fees (including fees paid to Newport Asia’s counsel for services for the Newport Fund’s benefit; and
- all other reasonable expenses related to the management and operation or the purchase, sale or transmittal of Newport Fund assets, as Newport Asia determines in its sole discretion.

Additional information about brokerage costs and what services provided by brokers is provided in “Item 12: Brokerage Practices.”

### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not receive performance fees for managing accounts.

### **ITEM 7: TYPES OF CLIENTS**

Our only clients are the Newport Funds, which are each organized as an investment company exempt from registration under the Investment Company Act of 1940 (“1940 Act”). Investors in the Growth & Income Fund and the Growth Fund are required to have a minimum net worth of \$1.5 million. Investors in the balance of the funds are required to have a net worth of \$5 million.

In addition to the net worth requirements shown above, each of the Newport Funds has a minimum level for initial and additional investments. Newport Asia, as the General Partner of each Newport Fund, may waive the investment level at its sole discretion as long as such waiver does not affect the prospective investor’s qualification to invest in a particular fund.

Currently, the Newport Funds have the following minimum initial investment levels:

<u>Fund Name</u>	<u>Minimum Investment</u>
Advisors Fund	\$1,000,000
Growth Fund	\$100,000
Growth & Income Fund	\$1,000,000
Institutional Fund	\$1,000,000
Partners Fund	\$1,000,000
China Fund	\$1,000,000

The Japan Fund has no stated minimum; investments are accepted at our sole discretion.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis**

We have clearly defined investment styles in the Newport Funds. Rather than trying to capture a specific anomaly or inefficiency, we see to provide the investors in the Newport Funds with exposure to long-term, above-average growth trends and to concentrate our portfolios in those high quality growth companies that serve as proxies for the underlying trend. We, for the most part, invest in blue chip, high transparency companies with proven management, high predictable growth rates and low levels of debt. A straightforward, top-down/bottom-up strategy is employed, focusing on capturing growth and minimizing risk.

We assess and analyze securities and portfolio risks using several internal and external resources, extensively using brokerage research departments and company visits when conducting company analysis, as well as consulting annual reports, periodicals and financial databases.

### **Investment Strategies**

Our investment strategy is to concentrate portfolio investments in industries and companies with strong growth prospects and sound fundamentals. We believe that this strategy will be successful in the future due to its rigorous focus on growth. Benchmark weightings do not drive our investments as benchmarks tend to over-weight countries, industries and stocks after growth and strong returns have already occurred. We believe that better returns can be achieved by concentrating in the areas with strong growth prospects and sound fundamentals.

### **Investment Risks**

The Newport Funds' offering documents also describe the specific investment strategy of each Newport Fund and the risks inherent in investing in the particular strategy. Investors should carefully review the offering documents for disclosures pertaining to the Newport Funds.

All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment advisor and each investment advisor representative providing investment advice to you. We have no information of this type to report.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Our principals do not have any material financial industry affiliations outside of Newport Asia.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by and/or its partners, officers and employees (referred to as “Employees”). Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using non public information gathered when providing services to you for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

We serve as the general partner and investment adviser to the Newport Funds. Currently, our only clients are the Newport Funds.

### **Personal Trading for Employees**

Employees may invest in the same securities that we trade on behalf of the Newport Funds. In addition, our partners have invested in the Newport Funds, either directly or indirectly. We require that all such personal Employee transactions be carried out in a way that does not harm the interests of any Newport Fund. In order to address any actual or potential conflicts of interest, we have adopted a Code of Ethics that includes procedures with respect to transactions placed by Employees for their personal accounts. The term “personal account” includes the accounts in which our Employees and their spouses, minor children or other dependents residing in the same household have a beneficial interest. We monitor Employee compliance with our Code of Ethics primarily through review of holdings reports and quarterly personal trading reporting.

Investors or prospective investors may obtain a copy of Newport Asia’s Code of Ethics upon request.

## **ITEM 12: BROKERAGE PRACTICES**

### **Selection of Brokers**

In selecting brokers to execute portfolio transactions for the Newport Funds, we make a good faith judgment of about which broker would be appropriate. We take into consideration not only the available prices and rates of brokerage commissions, but also other relevant factors that may include (without limitation):

- the execution capabilities of the broker/dealer,
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis),
- other services provided by the broker/dealer that are expected to enhance our general portfolio management capabilities,

- the size of the transaction,
- the difficulty of execution,
- the operational facilities of the broker-dealers involved,
- the risk in positioning a block of securities, and
- the quality of the overall brokerage and research services provided by the broker/dealer.

When we select the broker/dealer for a transaction, we may cause a Newport Fund to pay a higher commission for effecting a transaction than another broker/dealer would have charged for effecting that transaction. We do this if we determine in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. The determination is viewed in terms of either the particular transaction or our overall responsibilities with respect to the Newport Funds.

## Aggregation of Orders

There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for one or more Newport Funds. In these cases, the trades will be aggregated and placed as one trade with the broker/dealer. Each of the Newport Funds participating in an aggregated trade will receive the same share price for the transaction. Due to the averaging of price over all of the participating Newport Funds, aggregated trades could be either advantageous or disadvantageous to any one or more particular Newport Funds. When aggregated trades are placed, they will be effected only when we believe that to do so will be in the best interest of the affected accounts. The objective of the aggregated orders will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

## Soft Dollars

### General Information

We have a fiduciary duty to our clients to obtain best execution, on an overall basis, for any securities transactions. When determining whether we have obtained best execution, we rely on Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Safe Harbor”). A safe harbor is a provision of a statute or a regulation that reduces or eliminates a party’s liability on the grounds that the party performed its actions in good faith. Legislators include safe-harbor provisions to protect legitimate or excusable violations.

This Safe Harbor is provided to an investment advisor like us that has “investment discretion” over client accounts. It provides us protection against certain state and federal breach of fiduciary obligation claims (including ERISA claims) because we, the advisor, caused a client to pay more than the lowest available commission when executing a securities trade in exchange for receiving investment research services and products which helped us make investment decisions of benefit to our clients. To rely on the Safe Harbor provision, we must determine in good faith that the amount of the commissions paid is reasonable in relation to the value of the research services we have received. We take into account not only the costs for a specific transaction but also our overall responsibility to you. When we cause an account to pay more than the lowest available commission to a broker/dealer in return for research products and services, these payments are commonly referred to as “soft dollar” benefits. The broker/dealer tracks the soft dollar



benefits generated to be used on our behalf. Not all trades generate soft dollar benefits, and we try to limit “soft dollar” trades whenever preferable.

For purposes of the Safe Harbor, “research services” means “advice,” “analyses,” and “reports” which meet the following criteria:

- The research is related to the market for securities, such as trade analytics (including analytics available through order management systems) and advice on market color and execution strategies; or
- The research constitutes market, financial, economic or similar data.

For the purposes of the Safe Harbor, “brokerage services” are those products and services that relate to the execution of a trade from the point at which the investment manager communicates with the broker-dealer for the purpose of transmitting an order for execution, through the point at which funds or securities are delivered or credited to an account under our management.

See section entitled “How We Use Soft Dollars” for additional details.

#### Conflicts of Interest

We may have a conflict of interest in allocating your brokerage business to certain broker/dealers, including an incentive to cause Newport Funds to effect more transactions than they might otherwise do in order to obtain soft dollar benefits. The extent of that conflict depends in large part on the nature and uses of the services and products acquired with soft dollars. When a particular service or product provides benefits to other Newport Funds and/or us, we may (but are not obligated to) allocate the cost among the persons receiving the benefits. Our agreement with the Newport Funds may authorize us to use the soft dollars generated by the Funds to acquire a wide range of services and products, including services which might also benefit other Newport Funds.

We believe that our soft dollar usage compared to other managers of pooled funds is low.

#### How We Use Soft Dollars

We use soft dollars in accordance with the Safe Harbor provisions outlined above. We primarily use soft dollars to obtain proprietary written research reports regarding specific securities and sectors. In addition, we direct brokerage to broker/dealers that provide telephone access to analysts and access to conferences primarily held in Asia. Access to these analysts and conferences would not be available to us without the use of soft dollars. We pay for all associated costs, including travel costs, lodging, and meals when attending conferences.

#### Soft Dollar Procedures

We have informal arrangements with broker/dealers who provide the services listed above. Based on our relationships with these firms, developed over several years, we allocate trades according to our needs. None of the broker/dealers have requested minimum trading levels, either verbally or in writing.

### **ITEM 13: REVIEW OF ACCOUNTS**

The principals of the firm are Michael Ellis, Christopher H. Legallet, John M. Mussey, Thomas R. Tuttle, and Eric Sandlund. All principals collaborate to determine the securities held in the Newport Funds. In addition, they review general world economic conditions for potential or actual impact on investments at least weekly. Any changes that are warranted by new information (i.e., changes in objectives, in cyclical economic or investment outlook in any national economy, or in securities held in a Newport Fund or contemplated for purchase) are discussed.

In addition, the principal(s) will also review each Newport Fund's holdings constantly.

We provide investors in each Newport Fund with quarterly fund holdings as well as investment outlook and monthly unaudited statements of their investments in the Fund. Annually, investors receive K-1s of their respective interests in the Newport Funds and audited financial statements of the Newport Funds in which they are invested.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

We do not directly or indirectly compensate anyone for client referrals.

### **ITEM 15: CUSTODY**

As the general partner for the Newport Funds, we have custody of our clients' assets. In order to comply with the regulatory requirements, we provide all investors in each of the Newport Funds with audited financials. The audited financial statements are sent to investors within 120 days of each Newport Fund's fiscal year-end.

### **ITEM 16: INVESTMENT DISCRETION**

We have discretionary authority to make investment decisions on behalf of each of the Newport Funds. Potential investors receive an Offering Memorandum before investing which provides important disclosure information. After reviewing the Offering Memorandum, potential investors are required to complete and return a Subscription Agreement. The Subscription Agreement provides information to us about the background of the investor so we can determine if the investor is qualified to invest in the Newport Fund. Once the Subscription Agreement has been reviewed and accepted, the investor contributes to the Newport Fund.

### **ITEM 17: VOTING CLIENT SECURITIES**

We vote all proxies that, in our reasonable judgment alone, we determine affect the value of a Newport Fund's interest. In so doing, we generally cast proxy votes in favor of proposals that increase shareholder value and generally cast against proposals having the opposite effect. Michael Ellis will oversee the person responsible for our decisions on proxy voting. Mr. Ellis verifies that the proxies are voted in a prudent and diligent fashion and only after a careful evaluation of the issue presented on the ballot. Investors may not provide direction regarding any particular proxy solicitation.

Investors may request a copy of our Proxy Policies and Procedures and/or information about how a proxy was voted at any time by contacting Manni Wong at (415) 677-8620.

## **ITEM 18: FINANCIAL INFORMATION**

We do not charge or solicit pre-payment of more than \$1,200 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.