

Form ADV Part 2A: Firm Brochure

Elmrox Investment Group IM L.P.

660 Madison Avenue

12th Floor

New York, NY 10065

Phone: (646) 663-4960

daniel.lawrence@elmrox.com

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**This brochure provides information about the qualifications and business practices of Elmrox Investment Group IM L.P. ("EIG"). If you have any questions about the contents of this brochure, please contact us at the number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**EIG is federally registered with the SEC as an investment adviser. Registration with the SEC does not imply any level of skill or training.**

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

## **2. Material Changes**

EIG has no material changes to report.

### 3. Table of Contents

1.	Title Page	
2.	Material Changes	2
3.	Table of Contents	3
4.	Advisory Business	4
5.	Fees and Compensation	4
6.	Performance-Based Fees and Side-By-Side Management	5
7.	Types of Clients	5
8.	Methods of Analysis, Investment Strategies and Risk of Loss	6
9.	Disciplinary Events	8
10.	Other Financial Industry Activities and Affiliations	8
11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	8
12.	Brokerage Practices	9
13.	Review of Accounts	11
14.	Client Referrals and Other Compensation	11
15.	Custody	12
16.	Investment Discretion	12
17.	Voting Client Securities	12
18.	Financial Information	13

#### **4. Advisory Business**

Elmrox Investment Group IM L.P. (“EIG”) is an investment adviser registered with the United States Securities and Exchange Commission. EIG is principally owned by Daniel W. Lawrence. It commenced operations on November 1, 2014.

EIG provides discretionary investment management services to one or more private investment funds (each a “Fund” and collectively, the “Funds”). EIG currently advises Elmrox Long Term Returns Fund LLC, a Delaware limited liability company (the “Onshore Feeder”) and Elmrox Long Term Returns Master Fund Ltd., a Cayman Islands exempted company (the “Master Fund”). The Onshore Feeder and the Master Fund are each part of a “master-feeder structure” whereby the Onshore Feeder invests substantially all of its assets in the Master Fund.

EIG’s investment strategy involves investments, both long and short, in publicly-listed, global equity securities and equity-related instruments. EIG uses a combination of intensive research, deep diligence and strategic thinking to identify financial instruments with perceived asymmetric risk/reward profiles over varying investment horizons. Specific information about investments to be made by a Fund may be found in the confidential private placement memoranda (“PPM”) relating to such Fund. Any investment restrictions of a Fund are disclosed in the Fund’s respective PPM.

EIG generally does not tailor its advisory services to the needs of specific investors.

#### **5. Fees and Compensation**

EIG receives a quarterly management fee (the “management fee”) of 1.5% of the Fund’s assets under management, and an EIG affiliate receives a performance-based fee generally equal to 15% - 20% of the increase in net asset value of a particular Fund.

Management fees are paid to EIG quarterly, in advance. The performance-based fee is generally allocated to Elmrox Investment Group LLC, an affiliate of EIG, as of each December 31<sup>st</sup> (as well as upon a withdrawal, distribution or transfer from the Fund). EIG’s fees are generally not negotiated although EIG may agree to reduce the management fee, the performance-based fee or any other amounts due to EIG for certain investors in a Fund, provided that doing so will not have an adverse effect on other investors in such Fund.

Certain expenses, including brokerage commissions and other transaction costs that are incurred by EIG in connection with securities transactions, are paid by the Fund and are allocated to the investors in the Fund in proportion to their respective capital account value at the time of the allocation. Generally, the prime brokers and custodians used by EIG do not charge the Funds a

custody fee. Neither EIG nor its affiliates is a broker/dealer and, consequently, none receive any commissions or other compensation in connection with the purchase or sale of securities.

Additional Fund operating expenses, such as administration, legal, accounting, auditing and other professional fees and expenses, are paid by the Fund and are allocated to the investors in the Fund in the manner described above. The Fund does not pay any of EIG's or its affiliates' internal expenses such as salaries, bonuses or office rent. For a more complete discussion of expenses, please refer to the Fund's PPM.

Neither EIG nor any of its officers, partners or directors accepts compensation for the sale of securities or other investment products.

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

As indicated above, EIG receives a fee based on the assets that it manages, and EIG's affiliate, Elmrox Investment Group LLC, receives performance-based compensation. The performance-based compensation may create an incentive for EIG or its affiliates to make investments that may be riskier or more speculative than it would make under a different fee arrangement. Performance-based compensation is in conformity with Rule 205-3 of the Investment Advisers Act of 1940, as amended ("the Advisers Act").

## **7. Types of Clients**

EIG provides investment advisory services to one or more private, pooled investment vehicles.

The minimum initial capital contribution by an investor in a Fund is \$5,000,000. EIG may accept investments below this minimum in its discretion. Investors in a Fund are required to represent that they are "accredited investors," as defined in Regulation D under the Securities Act of 1933 and "qualified purchasers" as defined in the Investment Company Act of 1940, as amended. Investors in Elmrox Long Term Returns Fund LLC must be "United States persons" within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986 that are not exempt from U.S. federal income taxation. Other Funds may permit investment by tax exempt U.S. investors or non-"United States persons."

## 8. Methods of Analysis, Investment Strategies and Risk of Loss

The initial investment objectives of the Onshore and the Master Fund are capital preservation and to achieve superior risk-adjusted returns over a full market/business cycle primarily through investments, both long and short, in publicly-listed, global equity securities and equity-related instruments. EIG uses a combination of intensive research, deep diligence and strategic thinking to identify financial instruments with perceived asymmetric risk/reward profiles over varying investment horizons. By conducting in-depth primary research through extensive diligence focused on long-term structural business characteristics, EIG intends to identify a small number of high-conviction alpha generating long equity positions in the global securities markets. EIG will also leverage relationships with industry executives, consultants and private equity contacts, and will regularly meet with senior and middle management, customers, competitors, suppliers and distributors to better understand ongoing changes to the underlying business fundamentals of the companies that may compose the Fund's long and short positions.

**Concentration on Equities.** The Master Fund will initially concentrate its portfolio on equities and equity-related products (*i.e.*, options, etc.). The equity markets are speculative and highly issuer-specific. Mismanagement or misconduct by corporate officers can cause the complete loss of an equity investment, and the equity markets may be particularly susceptible to subjective investment factors and market sentiment.

**Declining Equity Markets.** Although EIG's strategy is based on taking both long and short positions, the Master Fund's profit potential could be diminished during market cycles in which there is a sustained decline in equity price levels.

**Market Volatility.** Equity prices have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price volatility is influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions. On the other hand, the equities markets from time to time enter into "stagnant" periods of significantly reduced volatility. EIG believes that its strategy can be successful in a wide range of volatility environments. However, the profit potential of this strategy could be adversely affected during periods when market volatility approaches extreme levels (either high or low).

**Fundamental Analysis.** The focus of the EIG strategy is fundamental, "bottom-up" analysis of individual issuers. Fundamental analysis — which is based on the theory that market mispricings exist because market prices do not incorporate all knowable economic and other relevant data (in the case of EIG, with particular emphasis on the idiosyncratic factors applicable to individual issuers) — is subject to the risk of inaccurate or incomplete market information, as well as the difficulty of predicting future prices based upon analysis of all known information. Investments

made based upon fundamental analysis are subject to significant losses when market sentiment leads to Financial Instruments' market prices being materially discounted from the expected prices indicated by fundamental analysis or when technical factors, such as price momentum encouraged by trend following, dominates the market. Fundamental analysis is inherently subject to the risk of not having identified all the relevant economic factors, and in the case of EIG this risk is exacerbated by the difficulty of even being aware of all relevant idiosyncratic factors.

**Small – to Medium- Capitalization Companies.** EIG may invest a significant portion of the Master Fund's capital in the securities of companies with small- to medium-market capitalizations. Although EIG believes that these securities may provide significant potential for appreciation, such securities, particularly smaller-capitalization stocks, often involve higher risks than do investments in the securities of larger-capitalization companies.

**Short Sales.** An integral component of EIG's long-short strategy is selling "short" equities which the Master Fund does not own and which EIG expects to underperform. A short sale is effected by selling a security that the Master Fund does not own, or selling a security which the Master Fund owns but that it does not deliver upon consummation of the sale. In order to initiate a "short" sale, a seller must "locate" a source from which the seller can borrow the securities to be sold short and in order to make delivery to the buyer of a security sold short, the seller must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. "Short squeezes" are recurrent market events in which certain traders drive up the price and attempt to acquire a substantial percentage of the trading market in a stock, forcing the short sellers to incur major losses in closing out their short positions.

**Disparity between Quoted and Actionable Values.** The prices quoted by dealers for certain investments for some purposes may differ materially from the prices at which such dealers are willing actually to execute transactions in such investments. This disparity can result in unexpected losses when such Financial Instruments are bought or sold at prices that differ from those quoted by dealers. Moreover, dealers have a conflict of interest quoting values for securities which they are financing on margin as the greater the value of the security, the greater the amount of financing the dealer will be able to provide — incentivizing the dealer to quote securities above those that could be realized in an actual transaction. Then, when a transaction does occur at a lower price, the forced reduction in the valuation of the positions remaining outstanding can lead to further margin calls, forced sales and substantial losses.

**Duration of Investment Positions.** The length of time for which a position is maintained varies significantly, based on EIG's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses.

**Model Risk.** EIG will make use of certain proprietary, quantitative valuation models to determine which issuers meet its next level of in-depth individual research. As market dynamics (for example, due to changed market conditions and participants as well as, for example, the availability of capital to finance valuations based on what had formerly been commonly used multiples of EBITDA used in valuing companies) shift over time, a previously highly successful model often becomes outdated or inaccurate. There can be no assurance that EIG or its affiliates will be successful in obtaining, developing and/or maintaining effective quantitative models.

**Regulatory Actions.** From time to time, certain of EIG's and/or the Master Fund's activities may be subject to regulatory inquiries, investigations and/or enforcement proceedings from U.S. and non-U.S. governmental agencies, regulatory bodies and securities commissions, which can be costly and occupy significant staff time and resources of EIG and/or its affiliates.

EIG may also establish an advisory board to help it identify major fundamental changes in a business or industry that it believes have not been fully perceived by the market.

All investors are encouraged to review a Fund's PPM for a detailed summary of the Master Fund's investment objectives and specific investment risks.

## **9. Disciplinary Events**

EIG and its affiliates have no legal or disciplinary events to report.

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

Neither EIG, nor its principals or management personnel, has an application pending to register as a broker-dealer, representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser or as an associated person of the foregoing.

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

EIG has adopted written policies and procedures reasonably designed to prevent or detect violations of the Advisers Act that include a Code of Ethics with which all EIG Parties are required to comply. The Code of Ethics covers, among other things, the fiduciary relationship of EIG and its affiliates with Fund investors, personal securities transactions, reporting obligations regarding personal securities transactions, the avoidance of actual or potential conflicts of interest, gifts, prohibitions against disclosure of non-public information relating to investors or investor



transactions, rules governing prohibitions on trading on the basis of non-public information and penalties for violations of provisions of the Code of Ethics.

A copy of the Code of Ethics is available to investors upon request.

As indicated above, EIG's affiliate, Elmrox Investment Group LLC, is the managing member of the Onshore Fund in which EIG solicits prospective investors to invest, and under certain circumstances Elmrox Investment Group LLC or another EIG affiliate may receive performance-based compensation as described in Item 5. In addition, certain principals of EIG have investments in the Fund and do not pay any asset-based fees or performance-based compensation. EIG believes that these investments align it and its principals' interests with those of its outside investors.

With respect to personal securities transactions, the Code of Ethics prohibits EIG employees and their related accounts from electing to or taking any action to acquire the same securities in which the Fund invests. The Code of Ethics also requires that EIG employees first obtain written authorization before engaging in personal securities transactions, send to EIG copies of their monthly personal account statements and file with EIG a monthly transaction report. The EIG managing partner or his designee reviews the personal trading documentation, except as to his own, which is reviewed by EIG's compliance officer. These policies do not prohibit an EIG employee from owning U.S. government securities, money market fund shares, variable annuities and life insurance, bank cash management instruments such as bank certificates of deposit, municipal bonds, or shares in exchange-traded funds or mutual funds, although in some cases prior written authorization is required.

These situations present potential conflicts of interest to EIG that are described and addressed above.

Neither EIG nor its affiliates engage in principal transactions with outside investors in the Fund.

## **12. Brokerage Practices**

EIG is authorized to determine the broker or dealer to be used for each securities transaction on behalf of the Fund. In selecting brokers and negotiating commission rates, EIG takes into account the financial stability and reputation of brokerage firms, and the quality of the investment research, special execution capabilities, clearance, settlement, custody, recordkeeping and other services provided by the broker, even though the Fund may or may not in any particular instance be the direct or indirect beneficiary of the research or other services provided. In selecting brokers or dealers to execute transactions, EIG need not solicit competitive bids and does not

have an obligation to seek the lowest available commission cost. EIG may cause the Fund to pay commissions to particular brokers that are higher than those charged by other brokers in exchange for products or services provided by the brokers receiving higher commissions, although EIG in any case will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker.

Section 28(e) of the Exchange Act establishes a “safe harbor” that permits an investment manager to use commissions, or “soft dollars,” to obtain certain research and brokerage services in connection with the investment decision-making process. Under Section 28(e), research obtained with “soft dollar” credits generated by the Fund may be used by EIG to service accounts other than the Fund. Where a product or service provides both research and non-research assistance to EIG, a portion of the cost of the product or service, based upon a reasonable allocation between the two types of uses, may be paid for with “soft dollars.”

Research services within Section 28(e) may include, but are not limited to: research reports, including market research; certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts, including legal analysts and advice to the extent that the legal advice relates to a particular investment or investment strategy; meetings with corporate executives; consultants’ advice on portfolio strategy; market data; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto, such as connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians; trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic trade confirmations or trade affirmations.

EIG will not make use of “soft dollar” services which EIG believes fall outside of Section 28(e), provided that EIG may obtain “capital introduction” services from prime brokers at no additional cost.

Research and brokerage services obtained by the use of commissions arising from the Fund’s portfolio transactions may be used by EIG in its other investment activities. The Fund may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided in consideration of the “soft dollars” generated by the Fund’s trading.

When it receives products or services from brokers, EIG receives a benefit because it does not have to pay for the products or services, such as research. In addition, EIG has an incentive to recommend broker-dealers based on benefits that it receives from brokers, even in the absence of “soft dollar” arrangements, rather than the interests of the Fund in receiving the most favorable execution.

Brokers may refer investors to EIG. As a result, EIG has an incentive to select or recommend brokers based on such broker’s providing client referrals, rather than upon the Fund’s receiving favorable execution from the broker.

### **13. Review of Accounts**

A Fund’s portfolio holdings are reviewed on an ongoing basis by Daniel Lawrence, the managing partner of EIG. The purpose of the review is to ascertain that the positions in each Fund portfolio are appropriate for the strategy and objective of the Fund, and to ensure that any investor directed guidelines are observed. Any uncertainties regarding the appropriateness of portfolio holdings, adherence to investor guidelines or adherence to risk limits are addressed immediately.

An annual independent audit of each Fund is conducted by an independent public accounting firm that is registered with and subject to inspection by the Public Company Accounting Oversight Board. Written financial statements audited by these accountants are sent annually to the Fund’s investors within 120 days of a Fund’s fiscal year-end. In addition, investors in the Fund receive written unaudited capital account statements monthly that are prepared by the Fund’s administrator which include the increase or decrease in the net asset value of the investor’s capital account during the preceding month. The independent public accountants also provide written tax information related to the Fund that EIG sends to the Fund’s investors on an annual basis.

In addition, EIG sends to each investor periodic communications that review the performance of a Fund and include commentary on the markets in which such Fund invests.

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

EIG and its affiliates do not receive an economic benefit for providing advice to their investors from anyone other than the investors.

EIG and its affiliates do not directly or indirectly compensate any third parties for investor referrals.

## **15. Custody**

Neither EIG nor its affiliates has actual custody of any investor assets. However, EIG is deemed to have custody of certain investor assets by virtue of the fact that it has arrangements under which it is authorized to deduct management fees from the capital accounts of those Fund investors. In addition, EIG is deemed to have custody because its affiliate, Elmrox Investment Group LLC, is the managing member of a Fund and is allocated a performance-based profit allocation from the capital accounts of the Fund's investors.

As indicated in Item 13, EIG provides audited financial statements to the investors in the Fund within 120 days of a Fund's fiscal year-end. Since the financial statements are prepared by an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board and prepared in accordance with U.S. generally accepted accounting principles, EIG is exempt from certain provisions of the SEC's custody rule. Clients are urged to carefully review all statements and letters.

## **16. Investment Discretion**

EIG manages all client accounts on a discretionary basis. It has sole discretion to determine which securities and the quantity of securities to be bought or sold without consultation with the investors. Investors do not generally have any authority to place limitation on EIG's discretionary authority.

Investors in the Fund must review the PPM and sign a written subscription agreement, which grants EIG or its affiliates power of attorney to execute certain documents including the Fund's operating or partnership agreement. These documents grant EIG discretionary authority with respect to the Fund's account. EIG complies with the investment guidelines and restrictions set forth in the Fund's confidential private placement memorandum and subscription documents.

## **17. Voting Client Securities**

As part of the subscription process, investors delegate discretion for proxy voting to EIG, which has adopted written policies and procedures regarding how it exercises this discretion. EIG votes proxies in a manner that is in the best interests of investors. An investor generally may not request that EIG vote a certain way on a particular vote because the other investors in the Fund will be affected. EIG generally expects to vote in accordance with the recommendations of

company management, as it believes management usually knows more about the company than passive shareholders. However, EIG realizes that there are many complexities to proxy votes and will vote against a proposal or recommendation of management if it determines that such a vote is not in the best interests of its investors. In addition, there are times when not voting on a particular issue may be in the best interests of investors.

In exercising its voting discretion, EIG avoids any material conflicts of interest. If a material conflict arises, EIG will have no further input on the vote, will solicit the services of an outside proxy voting vendor and will vote in accordance with such vendor's vote recommendation. EIG maintains required records in connection with its proxy voting, and upon written or oral request will provide investors with information about how proxies were voted.

Investors may request a copy of its Proxy Voting Policies and Procedures by contacting EIG by telephone or in writing at:

**Elmrox Investment Group IM L.P.**  
**660 Madison Avenue**  
**12th Floor**  
**New York, NY 10065**  
**Phone: (646) 663-4960**

## **18. Financial Information**

Neither EIG nor its affiliates has any financial condition that impairs its ability to meet contractual commitments to investors, and neither has ever been the subject of any bankruptcy petition.