

# Magnum Research Global Limited LLC

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<https://www.aqumon.com/>

## Form ADV Part 2A Client Brochure

7<sup>th</sup> March, 2024

### Item 1 – Cover Page

This brochure (“**Brochure**”) provides information about the qualifications and business practices of Magnum Research Global Limited LLC (the “**MRGL**” or “**We**”). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact us by email at [info@aqumon.com](mailto:info@aqumon.com).

Additional information about MRGL is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for MRGL is 291667.

Registration does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

MRGL was a limited liability company duly incorporated on July 7, 2017, pursuant to the laws of the Cayman Islands. No material changes were made as of 31 December 2023. We may provide ongoing disclosure information about material changes and will further provide a new Brochure as necessary based on changes or new information, at any time.

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## Item 4 – Advisory Business

We provide automated global asset allocation services since 2017 based on modern portfolio theory<sup>1</sup>, Internet Technology<sup>2</sup> and computer-based algorithms<sup>3</sup>, which make it possible for anyone to access state-of-the-art portfolio advisory services, through our robo-advisory platform AQUMON<sup>4</sup>.

The portfolio advisory services provided by MRGL through AQUMON include asset allocation and rebalancing. By using ETFs as underlying assets, we implement a passive portfolio management strategy. MRGL provides long-term asset allocation advice to clients based on the clients' risk profile. It seeks to optimize the risk/return by investing in different asset classes with low correlation to each other. Clients with a more aggressive profile can weight their portfolio toward more volatile investments. Clients with a more conservative profile can weight their portfolio toward more stable investments. MRGL also monitors the portfolio the

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<sup>1</sup> Modern Portfolio Theory is a mathematical framework introduced by economist Harry Markowitz, which later won the Nobel Prize in economics. It is used to construct a portfolio of assets such that the expected return is maximized for a given level of risk.

<sup>2</sup> The advisory service is provided through Website and mobile APP. Internet technology we used includes cloud computing, microservices, HTTPS and firewall.

Cloud computing is the delivery of computing services - servers, storage, databases, networking, software, analytics and more - over the Internet ("the cloud"). Using cloud computing services enables us to provide high availability services to clients.

Microservices is a kind of software architecture where software applications are developed as a suite of independently deployable, small, modular services in which each service runs a unique process and communicates through a well-defined, lightweight mechanism to serve a business goal.

HTTPS is used for secure communication over Internet. In HTTPS, data communication is encrypted by Transport Layer Security (TLS).

Firewall is used to screen out hackers, viruses and worms that try to attack the software applications. Using HTTPS and firewall ensures the cybersecurity of the advisory service we provided.

<sup>3</sup> Computer-based algorithms are developed based on Modern Portfolio Theory to provide advisory services. It performs data processing, calculation and optimization works during the portfolio construction process. The input will be market data and clients' individual circumstances, and the output generated by the algorithm is a portfolio constructed by US listed ETFs.

<sup>4</sup> Robo-advisory platform is a digital platform that provides automated algorithm driven investment advisory service with little human intervention. 'Qzhitou' was renamed to the brand 'AQUMON'.

clients invest in, and send out alerts when there is a need for rebalancing. Rebalancing help bring the portfolio back to the target level calculated by the algorithm, ensuring the asset mix best reflects a client's risk/return profile.

We aim to build a one-stop suite from portfolio generation to trade execution. Clients will receive our ongoing investment advices and portfolio optimization services through a secure and user-friendly website <https://www.aqumon.com/>.

We tailor our advisory services to the individual needs of clients. All the investment recommendations made by MRGL are based on the personal information, financial needs and preferences provided by the clients. However, clients cannot impose restrictions on investing in certain securities or types of securities.

Clients must understand that any type of investment will involve risk of loss due to market volatility and neither MRGL nor anyone else can predict or guarantee any level of return on investments.

MRGL does not participate in any wrap fee program.

## **Item 5 – Fees and Compensation**

We charge an advisory fee of annual 0.8% of the total assets under management (the “*Advisory Fee*”). The Advisory Fee is calculated based on the client’s total assets under management.

Clients may incur brokerage costs and “transfer out” fees charged by third-party executing brokers. MRGL is not affiliated in any way with the brokerage fee structures and does not receive any compensation from any brokers.

Our advisory fees are non-negotiable and may be subject to adjustment at the end of each service term with clients. However, at our sole discretion, we may elect to modify, waive, or reduce Advisory Fees under special circumstances to the extent permissible by law. We may offer promotions for new or existing clients for a limited time.

Lower fees for comparable services may be available from other sources.

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

MRGL does not charge performance-based advisory fees nor manage any client accounts on a side-by-side management basis.

## **Item 7 – Types of Clients**

MRGL offers investment advisory services to individual clients. The minimum amount required for initial allocation through AQUMON is US\$5,000. We reserve the right to waive or reduce certain fees based on unique circumstances, special arrangements or promotions.



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

We advise clients through our own state-of-the-art algorithm based on each individual client's risk preference. We also seek to maximize returns for a given amount of risk, or equivalently minimize risk for a given level of expected return, by allocating various proportions of different asset classes rather than selecting individual securities.

Clients must accurately convey their personal objective and subjective tolerance for risk. MRGL then analyzes such risk in order to build an individualized investment plan based on the client's specific risk tolerance.

We may buy or sell securities consistent with analysis designed to seek an investment return suitable to the investment objectives and goals of each distinct client by reviewing the performance of the client's individual account and suitability parameters. Such review may include financial condition, assets, investment objectives, risk tolerance, and any other factors unique to each client.

### Risk related to the use of algorithm

Our investment recommendations are dependent on the accuracy and performance of our algorithms and the technology that generates them. The recommendations we provide and other information that appears on our website and mobile application may be time sensitive, especially during times of significant market volatility and when there are time limits on the availability of a particular

investment product. Thus, our recommendations and other information may be subject to different interpretations as market conditions and other factors change. Our algorithms involve assumptions based upon numerous variables that may be referenced from complex financial markets or instruments that they intend to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect, which could result in major losses. We may also make future changes to the investing algorithms and advisory services that we provide. In addition, it is possible that AQUUMON or clients may experience computer equipment failure, loss of Internet access, viruses, or other events that may impair our service. We will not bear any liabilities resulting from such failures.

#### Market risk

Neither MRGL nor anyone else can guarantee any level of performance or avoidance of any loss on client accounts.

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities.

The price of securities or the entire value of asset classes may decline for a variety of reasons beyond our control, including, but not limited to, changes in the economic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, or social events. Past performance does not guarantee future results, and any historical returns, expected returns, may not reflect actual future performance.

Any investment in securities involves the possibility of financial loss that clients should be prepared to bear. Financial loss may be viewed differently by each client and may depend on many different risk factors, each of which may affect the possibility of consequences and potential loss.

#### Risk related to ETFs

ETFs are exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the index that it is tracking. Investors must be prepared to bear the risk of loss and volatility associated with the underlying benchmarks.

Tracking error is the difference between the performance of an ETF and its underlying benchmark. Tracking error can arise due to factors such as the impact of the Total Expense Ratio (TER), changes in the composition of the underlying benchmark and type of ETF (physical vs synthetic). The TER of an ETF may include management fee and other fees and costs (e.g. transaction costs, stamp duties, costs for preparing financial reports and other prescribed documentation, legal and auditing fees, insurance costs, fees for custody services, etc.) – there is no universal definition. The estimated TER of an ETF does not necessarily represent the fund's tracking error because the fund's Net Asset Value ("NAV") may be affected by other factors, e.g. dividends and other income from the portfolio.

The market price of an ETF may be at a discount or premium to its NAV. This price discrepancy is caused by supply and demand factors and may be more likely to emerge during periods of high market volatility and uncertainty. This phenomenon may also be observed in ETFs tracking specific markets or sectors that are subject

to direct investment restrictions. As a result, investors who buy at a premium may suffer losses even if the NAV is higher when they sell and they may not fully recover their investment in the event of termination of the ETF.

Although ETFs usually have one or more market makers (known as Securities Market Makers, or SMMs) to help provide liquidity, there is no assurance that active trading will be maintained at all times. In the event that the SMMs are unable to fulfil their obligations, investors may not be able to buy or sell the ETF through the trading system or may find the market price of the ETF is at a discount or premium to its NAV.

#### Risks of Providing Services Electronically

Electronic transmission may not be a reliable medium of communication due to unforeseen traffic congestion and other reasons. Circumstances such as delays in the transmission and receipt of instructions or other information from the client, delays in the execution of instructions, or execution of client's instructions at a different market price than the instructions given by the client will occur during a transmission interruption. Moreover, communications and personal data may be obtained by unauthorized third parties, and in communication there will be misunderstanding or error risk, and these risks will be borne entirely by the client.

## **Item 9 – Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our company, or the integrity of our management. We have no information to disclose applicable to this item.

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

We do not participate in nor are affiliated with other financial industry activities.

We have no management persons registered as or pending registration as:

- i. a broker-dealer or registered representative of a broker-dealer; or
- ii. a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

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

MRGL has adopted a Code of Ethics (“*Code*”) describing its high standards of business conduct, fiduciary duty to its clients, and the restrictions and reporting requirements for employees’ personal investments. All employees at MRGL are subject to the Code and must acknowledge the terms of the Code annually or as amended. Employees are instructed to place the interests of their clients first, conduct all their personal securities transactions in a manner consistent with the Code and not take advantage of their positions. Among other terms, the Code contains:

- provisions relating to the confidentiality of client information;
- a prohibition on any fraudulent conduct;
- a prohibition on insider trading;
- restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items; and
- personal securities trading procedures.

The Code restricts trading in close proximity to client trading activity.

Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between us and our clients.

We will disclose to clients any material conflict of interest which could reasonably be expected to impair the rendering of unbiased and objective advice.



## **Item 12 – Brokerage Practices**

Our clients' orders will be executed by a third-party executing broker. We may use our discretion in selecting the broker. In selecting a broker, we will comply with our fiduciary duty in accordance with the Securities Exchange Act of 1934, to obtain best execution and will take into account such relevant factors as:

- Price;
- The broker's facilities, reliability and financial responsibility;
- The ability of the broker to effect transactions, particularly with regard to such aspects as timing, order size and execution of order; and
- The research and related brokerage services provided by such broker, notwithstanding that the account may not be the direct or exclusive beneficiary of such services.

### **Item 13 – Review of Accounts**

We conducts reviews of client accounts on a continual basis to track diversification, overall market movement, significant changes to one or more of the securities owned by a client, or if a client alerts us to changes in life circumstances.

Account reviews are conducted through our automated computer algorithms and monitored by our algorithm to assess the performance of each portfolio according to the client's financial goals.

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

MRGL acquires clients by conducting campaigns and creating media through social networks. We do not utilize third-party solicitors in order to acquire new clients.

**Item 15 – Custody**

We do not have custody of client assets. Client assets are held under the client's own name in the custody of the third-party broker.

The clients will receive account statements only from the third-party broker.

## **Item 16 – Investment Discretion**

MRGL requires that a client who decides to retain MRGL as his/her investment adviser must complete and execute an Advisory Client Agreement. Under the terms of the Advisory Client Agreement, MRGL assumes full discretionary investment authority over the client's assets in accounts. This means that MRGL is given full discretionary authority to select the timing, size, and identity of securities to buy and sell for the client as well as enter into, amend or terminate contracts relating to the account. A client should understand that subject only to MRGL's fiduciary duties, MRGL's full discretionary investment authority over the client's assets means that the timing, size, and identity of securities to buy and sell on behalf of the client accounts is completely within MRGL's discretionary authority.

Further, MRGL is not responsible to client for any failures, delays and/or interruptions in the timely or proper execution of trades or any other trading instructions placed by MRGL on behalf of client through a third-party executing broker due to any reason or no reason, including without limitation any or all of the following, which are likely to happen from time to time: (A) any kind of interruption of the services provided by the third-party executing broker (B) hardware or software malfunction, failure or unavailability; (C) the third-party executing broker system outages; (D) internet service failure or unavailability; (E) the actions of any governmental, judicial or regulatory body; and/or (F) force majeure.

## **Item 17 – Voting Client Securities**

MRGL does not have authority to vote client securities, and does not accept authorization to vote client securities and do not provide opinions on a particular solicitation.

## **Item 18 – Financial Information**

MRGL has no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

MRGL has not been subject to a bankruptcy petition.