

Brochure

Form ADV, Part 2A

**ITEM 1 – COVER PAGE**



**Zulauf Asset Management AG**

**CRD # 110597**

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The brochure provides information on the qualifications, advisory business, fee arrangements, types of clients, investment strategies, code of ethics, custody policies and financial information of Zulauf Asset Management AG (“Zulauf” or “Registrant”). 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.

If you have any questions about the contents of this brochure or would like to request a brochure, please contact Cornelia Kehl, Zulauf’s Chief Compliance Officer at 004141-724-5701 or by email at [zam@zuam.ch](mailto:zam@zuam.ch). Zulauf is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Zulauf is available on the Securities Exchange Commission’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

Zulauf no longer manages a fund, and references to Zulauf's management of a fund have been removed.

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## ITEM 4 - ADVISORY BUSINESS

Zulauf was formed in October 1990. Zulauf's principal owner is Felix W. Zulauf.

Zulauf primarily produces and publishes independent financial research and advisory services to institutional clients. Zulauf markets its services primarily to financial institutions and market participants including investment advisers, brokerage-dealers, and asset management firms and organizations.

Zulauf's research publication focuses on current and estimated future trends in global macro-economics and how they influence global financial markets. The research is designed to be useful to professional money managers particularly with respect to asset allocation. The publication describes economic developments, interest rates and bond yields, foreign exchange of major currencies and other factors that are important for the world economy and global financial markets, equity markets as well as commodities and gold.

The publication frequency depends to some extent on economic and market developments but the goal is to publish one or two reports per month.

Clients who purchase Zulauf's research products and services also receive access to Mr. Zulauf for direct consultation on market or investment advice.

As of March 31, 2017, Zulauf had no regulatory assets under management. Zulauf does not offer nor participate in any wrap-fee programs.

#### **ITEM 5 - FEES AND COMPENSATION**

##### **Fees for Research and Advisory Consultation Services**

Zulauf will negotiate fees for research and advisory consultation services with each consulting client based on various factors. These factors include the number of users at each client firm, the size and type of client firm, and anticipated level of direct access to and interaction with Mr. Zulauf. Fees for research and advisory consultation services are typically payable in advance on a quarterly basis unless otherwise negotiated.

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

Zulauf receives no performance fees.

#### **ITEM 7 - TYPES OF CLIENTS**

Zulauf provides research and advisory consultation services primarily to institutional clients.

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

##### ***Methods of Analysis and Investment Strategies***

Zulauf uses various methods of analysis and strategies in formulating specific investment advice provided in its research reports and advisory consultation services and in managing assets, as described below. Investing in securities and other investments involves the risk of loss, including the possible risk of losing the entire investment. Clients should be prepared to bear such a loss.

Zulauf believes that changing economic fundamentals over the course of a business cycle and changing economic policies by governments and central banks will change prices of the different asset classes. For instance, an expansive economic policy and a growing economy will most likely lead to higher equity and commodity prices. At the same time, it may lead to a weaker currency versus currencies of countries where economic growth is high, but monetary policy is restrictive. Moreover, a booming economy and a relaxed economic policy runs the risk of higher inflation rates and therefore the risk of higher interest rates in due time along the whole yield curve.

Zulauf's focus may change from asset class to asset class according to the opportunities present in the different markets. In equities, Zulauf will focus more on markets and industry groups than on individual stocks, although Zulauf may also consider individual stock investments if it sees attractive opportunities.

Zulauf's investment process is based on a top-down macro-economic and market analysis approach. Zulauf believes that the economy goes through different stages during a business cycle and so do the prices of the different assets and asset classes. Zulauf analyzes economic and market trends leads and estimates where the economy is in its business cycle and attempts to identify based on these estimates which asset classes should rise or fall in value. Zulauf may further attempt to identify sub-classes (e.g., industry groups in equities, individual commodities, etc.) that it believes will rise or fall in value.

Zulauf selects industry groups and individual stocks based on conventional analysis of profitability, balance sheet, and cash-flow. Zulauf may employ ratio analysis (e.g., price-to-earnings, price-to-book value, price-to-dividends) to evaluate absolute and relative attractiveness. Zulauf may use dividend discount models and discounted free cash flow to estimate fair values. Moreover, Zulauf sometimes uses money-flow analysis to monitor inflow or outflow of assets.

For commodities, the business cycle is of paramount importance. Zulauf analyzes the future trend of commodity prices by studying current and future demand/supply for individual commodities based on general macro-economic assumptions and analysis. Moreover, geopolitical trends may at times play an important role, particularly on the supply side, and are monitored and re-evaluated. Zulauf may use technical analysis to identify trends, trend quality and strength.

Zulauf believes that inflation and interest rates, from short to very long duration, may rise or fall based on the stage of the business cycle. Zulauf uses macro analysis of the global, regional and national economies to look for fixed-income markets or segments of them that are mispriced and where the next step in the chronological sequence of a business cycle leads to an attractive move of rates or yields, either up or down.

Currencies fluctuate from undervaluation relative to other currencies back to overvaluation on a cyclical basis driven by relative developments of economic fundamentals. Zulauf believes that over- or under-valuation can be detected of one currency against another one at times. Zulauf may recommend long currencies that appear undervalued and ready to correct that condition relative to other currencies that appear overvalued. Conversely, Zulauf may recommend short currencies that appear overvalued and ready to correct.

### Material Risks

Zulauf's research and advice often involves international investments and strategies and commodities and may be highly speculative, involve a high degree of risk, and for which market or valuation information may be limited. Such investments can carry a significant

risk of loss. Zulauf may not be successful in identifying all risks associated with such investments or may fail to project accurately or precisely the future cash flows and other valuation information of such investments. The client should be prepared to bear a complete loss of its investment.

The following is a summary of the typical, significant material risks associated with investments that Zulauf may recommend for a client. The client should review thoroughly the particular risk disclosures contained in offering or other documents associated with any particular investment.

- **Credit or Default Risk:** Many investments, such as debt instruments or real estate leases or other interests, are exposed to the risk that the debtor, lessee, or another counterparty may experience difficulty paying its obligations. The debtor, lessee, or other counterparty may seek bankruptcy protection which can limit or impair the rights of the investor.
- **Interest Rate Risk:** Many investments earn fixed interest rates which lose intrinsic and market principal value in an environment of rising interest rates.
- **Market or Principal Risk:** Many investments are exposed to declining market valuations due either to the specific market for the investment declining or the overall level of market prices declining. Real estate and other investments may come in and out of favor with investors, which may cause the market value to fluctuate with or without any inherent change in the underlying asset. The investor may receive less than the invested amount if the market value of the investment declines after the investment is made. Some investments may lose all their value if the issuer or obligor fails.
- **Inflation Risk:** Some investments risk failing to keep pace with inflation, and consequently purchasing power will be reduced. Inflation may also negatively impact the return of an investment through increased operating and other costs.
- **Subordinated priority risk:** Certain investments have subordinated priority and are exposed to the additional and special risk that if the issuer or asset fails to perform as expected, creditors or investors with higher priorities may recover, while the subordinated investor will not.
- **Reinvestment Risk:** Some investments, particularly fixed-rate investments, present the risk that the investor will be unable to reinvest principle or earnings at the same rate of return earned by the initial investment.
- **Currency Risk:** Investments denominated in foreign currencies are exposed to the risk that those currencies will decline in value relative to the U.S. dollar (or other local currency of the client) and that converting those foreign currencies back to U.S. dollars (or other local currency of the client) will have an unfavorable exchange rate and transaction cost.

- **Prepayment Risk:** Some investments allow the issuer to return principal or capital to an investor prior to expiration of the investment's expected or hoped-for full term. The investor may be unable to re-invest at the same or more favorable terms, creating **Reinvestment Risk** described above.
- **Economic Risk:** Many investments will experience appreciation or depreciation or may experience an increase or decrease in cash flows or other investment return based on changes in the general or local economic conditions.
- **Industry / Sector Risk:** Certain investments are exposed to the performance of a particular industry or sector which may impact the value of the investment.
- **Company or Asset Specific Risk:** Most investments are exposed to the risk that the particular issuer, obligor, or asset may fail to meet expectations, fail to pay dividends or interest, or succumb to competition or other forces. This risk is particularly acute for start-up and early stage ventures. While some investments have security interests in property or other collateral, such property or collateral may be inadequate to cover the investment, and may require time and expense before the security can be liquidated under the security agreements.
- **Liquidity Risk:** Most investments are exposed to the uncertainty of obtaining a fair price due to lack of a liquid market, thinly traded market, or poor market environment.
- **Regulatory / Environmental / Tax Risk:** Some investments are exposed to the uncertainty as to whether governments or regulators may change or impose regulations or tax laws that adversely affect the investment.
- **Management/ Operational Risk:** Investments relying on third party managers, processes or systems are exposed to the risk that the particular people, processes or systems will perform poorly relative to expectations or competition.
- **Legal Risk:** Investments, particularly those involving membership interests in entities managed by third parties, are exposed to a risk of financial or reputational loss arising from: regulatory or legal action; disputes for or against the company; failure to correctly document, enforce or adhere to contractual arrangements; inadequate management of non-contractual rights; or failure to meet non-contractual obligations.
- **Information Technology Risk:** Investments, particularly those involving emerging technologies, are at risk for general IT threats (such as hardware and software threats, malware, viruses, spam, scams and phishing); criminal IT threats (such as hackers, fraud, security breaches, password theft and denial of service) and natural disasters (such as fire, floods, and damage to buildings or hardware).
- **Imperfect Correlation Risk:** Hedging positions designed to offset or eliminate particular risks are subject to the possibility that the hedging product will not

perform as expected due to imperfect correlation or other reasons, and the risk intended to be hedge will materialize without the expected protection.

- **Event Risk:** Some investments are exposed to the danger of sudden, calamitous news or other events that directly and adversely affects the value, liquidity, or return of the investment, and for which the loss is uninsured. These may include acts of war, terrorist activity, data breach, compromise or failure of current or emerging information technology, storms, natural disasters, and other such events.
- **Fraud Risk:** Many investments are exposed to the risk of fraud by an issuer, manager, or some third party that adversely and materially affects the value of the investment.
- **Actuarial Risk:** Insurance-related investments are subject to the risk that the expected insured risk materializes at a different rate and adversely to the projected and assumed risk underlying the investment obligation.
- **Demand Risk:** Certain investments, particularly consumer and entertainment companies and assets, have the risk of changing consumer tastes and preferences and falling out of favor with the public, which can diminish the cash flow and value of the asset.
- **Political Risk:** Certain investments may be subject to domestic and foreign political situations and other factors.
- **Competition for Investments:** Zulauf may compete for the acquisition of assets or other investments with many other investors, some of which will have greater resources or interest in a particular investment than Zulauf or its clients. Competition for these assets or other investments may result in less favorable investment terms than would otherwise be the case.
- **Use of Leverage:** Zulauf may use leverage in connection with some or all of its investments. In such cases, a third party (e.g., a lender) may be entitled to cash flow generated by such assets prior to the investor. Leverage may increase returns where the underlying investment performs as or better than expected, but leverage can also dramatically increase the risk of loss or underperformance with respect to an investment where the underlying investment underperforms the cost of the leverage.
- **Valuation Risk:** Some investments are not publicly traded and are required to be valued by Zulauf in accordance with Zulauf's valuation policies. When estimating fair value, Zulauf will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstances of the investments. Valuations are subject to multiple levels of review for approval. Notwithstanding Zulauf's focus and effort on achieving a reliable valuation process, the nature of such assets makes them extremely difficult to value and a risk exists that Zulauf's



valuations could exceed the ultimate price at which a willing and able buyer will pay for the asset.

#### **ITEM 9 - DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose material facts about any legal or disciplinary event that is material to an investor, a client's or a prospective client's evaluation of Zulauf's advisory business or the integrity of the Registrant or its management personnel.

Zulauf has no legal or disciplinary events or findings to disclose.

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

Zulauf is registered as a commodity pool operator due to the nature of the investments it previously managed on behalf of a former private fund client. The private fund has wound down and dissolved, and Zulauf anticipates that it will withdraw its registrations as a commodity pool operator.

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

##### *Code of Ethics*

Zulauf's Code of Ethics (the "Code") incorporates the following general principles which all employees are expected to uphold: (1) employees must at all times place the interests of the clients first; (2) personal securities transactions must be reported and reviewed; (3) employees must not take any inappropriate advantage of their positions with Zulauf; (4) information concerning the identity of securities and financial circumstances of the clients and other investors must be kept confidential; and (5) independence in the investment decision-making process must be maintained at all times.

The Code is available to all clients, investors or prospective clients and/or investors upon request to Cornelia Kehl, Zulauf's Chief Compliance Officer at 004141-724-5701 or by email at [zam@zuam.ch](mailto:zam@zuam.ch).

##### *Participation in Client Transactions*

Zulauf does not participate in client transactions.

##### *Personal Trading*

As outlined above, Zulauf has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. In the event of any identified potential trading conflicts of interest, Zulauf's goal is to place client interests first. Consistent with the foregoing, Zulauf maintains policies regarding participation in initial public offerings (IPOs) and private placements to comply with applicable laws and avoid conflicts with client transactions. If a Zulauf associated



person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

#### **ITEM 12 - BROKERAGE PRACTICES**

Zulauf does not select or recommend broker-dealers for client transactions. Zulauf does not execute any transactions for clients, and therefore, does not aggregate any trades.

#### **ITEM 13 - REVIEW OF ACCOUNTS**

Zulauf does not conduct periodic reviews of client accounts or financial plans.

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

Zulauf currently uses solicitors and, in the future, may enter into additional written arrangements with third parties to act as solicitors for Zulauf's investment advisory business. All such compensation is fully disclosed to each client consistent with applicable law. All such referral activities are conducted in accordance with SEC Rule 206(4)-3 under the Advisers Act as well as relevant SEC guidance. In general, third party solicitors may receive a portion of the fees otherwise payable to Zulauf.

#### **ITEM 15 - CUSTODY**

Zulauf does not have custody of client funds or securities.

#### **ITEM 16 - INVESTMENT DISCRETION**

Zulauf does not have discretionary authority over client accounts.

#### **ITEM 17 - VOTING CLIENT SECURITIES**

Zulauf does not vote client securities.

#### **ITEM 18 - FINANCIAL INFORMATION**

Zulauf is not required to disclose financial information because it does not solicit fees more than six months in advance, does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients, and has not been subject to any bankruptcy proceeding during the past 10 years.