

**FORM ADV Uniform Application for Investment Adviser Registration  
Part 2: Investment Adviser Brochure**

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This brochure provides information about the qualifications and business practices of John Hsu Capital Group, Inc. If you have any questions about the contents of this brochure, please contact us at the phone number listed above.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Please note, where this brochure may use the terms "registered investment adviser" and/or "registered", registration itself does not imply a certain level of skill or training.

Additional information about the firm and its representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2 Material Changes**

There have been no material changes to the firm brochure since the last annual amendment filed on February 29, 2016. Additional information about the firm and its representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4 Advisory Business

Established in 1991 by the firm's Chairman and President and principal owner John Hsu the firm provides portfolio management services (or investment management services) on a discretionary basis.

The firm's portfolio management services include the following:

- Establishing investor goals in the absence of investment guidelines;
- Following each client's investment guidelines
- Developing an investment policy;
- Defining investment goals and the strategies required to attain them; and
- Making recommendations on asset allocation, selection of investments and portfolio management;

The firm's portfolio management services also include an assessment of the client's specific investment goals, objectives, and risk tolerances as distinguished from those of other clients.

### ***Investment Policy***

The firm's investment policy is designed to preserve the principal invested. The firm's account management priorities include:

- Emphasizing the quality and liquidity of securities
- Diversification of investments in keeping with the particular client's investment plan
- Limiting each security position as a percentage of the total portfolio
- Considerations relative to selling a portion of a position when it becomes too large a percentage of the portfolio
- Establishing and maintaining research coverage on securities and monitor price behavior
- Following buy and sell points established by research
- Achieving an average price in buys and sells for all accounts with the same discipline through the batching of purchases and sales thereby reaching a standard price
- Minimizing transactions and commission costs through discounts or institutional rates
- Avoiding speculation, aggressive trading, the new-issue market, options, tax shelters and non-liquid securities. Historically, the firm has had relatively low turnover in portfolio activity.

The firm currently manages approximately \$110,100,000 in assets across fourteen (14) discretionary accounts as of December 31, 2016.

## Item 5 Fees and Compensation

### **Fees for Investment Management Services:**

A minimum fee of \$40,000.00 is charged per client, which corresponds with the \$4,000,000 minimum account size (please see Item 7). The firm may waive the minimum fee at its discretion. Fees charged to clients (beyond the minimum) are an annual fee of 1.00% based on total assets under management for the client. However, the 1.00% fee is negotiable depending on account type and size.

Compensation is usually payable before service is provided (fees are charged in advance). Fees are paid quarterly in advance upon receipt of a fee statement (invoice) from the firm. Fees are based on the ending market value of the account as of the last business day of the preceding quarter. However,

sometimes a client profile and/or circumstance may justify payments in arrears. Those fees are based on the average market value of the account during the preceding quarter or the ending value of the account on the last business day of the preceding quarter. The method of fee payment (advance or arrears) is documented in the investment management agreement maintained with each client.

The firm offers advice on initial public offerings of foreign exchange listed securities and American Depositary Receipts to its global and international equity clients. Investments in closed-end funds and other recommended offerings may incur additional management, brokerage, other transaction-based, and certain administrative fees/expenses which are separate and distinct from any fees charged by the firm. Accordingly, clients are encouraged to evaluate each fee arrangement to ensure that the services received are reasonable from a total cost perspective. Questions regarding fees and expenses may be addressed directly with firm personnel.

## **Item 6 Performance-based fees and Side-by-Side Management**

The firm does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the client's assets) or engage in any side-by-side management practices.

## **Item 7 Types of Clients**

The firm's services are rendered to private and public pension funds, foundations and endowments. The firm requires each client to maintain a minimum account value of \$4,000,000. However, this requirement may be waived in certain cases at the firm's discretion.

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

The firm's methods of analysis include the charting, fundamental, technical, and cyclical analysis of the securities markets. These methods are employed in concert with the firm's conservative investment strategy to preserve capital where possible. The firm will generally employ a strategy of making long-term purchases. However, certain short-term purchases may be necessary to counter any adverse market movement. The firm will also limit trading activity to avoid additional expense when possible. The firm will generally recommend the following types of investments:

- Equity securities (including exchange-listed securities, securities traded over-the-counter, foreign issuers, and ADRs (American Depositary Receipts traded on US exchanges)
- Warrants
- Initial public offerings of foreign exchanged listed securities and American Depositary Receipts (to its global and international equity clients)

The main sources of research information used by the firm include:

- Financial newspapers and magazines
- Inspections of corporate activities
- Research materials prepared by others
- Corporate rating services
- Annual reports
- Prospectuses
- Filings with the SEC and company press releases

**Risk of Loss:**

All investments are subject to an inherent risk of loss. The value of securities in a portfolio will go up and down. Consequently the overall valuation of an account may decline and a client could lose money. The stock market is subject to significant fluctuations in value as a result of political, economic, and market developments. If the stock market declines in value, the portfolio is likely to decline in value. Because of changes in the financial condition or prospects of specific companies, the individual stocks selected by the firm may decline in value as well, causing the account to decline in value. Investments are not deposits in a bank. Accordingly, such investments are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Questions regarding the risk involved with investing may be addressed directly with firm personnel.

**Item 9 Disciplinary Information**

Rule 206(4)-4 of the Investment Advisers Act of 1940 requires investment advisers to provide clients with disclosure as to any legal or disciplinary activities deemed material to the client's evaluation of the adviser. Please note, neither the firm nor its personnel have any disciplinary, regulatory, criminal, civil, or otherwise reportable history to disclose at this time.

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

Firm Chairman John Hsu is the Manager/President of Sycee Capital, LLC (Sycee) a private investment entity whose services are not offered to the general public. Sycee manages dedicated Greater China portfolios for institutional investors and private fund managers and has a minimum investment of \$1 million.

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

Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, the firm has adopted a Code of Ethics to establish professional standards and guidelines for firm personnel. The firm has set high standards, the intention of which is to protect client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith, and fair dealing with clients.

All employees are expected to strictly adhere to these guidelines, and the procedures established for the approval and reporting of personal securities transactions and violations of the Code. The firm has further instituted a policy of disciplinary action with respect to violations of the Code by firm personnel. A copy of the Code of Ethics will be provided to any client (prospective or otherwise) upon request. Interested parties may contact the firm's Chief Compliance Officer; Rebecca Bodell Hsu for further information at (212) 223-7515.

**Participation of Interest in Client Transactions:**

For their own personal accounts, firm personnel may buy/sell securities that have been similarly recommended to clients. However, the firm discourages such persons from making transactions in the same issues as those held in clients' portfolios. Accordingly, the firm strictly enforces a policy that the client holds the privilege of first opportunity with respect to purchases/sales of securities. Clients should note however that while firm personnel may serve as investors for their own accounts, their transactions are unlikely to noticeably affect the market. Therefore, the firm believes that its stance on personal trading with respect to client-recommended securities does not pose a conflict of interest.

## Item 12 Brokerage Practices

The firm maintains the client-authorized investment discretion to select the type and amount of securities, the broker or dealer to be used, and the commission rates paid (based on institutional discounts or discount brokerage fee schedules) on behalf of a client account (Please see Item 16). However, all recommendations and decisions are based on the firm's determination of suitability with respect to each client's specific investment objectives and needs. The firm will select the security, the amount of securities, and timing of the specific transaction. The firm will then place a transaction without obtaining the clients specific consent on a transaction-by-transaction basis.

There is no limit to the firm's authority to select a broker, unless otherwise expressly provided for by the client within the account's investment guidelines. The firm's broker-dealer selection is based on the following considerations (*best execution*):

- The degree of support in the investment decision making process, as well as trading capability;
- The scope and available market and the pricing at which the transaction will be executed;
- The relative competitiveness of the broker's commissions structure vis-a-vis the securities industry as a whole; and
- The flexibility to negotiate said brokerage commissions as compared with the current practices; provided, however, that such selected commission rate may be higher than such offered by discount brokers not providing the related research or other such ancillary support services which enhance the overall account performance.

Some clients may have a pre-established relationship with a broker and instruct the firm to execute all transactions through that broker. In this case, it should be understood that the firm may not have the ability to negotiate commissions or obtain volume discounts and best execution may not be achieved. Where the client has selected the broker, there may be a disparity between the commissions paid and those paid by clients relying upon the firm's selection of such brokers.

At times, the firm may be able to achieve volume discounts by generally aggregating orders on behalf of two or more clients. In such cases, transactions for each account are averaged as to price and allocated as to amount in accordance with the daily purchase or sale orders actually placed for each account. Such combined or "batched" trading practices can allow the firm to negotiate more favorable prices, obtain more timely or equitable execution, and generally reduce the overall commission charge. The firm does not engage in any practice where client funds are used to purchase goods and services for the benefit of the firm and its account management staff (soft dollar transactions).

Clients are strongly encouraged to review their account statements for a complete understanding of the activity reflected therein. Questions regarding such documentation may be addressed directly with firm personnel.

## Item 13 Review of Accounts

### **Portfolio Management Accounts:**

All accounts are monitored and updated on a monthly and quarterly basis. The firm will typically issue a written report regarding each account on a monthly or quarterly basis. These reports will include discussion regarding performance and other insight. Other reports regarding advisory accounts are normally provided on a monthly basis by the institution holding custody of the account. Such reports generally include, among other items:

- A list of individual securities

- Market value of individual securities
- Dividends and interest to date
- Market value of the portfolio

Clients are encouraged to contact the firm immediately with any changes to their financial situation as such changes may impact the status of their investment account(s).

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

The firm receives no remuneration for its recommendation of clients to various brokers. The firm does not employ or utilize the services of solicitors.

## **Item 15 Custody**

The firm does not maintain or accept custody of client funds or securities. All accounts are held in the custody of the selected qualified custodian (broker-dealer, bank, etc.).

## **Item 16 Investment Discretion**

All accounts are managed on a discretionary basis, according to the client's objectives. The firm maintains the discretionary authority to determine:

1. the securities to be bought or sold for a client's account
2. amount of securities to be bought or sold for a client's account
3. broker or dealer to be used for a purchase or sale of securities for a client's account
4. commission rates to be paid to a broker or dealer for a client's securities transactions

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. The client should report any change in their personal information, financial situation and/or investment objective to the firm promptly in writing.

In cases where accounts are managed on a non-discretionary basis, the firm will obtain each client's specific consent (verbal or in writing) on a transaction-by-transaction basis. As a result, clients must be available to the firm during market hours. If the firm cannot reach the client to approve recommended transactions, the firm will not be able to place such transactions (the client may suffer economic loss due to rapidly moving markets (up or down)).

## **Item 17 Voting Client Securities**

Rule 206(4)-6 of the Investment Advisers Act of 1940 requires advisers with proxy voting authority to disclose a summary of their proxy voting policies and an offer to deliver to clients their complete proxy policy. In certain circumstances and in accordance with the client's specific advisory agreement, the firm will vote proxies related to securities held by any client in a manner that is in the best interest of the client. The firm shall consider only those factors that relate to the client's investment(s) or that have been established per the client's written instructions. Such factors will include how a vote will economically impact and affect the value of the client's investment (keeping in mind that after conducting an appropriate cost-benefit analysis, not voting on a proposal may be in the best interest of the client).

Proxy votes generally will be cast in favor of proposals that:



- Maintain or strengthen the shared interests of shareholders and management
- Increase shareholder value
- Maintain or increase shareholder influences over the issuer's board of directors and management
- Maintain or increase the rights of shareholders

Proxy votes generally will be cast against proposals that have the opposite effect. When voting proxies on each and every issue, the firm and its personnel shall avoid any direct or indirect conflict of interest raised by such voting decision. The firm will provide adequate disclosure to the client if any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential conflict of interest.

Consistent with Rule 206(4)-6, the firm will maintain certain records in connection with its proxy voting activities for clients and shall provide proxy-voting information to clients upon their written or oral request. A copy of the firm's proxy voting policies and procedures may be reviewed upon request. Interested parties may contact Rebecca Bodell Hsu, Chief Compliance Officer at (212) 223-7515.

## **Item 18 Financial Information**

Investment advisers are required by law to disclose certain information about the status of their financial condition. The firm is not subject to any financial commitment that could impair its ability to meet its contractual and fiduciary commitments to clients. Furthermore, the firm has not been the subject of any bankruptcy proceeding.

## **Item 19 Misc. Additional Information**

### **Privacy Policy:**

Protecting client privacy is very important. The firm views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act and other similar regulation, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

The firm does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a client's account, the firm may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, where and if applicable.

The firm restricts internal access to nonpublic personal information about the client to those personnel who need access to that information in order to provide services to the client. As emphasized above, it has always been and will always be firm policy never to sell information about current or former customers or their accounts to anyone. It is also policy not to share information unless required to process a transaction, or at the request of a customer, or as required by law.

A copy of the firm's privacy policy may be obtained by contacting Rebecca Bodell Hsu, Chief Compliance Officer at (212) 223-7515.