

# **Zentific Investment Management Limited**

**17<sup>th</sup> Floor, One Hysan, No.1 Hysan Avenue,  
Causeway Bay, Hong Kong**

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This Brochure provides information about the qualifications and business practices of Zentific Investment Management Limited. If you have any questions about the contents of this Brochure, please contact us at +852 3163 8180 or by email at [heather.burden@zentific-im.com](mailto:heather.burden@zentific-im.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.

Registration of an investment adviser does not imply that Zentific Investment Management Limited or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

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Since the most recently submitted Form ADV Part 2A: Firm Brochure Zentific Investment Management Limited has ceased trading Zentific China A Long Only Limited

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**Item 4: Advisory Business**

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**Our Firm**

Zentific is a registered investment adviser with the SEC and is licensed by the Hong Kong Securities and Futures Commission (the “SFC”). Zentific provides advisory services to a managed account and privately pooled investment vehicles: the Zentific Asia Opportunities Offshore Master Fund Limited (“Master Fund”), Zentific Asia Opportunity Offshore Feeder Fund, Zentific Asia Opportunities Offshore Feeder Fund II Limited, and Zentific China Opportunities Offshore Fund Limited (“China Fund”) (collectively, the “Funds”). The Funds are incorporated in the Cayman Islands as exempted companies with limited liability. Zentific serves as an investment adviser to the Funds.

**Principal Owners**

Zentific is a limited liability company incorporated in Hong Kong in October 2014 and is directly owned by Zentific Holdings Limited, a Cayman Islands domiciled company. Zentific Holdings Limited is directly owned by Zentific Family Trust. Both these entities are affiliated with the founders and senior management. Asian Financial Services Limited as Trustee of Zentific Family Trust has been appointed the Trustee of the Zentific Family Trust.

**Services Offered**

Zentific provides investment advisory services to the Funds based on specific investment objectives and strategies. The Funds’ offering documents (as amended and supplemented from time to time) set forth the investment guidelines and/or the types of investments in which the assets of the Funds may invest.

The performance of the Funds will be reported, fees will be calculated, and all subscriptions and redemptions will be transacted, in US dollars (US\$).

**Ability to Tailor Services and Impose Restrictions**

The investment objectives and strategy for the Funds are described in the Funds’ offering documents. The Firm provides investment advisory services to the Funds based on the specific investment objectives and strategies of the Funds themselves and not individually to investors in the Funds (the “Investors”). However the Funds may from time to time enter into side letter agreements or other similar agreements (“Side Letters”) providing investors with additional and/or different rights and benefits. Directors may also reduce the minimum subscription amounts in consultations with the Firm, subject to requirements by applicable laws.

**Item 5: Fees and Compensation**

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**Management Fee**

The fees applicable to each Fund are set forth in detail in each Fund’s offering documents; with respect to all share classes, the Firm receives an annual management fee range up to 2% per annum in respect of the net asset value (“NAV”) of the Funds without accrual unearned management fees and performance allocation (“Management Fee”). The Management Fees are generally paid monthly in arrears.

The Funds may from time to time enter into Side Letters providing for changes in management fees and performance allocation.

The Funds pay for organizational and initial offering expenses as well as ongoing operating expenses, including but not limited to, accounting, auditing, tax preparation, legal, administration, research, and trading costs. The Funds may incur brokerage and other transaction costs.

Fees and compensation are generally deducted from the assets of each Fund on a monthly basis.

**Brokerage Fees**

The Funds are responsible for paying any and all brokerage fees including, without limitation, commissions, annual fees, brokerage charges, bank charges, registration fees, clearing and settlement charges, option premiums, taxes and/or duties.

**Expenses of the Initial Contribution Period**

The Funds pay the expenses of organizing the Funds by reimbursing the Firm. These expenses are exclusive of Zentific's operating expense reimbursements.

**Item 6: Performance-Based Allocation**

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The pro-rata performance allocation fee ("Performance Allocation") for all share classes is charged, subject to a high water mark, in an amount equal up to a range up to 20% per annum of the increase in NAV attributable to investment performance is calculated on a monthly basis. A fee class is offered for the Feeder Fund with management fee OR performance-based allocation structured. China A Long's Performance Allocation is based on performance over a designated benchmark.

**Item 7: Types of Clients/ Eligible Investors**

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Zentific provides investment advice to the Funds. Investors in the Funds primarily consist of institutional investors and high net worth individuals.

The minimum initial investment amount for each Fund is generally US\$1,000,000 and the minimum subsequent investment amount is US\$1,000,000. In certain circumstances, minimum investment amounts may be amended by directors in consultation with the Firm.

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

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**Investment Strategy and Objective**

The Master Fund is a quantitative equity long/short hedge funds focused on investing in equities of listed Asian issuers. Zentific China Fund focuses on listed China issuers. The investment philosophy and strategy are guided by two core beliefs:

- that risk-adjusted performance and long-term investment returns can be generated by exploiting inefficiencies of the Asian capital markets, and the growth capital appetite among Asian issuers through a combination of security selection and risk management; and

- that Asian economies and select investment themes have the mid to long-term potential to appreciate considerably.

Zentific's investment strategy focuses on capturing:

- substantially asymmetric risk-reward characteristics;
- market inefficiencies; and
- strong growth capital appetite among Asian issuers.

Zentific will seek to implement an investment program that allots a substantial percentage of the Funds' assets to core investments in Pan-Asia listed equities. Zentific believes that the resulting portfolio construction may deliver better-than-market risk-adjusted returns while remaining less correlated with broader market trends and attempting to provide downside protection in unfavourable equity or credit market environments.

Investment positions in the Funds will consist solely of publicly-traded investments, or synthetic positions which are directly related to a publicly traded security.

Zentific China A Long's investment objective is to focus on capturing substantially asymmetric risk-reward characteristics, market inefficiencies and the strong growth capital appetite among China A issuers.

### **Zentific Manager in Charge Committee - Risk**

A dedicated committee has been established to discuss an array of Zentific topics including overseeing risk. This committee meets regularly to review risk exposures and controls and a consensus approval is required for all portfolio positions of the Funds that exceeds any of the investment guidelines. Investment restrictions will be actively monitored and in the event of a breach the Funds will be realigned with such restrictions with regard to investors' interests. The approach to risk management is to monitor various risk parameters, while also doing scenario analyses and stress tests.

Additionally, Zentific's hedging philosophy seeks to pursue a dynamic risk management strategy geared to minimize arbitrary market risks.

The application of any risk management approach involves numerous judgments and qualitative assessments. No risk management system is fail-safe, and no assurance can be given that the risk control framework will achieve its objectives. From time to time, without notice to the participating shareholders Zentific may modify or change the risk management system and procedures.

### **Risk Factors**

An investment in the participating shares is speculative and involves a high degree of risk. There is no guarantee that implementation of the investment objective or strategy with respect to the assets will not result in losses to holders of participating shares. Accordingly, prospective investors should consider risks including but not limited to:

***Speculative Nature of Certain Investments:*** Certain investments by the Funds may be regarded as speculative in nature and involve increased levels of investment risk. Zentific's past performance, any sub advisers or our affiliates, employees or representatives or any other person is not indicative of future results of the Funds and no assurance can be given that the

investment objectives will be achieved or that investors will receive a return on any of their investment

***Diversification Risk/Asian Investments:*** The investments will be primarily concentrated in listed Asian securities of Asian companies and/or securities denominated in Asian currencies. Some of the risks associated with securities of Asian Companies include

- Less Company information and regulation
- Restrictions on investment and repatriation
- Political and Economic Instability
- Foreign withholding tax

***Model Risk:*** The Funds are exposed to model risk, which is the risk that the financial models may be applied to tasks for which they are inappropriate or otherwise implemented incorrectly. Model risk is generally characterized as a form of operational risk. Models can be found to be inapplicable for certain market conditions or fail to take into account important factors.

***Currency Risk:*** As the Funds will be denominated in US dollars, an investor who generally holds its investments and cash in other currencies will be subject to any fluctuation in exchange rates between US dollars and such currency. Such investor's net return may be affected by such fluctuations in currency exchange rates. Investments in non US securities or other investments may be denominated in a currency other than US dollars.

***Hedging and Use of Derivatives:*** We will use our best efforts to hedge the portfolio against certain risks. However, we may not anticipate a particular risk so as to hedge against it. We may utilize financial instruments such as forward contracts, currency options, stock index futures and options, credit default swaps and interest rate swaps, caps and floors to seek to hedge against the negative movements in currency exchange rates and various Asian securities markets, which will not always be successful.

***Liquidity:*** Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Funds may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Funds may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Funds to the potential of greater losses.

***Leverage:*** The Funds' offering documents do not contain any leverage limitations; therefore we may use a substantial amount of indebtedness in connection with the investments. However, we do not anticipate portfolio leverage to exceed 500% of the Funds' latest available net asset value. Leverage creates risks, including the likelihood of greater volatility of the Net Asset Value of the shares of the Funds.

***Interest Rate Risk:*** Changes in interest rates may adversely affect the Funds' investments. Changes in the level of interest rates can affect the Funds' income by affecting the spread between the income on its assets and the expense of its interest bearing liabilities, as well as the value of interest earning assets and its ability to realize gains from the sale of assets. Share rates are highly sensitive to factors such as governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements, and other factors beyond our control.

The above key risks associated with the Funds and the shares are not, nor is it intended to be, a complete or exhaustive enumeration or explanation of all risks involved in an investment in the

Funds. Investors are encouraged to read the Funds' offering documents and consult own advisers before deciding whether to invest in the Funds. Investment should only be made if the nature of investments and risks of investment are understood. No assurance can be given that profits will be achieved or that substantial losses will not be incurred.

**Item 9: Disciplinary Information**

Zentific 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 Zentific have been subject to such action.

**Item 10: Other Financial or Industry Affiliations**

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**Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

Zentific is a registered a commodity pool operator with the Commodity Futures Trading Commission and is a member of the National Futures Association. Zentific is exempt as a commodity trading adviser.

**Other Material Relationships**

Zentific does not have other relationships or arrangements that are material to Zentific's advisory business or to its clients that the Firm or any of its management persons have with any of the following related persons: (i) a broker-dealer, municipal securities dealer, or government securities dealer or broker; (ii) an investment company or other pooled investment vehicle; (iii) a futures commission merchant, commodity pool operator, or commodity trading advisor; (iv) a banking or thrift institution; (v) an accountant or accounting firm; (vi) a lawyer or law firm; (vii) an insurance company or agency; (viii) a pension consultant; and (ix) a real estate broker or dealer sponsor or syndicator of limited partnerships.

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

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**Participation or Interest in Client Transactions**

Employees and their affiliates and relatives may invest into the Funds. As a result, Zentific and its employees may have a financial interest in the Funds through a direct investment interest in the Funds. As such, Zentific could be considered to have recommended to investors that they buy or sell securities or investments in which Zentific or a related person has some financial interest.

If there is a separately management accounts ("SMA") they will be traded 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 the management agreement.

**Code of Ethics and Personal Account Dealing**

Pursuant to Rule 204A-1 of the Advisers Act, Zentific has adopted a Code of Ethics that establishes various procedures with respect to investment transactions in accounts in which employees of Zentific or related persons have a beneficial interest or accounts over which an employee has investment discretion.

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

The underlying principles of the Code of Ethics are:

- Employees of Zentific must at all times place the interests of clients first;
- Employees of Zentific must make sure that all personal securities transactions are conducted consistent with the policies set out in the Code of Ethics; and
- Employees of Zentific should not take inappropriate advantage of their positions.

The policy extends to the trading of employees and certain other persons who have a relationship with the Firm or its personnel (together "Reporting Persons"). Reporting Persons may not engage in personal trading that violates the law, interferes with their duties, or otherwise violates this policy or other policies and procedures. Employees are required to disclose all accounts upon hiring and seek approval upon opening of a new personal trading account. A Reporting Person is responsible for ensuring that the Firm receives duplicate trade confirmations or account statements. All personal trades must be pre-cleared by the Chief Operating Officer ("COO") of the Firm except for trades in exempt securities or trades made in a managed account. Securities that are held in paper/physical form or otherwise outside of an account must also be reported to the COO, as well as any trading activity relating to such securities. Reporting Persons are responsible for completing quarterly certifications with respect to all accounts and any investments held in paper/physical form.

The personal account dealing policy stipulates that:

- trades are subject to a general 30-day minimum holding period;
- securities may not be traded if they are on the Employee restricted list;
- a Reporting Person may not purchase a security in an initial public offering;
- a Reporting Person may not hold more than 0.5% of the outstanding shares of any publicly traded company (or the economic equivalent utilizing derivatives);
- the COO will consider the volume of both personal and Zentific's trading when reviewing trade preclearance requests to determine whether trading may affect market prices.

Any request for an exception under this policy must be submitted in writing to the COO with sufficient information for consideration. A copy of the Code of Ethics will be provided upon request.

## **Item 12: Brokerage Practices**

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### **Best Execution**

In effecting securities transactions, the Firm will seek to obtain best execution of orders. In determining the broker or dealer to be used and the commission rates to be paid, the Firm will consider the utility and reliability of brokerage services, including execution capability and performance, financial responsibility, investment information, market insights, other research provided by such brokers, and access to analysts, management and idea generation. Accordingly, the commissions charged by any such broker may be greater than the amount another firm might charge if the Firm determines in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage services and research information provided by such brokers.



**Trade Aggregation**

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Our policy is to aggregate client transactions where possible and when advantageous to clients. In these instances, clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

**Trade Allocation**

Our policy prohibits any allocation of trades in a manner that that would allow our proprietary accounts or clients to receive more favourable treatment than 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. We do not buy securities from our Client Accounts or sell securities that we own to the Client Accounts. We may engage in cross trades.

**Soft Dollars**

The Fund may obtain products or services other than the execution of securities transactions from brokers in exchange for the direction of brokerage transactions of the Fund to the broker (“Soft Dollars”). The Soft Dollars may include products or services from brokers or other third parties (for example through commission sharing agreement) such as (without limitation) research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above soft dollars, clearing and custodian services and investment related publications. To the extent possible and appropriate, the Firm will use Soft Dollars for the benefit of the Funds, but may also use the Soft Dollars for other investment funds, client accounts and proprietary accounts it may manage in the future.

The Firm will generally use reasonable best efforts to ensure the use of Soft Dollars to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Exchange Act. Our soft dollar usage is fully disclosed in our relevant offering documents.

**Item 13: Review of Accounts**

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**Review of Accounts**

The Funds are reviewed and reconciled on a daily basis by the investment team to ensure that the structure and individual securities held are suitable and consistent with the Funds’ objectives and strategies. In addition, Zentific’s operations team also monitors the Funds to help ensure conformity with investment objectives and guidelines. Zentific engages in active management and frequent transactions for clients and, accordingly, performs daily trade and cash reconciliation.

Zentific has also engaged an independent administrator to prepare monthly unaudited reports reviewing the Cayman Fund’s performance for the month.

**Reporting**

The Funds will prepare their respective annual financial statements in accordance with US GAAP. Copies of the audited financial statements will be issued to all investors within 120 days of the Funds' fiscal year-end. The Firm will prepare and issue an investor newsletter on a monthly basis. The administrator will issue monthly account statements to investors.

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**Item 14: Client Referrals and Other Compensations**

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Zentific or any related person of the Firm does not compensate third parties who provide referrals for advisory clients.

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**Item 15: Custody**

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Zentific does not maintain direct custody over client funds or securities. All assets are held at qualified custodians. The Funds each has its own fund administrator, prime broker and custodian who are independent of the Firm. Investors in the Funds will receive monthly account statements from the administrator. Zentific urges investors in the Funds to carefully review such statements and compare such official records to the reports that Zentific may provide to such investors.

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**Item 16: Investment Discretion**

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Zentific possesses discretionary portfolio management authority over the Funds with respect to asset allocations and direct investments as per the advisory agreements and offering documents in place.

Zentific has the authority to determine (i) the securities to be purchased and sold for the client account and (ii) the amount of securities to be purchased or sold for the client account.

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**Item 17: Voting Client Securities**

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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 favours having strong independent directors and supports the delegation of key functions (such as compensation, audit and nominating committees) to independent directors and the Firm will in general oppose classification of directors.

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**Item 18: Financial Information**

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Zentific 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.