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# HOMAER INTERNATIONAL US LLC

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## Firm Brochure, FIRM ADV, Part 2A

*This brochure provides information about the qualifications and business practices of Homaer International US LLC. If you have any questions about the contents of this brochure, please contact us at +1-888-224-9925 or by email at: [adviser@homaer.com](mailto:adviser@homaer.com). 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 Homaer International US LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Homaer International US LLC's CRD number is: 282081.*

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Registration does not imply a certain level of skill or training

**Version Date: 3/8/2019**

## **Item 2: Material Changes**

Homaer International US LLC has expanded clients base in China (as of this annual update date of amendment: 12/31/2018) to several cities such as Shanghai, Shenzhen, in addition to Beijing and Hangzhou and has started with financial planning services to advise clients for their global asset allocation and investment requirements (for non-US persons only - primarily HNWIs in China). Homaer International US LLC, as an RIA, is solely for interfacing Homaer's Equity Trading Apps with Interactive Brokers, a trading platform used by professional traders.

## Item 3: TABLE OF CONTENTS

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

## Item 4: Advisory Business

### A. Description of the Advisory Firm

Homaer International US LLC (hereinafter “Homaer International”) is a Limited Liability Company organized in the State of Delaware.

The firm was formed in October 2015, and the principal owner is YE, Chengkun. Its principal address is in **Beijing, China** (CityChamp Building, Suite 1701, TaiYangGong, ChaoYang District, Beijing, China 100026).

### B. Types of Advisory Services

#### ***Portfolio Management Services***

Homaer International offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Homaer creates *an Investment Policy Statement* for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Personal investment policy
- Asset allocation
- Asset selection
- Risk tolerance
- Regular portfolio monitoring

Homaer International evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Homaer International seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of Homaer International’s economic, investment or other financial interests. To meet its fiduciary obligations, Homaer International attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, Homaer International’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is Homaer International’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

### **Services Limited to Specific Types of Investments**

Homaer International US LLC generally limits its investment advice to mutual funds, fixed income securities, equities ETFs, and alternative investment types, such as hedge funds. Homaer International may use other securities as well to help diversify a portfolio when applicable. Homaer International provides allocation advices but not manages client's portfolio with discretion (i.e. non-discretionary)

### **C. Client Tailored Services and Client Imposed Restrictions**

Homaer International offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation depends on the client Investment Policy Statement which outlines each client's current profile (income, tax levels, and risk tolerance levels). Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. Homaer International does not participate in any wrap fee programs.

### **E. Assets Under Management**

Currently, Homaer International as RIA has the following assets under management via equity trading platform through Interactive Brokers:

Discretionary Amounts	Non-discretionary Amounts	Date Calculated
\$0	\$5,800,000	December, 2018

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### ***Performance-Based Fees for Portfolio Management***

Depending on investment products and strategies, accredited clients will pay an annual fee of **up to 2.00%** of assets under management along with a range of **up to 25.00%** performance fee based on capital appreciation. If the client's portfolio rises in value, the client will pay given performance rate on that increase in value (sometimes with a **hurdle rate**), but if the portfolio drops in value, the client will not incur a new performance fee until the portfolio reaches the last highest value, adjusted for withdrawals and deposits, which is generally known as a "high water mark." The high water mark will be the highest value of the client's account on the last day of any previous quarter, after accounting for the client's deposits or withdrawals for each billing period. These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. This service may be canceled with 30 days' notice. Clients

must pay the prorated performance-based fees for the billing period in which they terminate the Investment Advisory Contract up to and including the day of termination.

## **B. Payment of Fees**

### ***Payment of Performance-Based Portfolio Management Fees***

Performance-based portfolio management fees may be invoiced and billed directly to the client on a monthly basis, fees are paid in arrears.

## **C. Client Responsibility for Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by Homaer International. Please see Item 12 of this brochure regarding broker-dealer/custodian.

## **D. Prepayment of Fees**

Homaer International collects its fees in arrears. It does not collect fees in advance. Fees are based on client's asset values being advised.

## **E. Outside Compensation For the Sale of Securities to Clients**

Neither Homaer International nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

# **Item 6: Performance-Based Fees and Side-By-Side Management**

Homaer International manages accounts that are billed on performance-based fees (a share of capital gains on or capital appreciation of the assets of a client) and may as well manage accounts that are not billed on performance-based fees. Managing both kinds of accounts at the same time presents a conflict of interest because Homaer International and/or its supervised persons have an incentive to favor accounts for which Homaer International receives a performance-based fee. Homaer International addresses the conflicts by ensuring that clients are not systematically advantaged or disadvantaged due to the presence or absence of performance-based fees. Homaer International seeks best execution and upholds its fiduciary duty for all clients. Clients paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

# **Item 7: Types of Clients**

Homaer International generally provides advisory services to the following type of clients:

- High-Net-Worth Individuals (a.k.a. accredited investors)

### ***Minimum Account Size***

In general, there is no account minimum for any of Homaer International's services. However, for accredited client services, Homaer International requires each client with minimum cash accounts greater than US\$1,000,000.

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

### **A. Client Responsibility for Third Party Fees**

#### ***Method of Analysis***

Homaer International's methods of analysis include charting analysis, fundamental analysis, technical analysis, cyclical analysis, quantitative analysis and modern portfolio theory.

**Charting analysis** involves the use of patterns in performance charts. Homaer International uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Cyclical analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

#### **Investment Strategies**

Homaer International uses long term trading, short term trading, short sales and margin transactions.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### ***Methods of Analysis***

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are twofold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

**Quantitative Model Risk:** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

**Modern Portfolio Theory** assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### ***Investment Strategies***

Homaer International's use of short sales and margin transactions generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will



typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Short sales** entail the possibility of infinite loss. An increase in the applicable securities' prices will result in a loss and, over time, the market has historically trended upward.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired.

***Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.***

### C. Risks of Specific Securities Utilized

Homaer International's use of short sales and margin transactions generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

**Hedge Funds or Fund of Hedge Funds** are products suitable only for accredited investors. Various strategies (long/short, relative value, credit, regulatory premium, alternative fixed income, CTA and so on) are employed. Therefore, the risk characteristics are different. The long term investment approach (two or more years) is strongly recommended for these investments.

*Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

## Item 9: Disciplinary Information

**A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

**B. Administrative Proceedings**

There are no administrative proceedings to report.

**C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

## Item 10: Other Financial Industry Activities and Affiliations

**A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither Homaer International US LLC nor its representatives are registered as a broker/dealer or a representative of a broker/dealer. It is established as an RIA only.

**B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Homaer International US LLC nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

**C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither Homaer International US LLC nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

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

### **A. Code of Ethics**

Homaer International has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Homaer International's Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

Homaer International does not recommend that clients buy or sell any security in which a related person to Homaer International or Homaer International has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Homaer International may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Homaer International to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. Homaer International will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Homaer International may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Homaer International to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, Homaer International will never engage in trading that operates to the client's disadvantage if representatives of Homaer International buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on Homaer International's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent. Homaer International will recommend clients to use Interactive Brokers LLC.

#### **1. Research and Other Soft Dollar Benefits**

Homaer International does not trade client's accounts and therefore receives no research, product, or services from a broker-dealer ("soft dollar benefits").

**2. Brokerage for Client Referrals**

Homaer International receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

**3. Clients Directing Which Broker/Dealer/Custodian to Use**

Homaer International does not trade client's accounts. However, the Fund of Funds do use 3<sup>rd</sup>-party Custodian services which have the discretion to use other 3<sup>rd</sup>-party broker/dealer, which is not influenced by Homaer International.

**B. Aggregating (Block) Trading for Multiple Client Accounts**

Homaer International does not trade clients' accounts and therefore does not have the ability to block trade purchases across accounts. However, for fund of hedge funds allocations, Homaer International does aggregate clients' subscriptions and invest, on behalf of clients, to underlying hedge funds as an institution investor.

## **Item 13: Review of Accounts**

**A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for Homaer International's advisory services provided on an ongoing basis are reviewed at least annually by George G Chen, CIO, and his finance team with regard to clients' respective investment policies and risk tolerance levels. All accounts at Homaer International are assigned to this reviewer.

**B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

**C. Content and Frequency of Regular Reports Provided to Clients**

Each client of Homaer International's advisory services provided on an ongoing basis will receive a monthly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian or fund administrators.

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

**A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Homaer International does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Homaer International's clients.

**B. Compensation to Non-Advisory Personnel for Client Referrals**

Homaer International does not directly or indirectly compensate any person who is not advisory personnel or consultants for client referrals.

## **Item 15: Custody**

Homaer International does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the client's custodian or private funds' custodian. Clients will receive account statements from the custodian and should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

Generally, Homaer International does not have discretion over client accounts at any time. However, for fund of hedge funds investment, Homaer International does rely on Homaer International's offshore investment vehicle (and under its fund manager's discretion) to help clients allocate investments to the Fund of Hedge Funds' underlying funds.

## **Item 17: Voting Client Securities (Proxy Voting)**

Homaer International will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Homaer International neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Homaer International nor its management has any financial condition that is likely to reasonably impair Homaer International's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

Homaer International has not been the subject of a bankruptcy petition in the last ten years.

===== THE END =====