

# **Synergy Fund Management Group Limited**

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This brochure provides information about the qualifications and business practices of Synergy Fund Management Group Limited. If you have any questions about the contents of this brochure, please contact us at +852 2851 6962 or email at [LilyChai@synergyfmg.com](mailto:LilyChai@synergyfmg.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

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

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## Item 2: Material Changes

This is Synergy Fund Management Group Limited's brochure filing for the 2021 annual amendment.

## Item 3: Advisory Business

### Our Firm

Synergy Fund Management Group Limited ("Synergy", "we" or the "Firm") is a company limited by shares incorporated in Hong Kong on January 25, 2010. Synergy is licensed by the Securities and Futures Commission in Hong Kong to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) activities.

As of Dec 31, 2021, Synergy has provided investment advisory services to Synergy Asia Market Neutral Master Fund ("SAMNMF"), Synergy Asia Market Neutral Fund ("SAMNF"), Synergy Asia Master Fund ("SAMF"), Synergy Asia Feeder Fund ("SAFF"), Synergy Global Market Neutral Master Fund ("SGMNMF"), Synergy Global Market Neutral Feeder Fund ("SGMNFF") and Synergy Global Fund ("SGF") (collectively, the "Funds"), each a privately pooled investment vehicle incorporated in the Cayman Islands as exempted companies with limited liability (the "Fund"). The Funds are exempted from registration under the Investment Company Act of 1940. Synergy also manages separately managed accounts (each an "**SMA**") and provides advisory service to clients.

### Principal Owners

Synergy is 100% owned and controlled by LAU Sau Han, Eliza, who holds Synergy ownership via ABDE & Associates Limited.

### Client Types

Synergy serves as an Investment Adviser to the Funds, which are exempted from registration under the Investment Company Act of 1940, and provides advisory and discretionary services to other exempt funds, clients, and/or SMAs.

### Types of Services Offered

Synergy provides investment advisory services to the Funds, clients and SMAs ("**Investors**") in accordance with the investment objectives described in the Funds' offering documents or investment mandates as amended and supplemented from time to time ("**Offering Materials**"). Investors may impose restrictions on investing in certain securities or types of securities by virtue of letter agreements or other similar agreements ("**Side Letters**") providing different rights and benefits.

As of 31 December 2021, Synergy managed approximately US\$ 586M of regulatory assets on a discretionary basis (excluding SMA assets).

**Item 4: Management Fees**

The fees applicable to the Funds are set forth in detail in the Funds' Offering Materials; with respect to all share classes, the Firm receives an annual management fee ranging up to 1.25% per annum in respect of the net asset value ("NAV") of the Funds ("Management Fee"). The Management Fee is payable monthly in arrears.

The Funds pay for its organizational expenses as well as all costs related to its investments, including but not limited to, accounting, auditing, tax preparation, legal, administration and applicable transaction costs.

The management fees applicable to the clients with SMAs are agreed with clients in the Investment Management Agreements ("IMAs"). The clients with SMAs will incur all investment expenses related to trading or dealing in the assets of the SMAs including custodial fees, brokerage commissions, clearing fees, transfer or stamp taxes, and other transaction costs.

**Item 5: Performance-Based Fees**

Certain share classes of the Funds are charged a fee based on the performance of the Funds ("Performance Fee"). Performance Fee is subject to a high-water mark, and may range up to 10% of the increase in NAV attributable to investment performance during a performance period. Performance Fee is calculated and payable on an annual basis.

The Performance Fee of clients with SMAs will be negotiated on a case-by-case basis. Clients with SMAs may be charged a Performance Fee subject to a high-water mark in US dollars. The Performance Fee is generally calculated and payable on an annual basis.

**Item 6: Types of Clients**

Synergy provides investment advice to the Funds and SMAs. Investors in the Funds and SMAs must qualify as accredited investors and/or qualified purchasers, primarily consisting of institutional investors, family offices, high net worth individuals.

The minimum initial investment amount for the Funds general share class is US\$500,000 (for SGMNMF, SGMNFF and SGF), US\$250,000 (for SAMF, SAFF) and US\$1,000,000 (for SAMNMF and SAMNF). In certain circumstances, the Board of Directors of the Funds may, in their sole discretion, determine the minimum subscription per investor in a case or generally subject to all applicable legal requirements.

All SMA clients will be required to enter into an IMA with the Firm. The Firm may require a minimum investment amount, which is determined from time to time.

**Item 7: Methods of Analysis, Investment Strategies and Risk of Loss****Investment Objective**

The investment objective of SAMF is to generate higher risk-adjusted returns across different market cycles by capturing Asia secular growth trends opportunistically, and to achieve capital appreciation over the long-term with better liquidity, transparency and flexibility, moderate volatility and low correlation with traditional equity and fixed-income markets in Asia Pacific.

The investment objective of SGF is to generate high risk adjusted returns from global investment strategies with an Asia tilt over the long-term with better liquidity, transparency and flexibility, moderate volatility and low correlation with traditional equity and fixed-income markets globally.

The investment objective of SGMNMF is to generate high risk adjusted returns with low correlation to market directionality applying a global market neutral approach.

The investment objective of SAMNMF is to generate high risk adjusted returns with low correlation to market directionality applying an Asia market neutral approach.

SMAs are managed according to the respective investment objective.

**Investment Strategies**

Synergy Asia Master Fund and Synergy Global Fund will invest in portfolio funds that employ strategies including long/short equities, convertible bond arbitrage, distressed securities, fixed income arbitrage, opportunistic/macro and other alternative investment strategies, such as opportunistic long only.

Synergy Global Market Neutral Master Fund and Synergy Asia Market Neutral Master Fund will invest in portfolio funds that employ strategies including market neutral, equity long/short with low net exposures, relative value and multi strategy.

**Investment Process**

The investment process of the Funds has several components including top-down asset allocation, portfolio construction bases on top-down asset allocation calls and bottom-up portfolio fund selection, combining rigorous risk management and portfolio monitoring process. Potential investments will be evaluated and to be dynamically allocated on an on-going basis based on market environment, risk-adjusted opportunity set in different strategy, qualitative, quantitative and due diligence criteria, as well as the macro-outlook, financial markets and trends.

The investment process of the SMAs starts with the assessment of macro-economic and political conditions in the target market and globally and definition of the strategic asset allocation for the portfolios. The Firm is then responsible for sourcing and due diligence on funds and other asset classes apt to express the investment views in an optimal risk adjusted format and make recommendations to the investors of the SMAs. Once the investment is made, the Firm will monitor the portfolios and report to the investors of SMAs on monthly basis or more often if required.

**Portfolio Fund and Portfolio Manager Selection**

The Firm (“**Investment Adviser**”) will utilize its extensive network with portfolio managers locally and globally and the broader base of contacts to identify prospective portfolio funds and assess their abilities to execute a defined investment strategy, adapt to changing market conditions and use various risk management tools necessary to hedge its portfolio. Initial review also includes assessment of the fund’s infrastructure to ensure there are the necessary financial controls and support to execute the strategy. After the initial review, the Firm will conduct investment due diligence, using its proprietary analytical and risk management tools to evaluate the prospective fund’s portfolio and the underlying risks. Operation due diligence will also be conducted, including review of formation documents, management agreements and subscription agreements as well as operation control processes and reference check. The prospective funds and the prospective portfolio managers which have successfully passed the stringent due diligence process will undergo a final review and approval by the Investment Committee.

**Portfolio Construction and Monitoring**

Portfolio construction is based on top-down asset allocation calls on various opportunity sets across all strategies and combined with the fundamental analysis of various economic and market indicators overlaid with quantitative techniques to estimate the sensitivity of individual investment strategies to its risk factors. After the assessment of the risk and return targets and expectations along with each individual strategy and overall Funds’ profiles, an optimal allocation to each strategy is generated by a proprietary model to account for relative risk and returns.

The Firm will select funds for individual investment strategy based on the asset allocation recommendation, and will rebalance the Funds’ investment portfolios as necessary to take advantage of opportunities arising from its constant review of the markets and global economy.

Portfolio monitoring is conducted on an on-going basis with the level of monitoring depending on factors relating to individual funds and their portfolio managers. The Firm will identify and mitigate potential risks that may arise; and will regularly contact each portfolio manager to monitor its adherence to its individual investment strategy and process and the risks associated.

**Direct Investments**

The Funds may if needed, trade directly generally for hedging or risk management purposes and may invest in mutual and money market funds and other investment entities.

**Leverage**

The Funds generally do not intend to employ leverage in its investment activities but the Investment Adviser may leverage the investment of each Fund by borrowing up to 15% of the Fund’s net asset value to offset the inherent opportunity costs of combining non-correlated strategies.

**Risk Factors**

Investing in securities involves risk of loss that investors should be prepared to bear. An investment in the Funds is speculative and involves substantial risks. There can be no assurance that the investment objective of the Funds will be achieved. Because of the risks involved,

investment in the Funds is only suitable for sophisticated investors who are able to bear the loss of a substantial portion or even all of the money they invest in the Funds. The following risks are non-exhaustive and should be carefully evaluated before making an investment in the Funds.

- **Investment Risk:** the profitability of the Funds' investment program depends on correct assessments by underlying fund managers of future price movements of securities and other instruments. There can be no assurance that the underlying fund managers will be able to accurately predict or follow these price movements. The securities markets have in recent years been characterized by significant volatility and unpredictability. In addition to particular market risks, there is an increased level of unpredictability as to changes in general economic conditions which may affect the profitability of the Funds' investment programs. The Funds are subject to market risk, emerging market risk, strategy risk, management risk, fund structure risk, and tax risk.
- **Market Risk:** the success of any investment activity is affected by the general economic conditions which affect the level and volatility of prices as well as the liquidity of markets. The prices of many securities and derivative instruments are highly volatile. The price movements of many of the instruments in which the underlying funds trade are influenced by, among other things, interest rates, changing supply and demand relationships, the trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events. Governments intervene, directly and by regulation, in certain markets, particularly those in currencies and interest rates, disrupting strategies focusing on these sectors. On the other hand, certain strategies are "long" volatility, and their profit potential is severely diminished or eliminated in settled market conditions. Unexpected changes (in either direction) in the volatility or illiquidity of the markets in which underlying fund managers hold positions could cause significant losses.
- **Strategy Related Risk:** strategy risk relates to the deterioration of the economic viability of an entire strategy. Strategy-specific losses can result from excessive concentration by multiple underlying fund managers in the same investment approach or general economic events that adversely affect particular strategies.
- **Currency risk:** The value of currencies may fluctuate. In certain countries, the conversion of foreign currencies is based on rates set by the relevant central bank. Any significant changes in central bank policy or revaluation of the currency in such countries may materially and adversely affect a portfolio fund's cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to, the Funds. The exchange rates of currencies, particularly in developing economies, can be highly volatile, and the value may decline suddenly and materially because of political events, market disruptions, natural catastrophes, or terrorist activities.

**Item 8: Disciplinary Information**

The Firm has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to such action.

**Item 9: Other Financial Industry Activities and Affiliations**

The Firm is an exempt commodity pool operator with the Commodity Futures Trading Commission and the National Futures Association.

**Other Material Relationships**

The Firm is not an investor in the Funds; however, the Firm's employees are investors in the Funds.

**Item 10: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading****Participation or Interest in Client Transactions**

The Firm serves as the Investment Adviser to the Funds. The principal and/or employees, affiliates and relatives of the employees may make investment in the Funds.

We and our affiliates and employees may have a financial interest in the Funds through an incentive allocation or a direct investment interest in the Funds. As such, the Firm could be considered to have recommended to Investors that they buy or sell securities or investments in which a related person has some financial interests.

SMAs are managed according to their respective investment mandates, which may not be necessarily on a pari passu basis with the Funds. The trading and investment will be done so as not to disadvantage the Funds over the SMA clients or vice versa. This is disclosed to the SMA clients prior to the execution of an IMA.

**Code of Ethics and Personal Account Dealing**

Pursuant to Rule 204A-1 of the Advisers Act, Synergy has adopted a Compliance Manual and a Personal Account Dealing Policy that establishes various procedures with respect to investment transactions in accounts in which employees of Synergy or related persons have a beneficial interest or accounts over which an employee has investment discretion.

The Compliance Manual was adopted to avoid actual and possible conflicts of interest, avoid the inappropriate use of material, non-public information and ensure the propriety of its employees' and partners' (or similar) trading activities.

The foundation of the Compliance Manual is based on the underlying principles that:

- Employees of Synergy must at all times place the interests of clients first;
- Employees of Synergy must make sure that all personal securities transactions are conducted consistent with this Compliance Manual and the Personal Account



Dealing Policy contained in this Compliance Manual. All transactions should avoid any actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility; and

- Employees of Synergy should not take unfair advantage of their positions. The receipt of investment opportunities, perquisites, or gifts from persons seeking business with Synergy could call into question the exercise of an employee's independent judgment.

Generally, all employees are required to disclose to the Firm existing investment holdings upon joining and at least semi-annually thereafter.

All relevant Employees are required to hold all personal investments for at least 30 days, unless prior written approval of the Compliance Officer or other persons designated by senior management is given for an earlier disposal.

The relevant Employees are required to, within 10 days of commencing employment at Synergy, disclose details of their outside broking accounts to the Compliance Officer, and ensure that copies of records and statements of personal transactions entered into by them are submitted to the Compliance Officer.

Employees are required to obtain pre-clearance from the Compliance Officer or Chief Executive Officer prior to any personal share dealing transaction.

The Firm will provide a copy of the Firm's Code of Ethics to any clients or prospects upon request.

## **Item 11: Brokerage Practices**

### **Trade Execution – practice / fair allocation**

The Investment Adviser will instruct the Funds' administrator and custodian to execute the approved trades for the Funds. Trade logs are maintained and reconciled with the administrator records on an on-going basis to ensure the trades are being executed timely and accurately.

### **Trade Allocation**

Our policy prohibits any allocation of trades in a manner that would allow a client to be favored over any other clients.

### **Principal Transactions / Cross Trades**

In a "principal transaction", an investment adviser, acting for its own account, buys a security from, or sells a security to, a client's account. The Firm does not maintain "own accounts" / proprietary accounts and hence no principal transaction. The Firm does not engage brokers and does not involve in any agency cross trades.

**Item 12: Review of Accounts****Review of Accounts**

The Funds are reviewed and reconciled on a monthly basis with monthly valuation and cash reports prepared by the Fund's independent administrator. In addition, the Firm also monitors the Funds' performances to help ensure conformity with investment objectives and guidelines.

The Funds' administrator will prepare monthly unaudited Funds' valuation packs stating the Funds' share price for each share class.

**Reporting**

The Funds will be audited on an annual basis by an independent auditor. The Fund's administrator will prepare its annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). Copies of the audited financial statements will be issued to all investors within 6 months after the Funds' fiscal year-end, ending on 31 December.

The Funds' administrator will issue unaudited monthly account statement to investors within the period of 7 days following the confirmation of the monthly valuation of the Funds.

The Firm will provide monthly performance update report to SMA clients.

**Item 13: Client Referrals and Other Compensation**

The Firm or any related person of the Firm generally does not compensate any person who is not Synergy's supervised persons for client referrals. The Firm may to a limited extent and from time to time engage one or more placement agents / introducers for investor referrals. Any such person would generally be compensated by the Firm by reference to the size of investment(s) referred or introduced.

**Item 14: Custody**

Synergy does not maintain direct custody over client funds or securities. All assets are held at qualified custodians. The Funds have its own fund administrator and custodian who are independent of the Firm. Investors in the Funds receive monthly account statements from the Funds' administrator and investors of SMAs receive monthly account statements from their invested funds' respective administrators. Synergy urges investors in the Funds and SMAs to carefully review such statements.

**Item 15: Investment Discretion**

Synergy possesses discretionary portfolio management authority over the Funds with respect to asset allocations and hedge fund investments as per the investment management agreement and offering document in place.

Synergy has the authority to determine (i) the securities to be purchased and sold for the Funds and (ii) the amount of securities to be purchased or sold for the Funds.

**Item 16: Voting Client Securities**

Where the Firm has responsibility for voting proxies, the Firm will take measures reasonably designed to ensure that they are voted in the best interest of its clients, which generally means voting with a view to enhancing the value of client securities. Financial interest of clients is the primary consideration in determining how their proxies should be voted. The Firm may refrain from voting in certain circumstances.

Below are some voting principles that the Firm may take into account in voting proxies whilst each situation must be judged on its own merits:

- In the absence of evidence to the contrary, the Firm will give considerable weight to management recommendations, except in the case of issues directly affecting the interests of management itself, such as management compensation;

- The Firm will in general support management recommendations about the internal operations of the company. Whilst proposal which is likely to have significant economic effect on the relevant company and its security-holders will be subject to greater scrutiny on a case-by-case basis;
- The Firm favors having strong independent directors and supports the delegation of key functions (such as compensation, audit and nominating committees) to independent directors.

**Item 17: Financial Information**

Synergy has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.