

# ADG Capital Management LLP

## Part 2A of Form ADV

### The Brochure

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This brochure ("Brochure") provides information about the qualifications and business practices of ADG Capital Management LLP ("ADG" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at +44 20 7856 1600. 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.

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

## Item 2. Material Changes

This is an annual amendment of ADG Capital Management LLP's Brochure that was last updated on 3<sup>rd</sup> June 2019. This update include the following material changes:

- Item 4: The amount of client assets managed has been updated as of July 31<sup>st</sup>, 2019.

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## **Item 4. Advisory Business**

ADG Capital Management LLP (“ADG” or the “Firm”) is an investment manager based in London, United Kingdom. The Firm was incorporated in England in January 2009 as a limited liability partnership and began providing asset management services in 2013. Mr. Hasan Abdat is a Partner and Head of ADG. The Firm is a wholly owned subsidiary of ADG Corporate Limited, which is a group holdings company comprised of numerous firms (ADG being one) that provide proprietary trading, brokerage and investment management services.

ADG manages private funds and separately managed accounts (“SMAs”) (collectively “Clients”) and employs a quantitative and systematic investment approach. The Firm focuses on investments in listed derivatives and foreign exchange markets. ADG is authorized and regulated by the UK Financial Conduct Authority and is also registered with the Commodity Futures Trading Commission as a Commodity Pool Operator and as a Commodity Trading Adviser. The Firm’s focus is on providing investment solutions for professional and institutional clients.

ADG provides advice to client accounts (i.e., pooled-investment vehicles) based on a specific investment objective and strategy. ADG neither tailors its advisory services to the individual needs of investors in its pooled-investment vehicles nor accepts investor-imposed investment restrictions with respect to its pooled-investment vehicles. An investment in a pooled-investment vehicle does not, in and of itself, create a client-adviser relationship between any underlying investor and ADG. ADG has discretionary authority to manage the SMAs. SMAs are subject to investment objectives, guidelines, restrictions, and fee arrangements, as well as other terms that are individually negotiated with the SMA owner, and set forth in an investment management agreement.

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

The Firm currently advises five private funds: ADG Systematic Macro Master Fund Limited; ADG Systematic Macro Fund Limited; ADG Systematic Macro Enhanced Risk Fund; ADG Systematic Macro ERISA Fund; and ADG Systematic Macro UCITS Fund (the “Funds”). Each of the Funds has a management fee and a performance fee component, the specifics of which vary based on the share class or class of interest (“Share Class”) of the Funds and are fully described in applicable governing and offering documents for each of the Funds.

ADG receives from the Funds a management fee that is payable monthly in arrears. The administrator of the Funds will, on the last business day of each calendar month, calculate the management fee payable in respect of that calendar month. Such fee will be invoiced to the Funds and payable within 14 calendar days after receipt of notification of the management fee from the administrator.

The Firm also provides advisory services to SMAs, including an investment company. These clients may be charged a management fee and a performance fee. The fees are subject to negotiation and are fully described in the respective investment management agreement for each account.

Certain employees of ADG and its affiliates have investments in the Funds and pay management and performance fees at a discounted rate, or do not pay any management or performance fees.

In addition to the management and performance fees described above, the Funds will bear additional fees including but not limited to fees relating to (i) all transactions carried out on their behalf; and (ii) their operations and administration including, without limitation, (a) the charges and expenses of legal advisers and auditors, (b) all taxes and corporate fees payable to governments or agencies, (c) directors’ fees and

expenses, (d) interest on borrowings, (e) expenses incurred by the manager in connection with the provision of its investment services, (f) communication expenses with respect to investor services and investor meetings and preparing, printing, distributing financial and other reports, proxy forms, prospectuses and similar documents, (g) the cost of insurance (if any) for the benefit of the directors, (h) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, and (i) all other organizational and operating expenses.

More detailed information about the fees and expenses described above is set forth in the applicable governing and offering documents for each of the Funds and in the investment management agreements for the SMAs.

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

As noted in Item 5 above, the Funds and SMAs are charged performance based fees. These performance fees could potentially incentivize ADG to make riskier investments than would be the case in the absence of such fees. The Firm has a well-defined investment process designed to minimize this potential conflict.

Since the Firm manages client accounts with different compensation structures on a side-by-side basis, the Firm has a potential conflict and incentive to favor certain higher fee-paying accounts over lower fee-paying accounts. ADG believes that the nature of its investment strategy and its well-defined investment process minimize this potential conflict. In addition, the Firm has adopted allocation policies and procedures designed to minimize potential side-by-side management conflicts.

## **Item 7. Types of Clients**

As described above, ADG provides discretionary investment advisory services to the Funds and to SMAs.

Investors in the Funds are generally required to make a minimum initial investment which varies based on the Share Class of each fund, with subsequent minimum increments also based on the Share Class. The directors of the Funds reserve the right to waive the minimum initial investment amounts as well as the subsequent minimum increments.

U.S. investors in the Funds are typically limited to persons who are “qualified purchasers” as that term is defined in the Investment Company Act of 1940, and “accredited investors” as that term is defined in SEC Rule 501(a) under the Securities Act of 1933.

SMA clients are typically limited to institutions and other professional investors. The minimum initial investment amount to establish an SMA is \$20 million. The Firm reserves the right to waive the minimum initial investment amount at its discretion.

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

### Methods of Analysis and Investment Strategies

ADG pursues global quantitative and systematic trading and investment strategies on behalf of its clients.

The Firm seeks stable, long-term investment returns, through taking long and short positions on a global basis in a range of financial instruments, primarily exchange listed futures and FX forwards.

The Firm’s systematic trading strategy is designed to take advantage of opportunities that exist in the

markets and employs a factor-based approach that is:

- Focused on non-trivial risk premia and market anomalies
- Based on fundamental reasoning or intuitive economic theory
- Long term in nature and trades infrequently

ADG's strategy forecasts directional and relative value returns separately through four uncorrelated and independent models:

- Asset Class – forecasts the outright directional returns of global bonds, global stocks and volatility
- Country Bond – forecasts country bond returns relative to a global bond average
- Country Stock – forecasts country stock returns relative to a global stock average
- Developed FX – forecasts currency returns relative to a global basket of currencies

The Firm also incorporates a risk management framework that focuses on delivering a benign distribution of returns while taking into account certain risks:

- Strategic risk – models are constructed to deliver a certain level of expected volatility over the long term
- Tactical risk – position size is a function of the strength of factors
- Risk management – operates at factor, position, model, and portfolio levels.

ADG's investment strategy runs on a daily basis and uses two proprietary systems:

- Data manager, which collects and manages macro-economic and market data inputs
- Modeling System, which runs the portfolio in production (and also uses a research tool).

The investment strategy is supported research which is a continuous effort by the investment team. A conservative approach helps preserve the stability of the strategy while also fostering innovation and improvement. The investment team keeps up to date with latest academic research and potential applications to the strategy.

ADG monitors compliance with the investment objectives and restrictions set forth in the applicable governing documents of the Funds and the investment management agreements of the SMAs.

### Risk of Loss

The investment strategies pursued by ADG as summarized above will be subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest.

The descriptions contained below are a brief overview of certain risks associated with ADG's investment strategies; however, they are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in managing the client accounts. The Funds' governing and offering documents contain a more detailed discussion of the associated risks of the Firm's investment strategy.

### General Investment Risks

An investment in the strategies is highly speculative and involves a high degree of risk due to the nature of the investments and the investment strategies and trading strategies to be employed.

An investment in the strategies should not in itself be considered a balanced investment program. Investors and clients should be able to withstand the loss of their entire investment.

#### *Futures Trading May be Volatile*

Futures prices may be volatile and may exhibit a high degree of variability. Price movements for futures are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the psychological emotions of the market place. In addition, governments from time to time intervene in certain markets, directly and by regulation, often with the intent to influence prices directly. This volatility, combined with the leverage used in futures trading can cause large and sudden losses of capital and may result in the total loss of an investment or, in certain circumstances, a total loss in excess of a total investment.

#### *Non-U.S. Exchanges and Markets*

ADG engages in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets involves certain risks not applicable to trading on United States exchanges and is frequently less regulated. For example, certain of such exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants as do United States exchanges.

#### *Decisions Based on Trend Following Analysis*

The trading decisions made on behalf of clients will be based in part on trading strategies which utilize mathematical analyses on past market price movement. The profitability of any trading strategy based on this type of historical analysis is determined by the relationship of future price movements to historical prices, and the ability of the strategy to adapt to future market conditions. ADG attempts to develop strategies which will be successful under many possible future scenarios. There can be no guarantee, however, that these systematic strategies will be successful.

#### *Economic and Market Conditions*

The success of the strategies will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of investments' prices and the liquidity of the investments. Volatility or illiquidity could impair the strategies' profitability or result in losses.

#### *Potential Implications of Britain's Withdrawal from the European Union ("Brexit")*

In a referendum held on 23 June 2016, the electorate of the United Kingdom resolved to leave the European Union, and the formal process was triggered at the end of March 2017 beginning a two year period of negotiation for withdrawal. The result has led to political and economic instability, volatility in the financial markets of the United Kingdom and more broadly across Europe. It may also lead to weakening in consumer, corporate and financial confidence in such markets as the UK negotiates its exit from the EU. The longer term process to implement the political, economic and legal framework between the UK and the EU is likely to lead to continuing uncertainty and periods of exacerbated volatility in both the UK and in wider European markets. In particular, the decision made in the British referendum may lead to a call for similar referendums in other European jurisdictions which may also cause increased economic volatility in wider

European and global markets. This mid to long term uncertainty may have an adverse effect on the economy generally and on the ability of ADG to execute its respective strategies and to receive attractive returns.

#### *Derivatives Risk and Volatility*

ADG's investment strategies may involve the purchase and sale of relatively volatile instruments such as derivatives. Price movements of forward contracts, futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Fluctuations or prolonged changes in the volatility of such securities, therefore, can adversely affect the value of investments.

#### *Counterparty Risk*

Clients will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

#### *Liquidity*

In extreme market conditions, it may be difficult for an investor or client to realize an investment at short notice without suffering a discount to market value. In such circumstances the investor may suffer a delay in realizing his investment or may incur a dilution adjustment. Depending on the types of assets invested in, there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price.

#### *Leverage*

A proportion of the strategies' capital may be leveraged. While leverage presents opportunities for increasing the capital return, it has the effect of potentially increasing losses as well. Any event which adversely affects the underlying vehicles would be magnified to the extent the capital is leveraged. The cumulative effect of the use of leverage in a market that moves adversely to the underlying investment vehicles could result in a substantial loss to capital that would be greater than if capital were not leveraged.

### **Item 9. Disciplinary Information**

ADG does not have any disciplinary information to disclose.

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

As mentioned previously, ADG is a wholly-owned subsidiary of ADG Corporate Limited, which is the group holding company for ADG and numerous other entities, including three other financial firms regulated by the Financial Conduct Authority and one Malta Financial Services Authority regulated firm. Since ADG and the other entities are under common control, each is considered an affiliate of the Firm. As the other entities do not engage in investment management services for clients, ADG believes that potential conflicts of interest due to the affiliate arrangement are largely mitigated. ADG also maintains Chinese walls to prevent breaching of the information barriers between the affiliate entities. ADG monitors this affiliate arrangement for potential conflict and, if such conflicts arise, the Firm will adopt policies and procedures or take other steps in an attempt to mitigate the conflicts.

As noted in Item 4, ADG is registered with the Commodity Futures Trading Commission as both a Commodity Pool Operator and Commodity Trading Adviser.

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

ADG has adopted a Code of Ethics policy which, among other things, contains provisions designed to (i) prevent improper personal trading by staff; (ii) prevent improper use of material, non-public information, explicitly including regarding any client's purchase or sale of securities, or recommendation to purchase or sell such securities; or information regarding the portfolio holdings of any fund the Firm or its control affiliate manages and (iii) identify conflicts of interest, including monitoring of gifts and entertainment issues that could arise involving ADG or its personnel.

A copy of the Firm's Code of Ethics shall be provided to any SMA client, investor, prospective SMA client, or prospective investor upon request.

## **Item 12. Brokerage Practices**

### Best Execution

ADG maintains approved counterparties with whom orders are typically placed. ADG generally has discretion to choose a counterparty for executing orders, but in doing so shall assess and balance a range of all relevant factors which the Firm considers (in its reasonable determination) relevant to achieving the best result for clients.

On a periodic basis, the list of approved counterparties will be reviewed and, where appropriate, the list will be amended.

The typical factors that are considered to determine the manner in which an order will be executed include the following:

- Price
- Cost
- Speed
- Likelihood of settlement or execution
- Size
- Overall nature of the trade
- Added value
- Specialisation
- Liquidity
- Any other consideration relevant to the efficient execution of the order including the availability of liquidity and the market impact of the order.

In determining the relative importance of these factors, the Firm will take into account the nature of the order, the characteristics of the financial instruments to which the order relates and the characteristics of the available execution venues, and will exercise its discretion to determine which of these factors, or combination of them, will be most relevant to achieve best execution.

### Trade Errors



ADG will seek to detect trade errors prior to settlement and promptly correct and mitigate any trade error losses. Certain trade errors losses will be borne by ADG depending on the circumstances. Gains associated with any trade errors by ADG shall be retained by the affected client(s). To the extent that a trade error is caused by a counterparty of the Funds, such as a broker or agent, the Firm will seek to recover any related trade error losses from such counterparty. The Firm in its sole discretion may offset any trade error income with trade error losses.

#### Soft Dollars/Client Commission Usage

The Firm has not entered into any soft dollar or client commission sharing agreements.

#### Directed Brokerage

ADG will accept direction from clients or agree to limitations with respect to ADG's brokerage discretion as to which broker or brokers is/are to be used and what commissions are to be paid. Any such direction or limitation must be in writing. Clients which, in whole or in part, direct ADG to use a particular broker to execute transactions for their accounts should be aware that, in so doing, they may adversely affect ADG's ability to, among other things, obtain best price and execution, and the cost of the transaction may be greater.

#### Trade Aggregation

ADG may aggregate purchase and sale orders of investments held by Client accounts managed by ADG depending on the instrument being traded. ADG's order management system treats transactions in the following way:

- For futures contracts: the system generates separate orders for each account, then randomly defines the sequence in which they should be executed.
- For FX forwards: orders are aggregated before being placed into several different pools, depending on the allowable counterparties for each account. The sequence in which the pools should be executed is then randomised. The executed trades for each pool will then be split between the pool's client accounts using the same price.

However, there may be occasions when it is not suitable for more than one Client to participate in aggregated transactions. In any such circumstances, the portfolio manager will consider the applicability of the transaction to each of the Clients. The factors to be considered by the portfolio manager as to whether or not to aggregate an order, in addition to the investment objectives, policy and investment restrictions applicable to each client include: liquidity of the investment, funding facilities and liquidity facilities available to the client, diversification requirements, size of the client, size of investment, risk profile of funding and portfolio building strategy for any new Client.

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

Members of the Firm's investment team review the investments in the strategies on an ongoing basis and will provide reports to investors and clients as set forth in the organizational and offering documents of the Funds as well as in the investment management agreements for the SMAs. Clients and investors will receive written reports and statements from brokers utilized by the Firm.

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

ADG has not engaged third parties to solicit investors or Clients.

## **Item 15. Custody**

Pursuant to SEC interpretations, as set forth in the “SEC Staff Response to Questions about the Custody Rule,” Question VI.5 and SEC Staff Letter to the ABA, Subcommittee on Private Investment Entities, issued August 10, 2006, offshore advisers registered with the SEC are not subject to the Custody Rule with respect to offshore funds. ADGCM’s Funds are domiciled outside of the United States and, therefore, rely on this exemption. If ADG were to form a US-domiciled fund, ADG will be deemed to have custody of that vehicle and would ensure the fund is audited annually pursuant to Rule 206(4)-2.

ADG is not deemed to have custody over any separately managed account clients.

## **Item 16. Investment Discretion**

ADG has discretionary authority to manage the assets of the Funds and the SMAs in a manner consistent with the stated investment objectives and guidelines of the Funds’ organizational and offering documents and the investment management agreements.

## **Item 17. Voting Client Securities**

The investment strategies pursued by ADG do not currently involve the trading of single name equities. Accordingly, the Firm does not vote proxies. In the event that the Firm’s strategies change to include the trading of such securities, the Firm will adopt policies and procedures setting forth its voting responsibilities for proxies. A copy of such policies and procedures will be available upon request, as well as a record of all votes cast on behalf of the Firm’s clients.

## **Item 18. Financial Information**

ADG has never filed for bankruptcy and is not aware of any financial condition that is likely to impair its ability to provide services to clients.