

**Part 2A of Form ADV: Firm *Brochure*, dated August 2013**

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This brochure provides information about the qualifications and business practices of FPP Asset Management LLP (“FPP” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at +4420 7647 9100 and/or email [FPPmarketing@fpictet.com](mailto:FPPmarketing@fpictet.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 FPP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

This section discusses only material changes since the date of FPP's last annual update of our brochure, dated September 2012. FPP has closed two funds in the past year.

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## **Advisory Business**

### **A. About FPP Asset Management**

FPP Asset Management LLP (“FPP” or the “Firm”) is an investment management firm focusing on both traditional and alternative investments. FPP was founded in 1998 and has offices in Mayfair, London.

FPP offers a diverse range of investment products encompassing equities, fixed income and alternative investments. The investment products aim to achieve client focus and consistent superior returns. Our range of funds, with their long-only and long-short strategies, aim to provide outperforming investments within the Emerging Markets Equities and Fixed Income sectors. Please see Section D below.

FPP is a limited liability partnership established in England and Wales. The principal partners are Mr. Fabien Pictet and the corporate member partner Fabien Pictet & Partners Limited.

FPP provides investment management services to its clients (the "Funds" which are the collective investment vehicles), those persons invested in the Funds and those who have segregated accounts. Investors invested in segregated accounts may impose restrictions on investing in certain securities. Investors in the Funds generally are required to make minimum initial investments of at least \$100,000 at the time of subscription, subject to the Funds' right to accept lesser amounts. Restrictions on partial redemptions or withdrawals may apply, as set forth in the relevant Fund offering documents.

Across all the Funds managed by FPP, assets under management totaled \$128 million as of June 30, 2013.

## **B. Fees and Compensation**

FPP receives monthly management fees and an annual performance fee for investment management services as set out in the Fund prospectuses.

Fees are deducted from the assets held in the client Funds.

Fees paid from the assets typically include those that relate to: brokerage, custody, trustee services, investment manager's management and performance fees, administration, and directors which are typically detailed in the prospectus. For more information on brokerage costs, please see Section H.

All Funds have a notice period for the redemption of investments from the Fund with UCITS funds allowing for redemptions on a daily basis.

### *Performance-Based Fees*

FPP enters into performance-based fee arrangements with *qualified clients* as defined by Rule 205-3 of the Advisers Act. The Firm's performance-based fee arrangements may be based on an absolute return or performance versus a pre-defined benchmark or other mutually agreed upon terms. All performance-based fees are negotiated with each client and managed in accordance with the Advisers Act.

Performance-based fee arrangements create a potential conflict of interest by incentivizing FPP to recommend investments, which may be riskier or more speculative than those recommended under traditional fee arrangements. Performance-based fee arrangements may also incentivize us to favor higher fee paying accounts over other accounts when allocating investment opportunities. We follow strict procedures within the FPP's Compliance Manual and Code of Ethics to ensure that all clients are treated fairly, and to prevent fee-related conflicts from influencing the allocation of investment opportunities among clients.

### *Side-By-Side Management*

Our trade allocation policy is designed to ensure that client accounts are treated equitably under all circumstances. We do not favor any clients or subsets of clients when we engage in side-by-side trading of the funds.

## **C. Types of Clients**

FPP's clients are the Funds (collective investment vehicles), the investors in the Funds and those investors with segregated accounts. There are currently 4 collective investment vehicles and 1 private

equity fund. Investors typically include; Corporate and public pension funds, Endowments and foundations, Banks, Funds of Funds, Insurance Companies, Family Offices, and High Net Worth Individuals.

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

### **Investment Analysis and Process**

The Investment Manager focuses on arranging equity and fixed income positions in a number of investment strategies. This is carried out by valuing and ranking the entire investment universe, screening companies in each market for the following characteristics: the organic growth of shareholders' funds; the return on those funds (return on equity "ROE"); and the stream of dividend income. The manager also seeks out inefficiencies e.g. forecast ROEs, price to book ratios and earnings yields.

Further financial analysis is undertaken before purchase, including: key balance sheet factors such as the development of net working capital, net liquid capital and the ratio of equity to total assets. Companies considered as potential investments should also be capable of generating consistent surplus net income to fund organic growth and distribute dividends.

Extensive use of regional brokers together with regular country visits ensures that the Investment Manager remains fully abreast of market developments.

Countries are analysed and scored on a bottom-up basis by amalgamating the individual company scores, taking account of a number of key factors including: the organic or self-funded growth of shareholders' funds; the return on those funds (ROE); and the level of dividend income. Market scores are further refined from an analysis of estimated and forecast earnings yields, and those scores are adjusted for the earnings yield/bond yield relationship in each country. Market weightings are finally adjusted for the size of the market. The system outlined is known as the FPP Price Appraised Value (PAV) model.

The concentration of any of the above referenced investments within the investment company will vary according to the general economic environment, and to the underlying investment opportunities to be found in the investment universe. It is anticipated that long positions in liquid securities will generally account for a majority of the portfolio of the investment manager.

### **Investment Strategies**

Within the general investment process outlined above strategies offer different risk return profiles for investors. These are:

- Global emerging markets **equity** long only, and **debt** long/short
- Emerging European markets equity long/short
- Greater China equity long/short with long bias
- Private equity investment strategy with focus on companies in Ukraine.

### **Risk of Loss**

Typical risks associated with investing in strategies with exposure to emerging markets or developed markets and which have long and long/short strategies are:

Currency and exchange rate risks – possibility of sustaining loss due to fluctuations in currency and exchange rates.

Investment and Trading Risks – all securities investments present a risk of loss of capital due to falls in the share price and investment policies utilizing investment techniques such as hedging transactions, option transactions, derivative transactions and short sales.

Counterparty risks – possibility of default by a counterparty in a financial transaction

Investments in strategies which have exposure to emerging markets may include risks associated with political, economical, legal, financial and environmental factors. These factors may bear risks such as:

Liquidity Risks – certain investment positions may be illiquid due to investment strategies or subject to redemption or withdrawal of assets by an investor

Margin and interest rate risks – subject to borrowing of funds and use of leverage to increase the amount of capital available for investment

Market risks - risks related to markets/countries invested in and what they are characterized by

Uncertain legal and regulatory environment - the continuous development and changing of laws affecting foreign investment, sustainability of standards, quality of information, existence of crime and corruption and taxation

Custody Risks – risk of transaction and custody services in emerging markets being less developed

Judicial and administrative risks – risk of unforeseen judicial or administrative changes affecting the investment

In general, investments in strategies which have exposure to developed markets are considered to carry relative lower risk.

Detailed disclosure of the risks involved with investment strategies which invest in the Funds are set forth in those funds' offering memoranda.

The past performance of the Funds or a segregated account is not necessarily indicative of its future performance. There is no guarantee that the Fund's investment objectives will be achieved. Investments in the Funds are designed to be held over the long-term and may not be suitable as short-

term investments. There can be no guarantee that any appreciation in the value of the Funds' investments will occur and investors may not get back the full value of their investment.

## **E. Disciplinary Information**

FPP has no material legal, regulatory or disciplinary events to disclose. This information has also been submitted to the Securities and Exchange Commission as Section 11 of the Firm's Form ADV, Part I, and can be verified at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **F. Other Financial Industry Activities and Affiliations**

FPP acts as investment adviser to a number of funds, as described in Section D. Given FPP's business structure and investment strategies, the Firm does not believe that these advisory relationships create a material conflict of interest. FPP has a documented Conflicts of Interest Policy that seeks to identify, monitor and mitigate potential and actual conflicts of interest.

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

FPP has adopted a Code of Ethics (the "Code") that sets forth the Firm's fiduciary duties to its clients and establishes standards of conduct for its supervised personnel. Among the topics covered in the Code are: prohibitions on insider trading, resolving conflicts of interest, personal securities transactions by the Firm's personnel, and confidentiality of client information. FPP will provide a copy of its Code to any client or prospective client upon request and without charge. To obtain a copy of the Firm's Code, please contact the Firm's Chief Compliance Officer at the information provided on the cover page.

Employees of the Firm may trade securities for their own accounts in accordance with the Firm's Code and the procedures set forth therein. In order to minimize any potential conflicts and to fully serve the best interests of the Firm's clients, the Firm's employees and related parties are generally prohibited from personal account dealing in securities at the same time as the Funds.

However, FPP employees may invest in securities for their personal accounts that are also recommended to FPP clients. Each employee is required to provide securities trading activity reports and securities holding reports to the Compliance Officer. Pre clearance is required for any investments in IPOs and private placements as required under Rule 204A-1.



## **H. Brokerage Practices**

### **Brokerage Selection**

FPP selects brokers for the execution of equity and foreign exchange related transactions on behalf of the Funds and managed accounts. Accordingly, the Firm selects unaffiliated third-party broker/dealers to execute all Client transactions although, as permitted by applicable law and described in more detail below, the Firm may from time to time direct a Fund to purchase or sell equity securities or currencies directly from or to another Client as part of transactions not requiring the use of a broker.

In selecting brokers, the Firm takes all reasonable steps to obtain the best possible result for Clients when executing an order. The best possible result is not limited to execution price but also includes costs, speed, quality of execution and quality of settlement, size, nature or any other factors considered to be relevant to order execution. These factors include, but are not limited to, the availability and quality of research products and services, the nature and character of the relevant markets on which the transactions will be executed, access to Company management and the broker's execution experience, integrity credit-worthiness, and operational efficiency. Research services may include information or analysis relating to companies, sectors, countries and other services that may assist the Firm in its investment decision. FPP may consider the availability and quality of research products and services provided by a broker in selecting which brokers to use in effectuating Client transactions. FPP continuously reviews the brokers on a number of different factors including those listed above. Where issues arise or expectations are not met the Firm may meet with the brokers more frequently to review the relationship and the services being provided.

FPP may elect to cross transactions internally. This will usually be for the purpose of reducing transaction costs or rebalancing Client investment portfolios. This normally occurs where inflows from one Client coincide with outflows from another Client for which the Firm also acts as an adviser. In the event that the Firm causes one Client to purchase securities from or sell securities to another Client, the Firm uses its best efforts to mitigate potential conflicts of interest by causing the transaction to occur at the then prevailing market price of the applicable securities and by considering the interests of all Clients that are parties to the transaction. FPP may use unaffiliated third party brokers to facilitate these cross transactions and/or execute such cross transactions "off-exchange" without using a broker. No commissions are paid when the cross trades are executed "off-exchange."

### **Commission Costs**

Commission costs associated with executing the sale or purchase of a security may vary for reasons such as whether research services are bundled or separately charged. Commission costs also are reflective of different commission schedules in effect in different international markets. After considering all relevant factors, the Firm may determine to pay broker commissions or mark-ups in excess of that which

another broker might have charged for effecting the same transaction in recognition of either the execution or research services provided by the broker.

Research services may include information or analysis relating to companies, sectors, countries and other services that may assist the Firm in its investment decision. Commission rates generally are subject to annual reappraisal, ordinarily during formal reviews of the third party broker relationship, and are subject to careful monitoring and renegotiation to ensure that they remain competitive.

Whilst the Firm primarily relies upon its own proprietary research the Firm will consider the availability and quality of research products and services being provided by Brokers in determining commission rates. FPP will consider employing “execution only” cash trades or program trades to invest cash inflows where it has identified highly liquid names. In other circumstances, higher commission rates may be payable and different execution methods employed in order to invest in the less liquid stocks. The amount of commission paid to a broker is evaluated at a total level and can therefore be split between pure execution services and those services that are research related.

FPP does not participate in commission recapture or directed brokerage arrangements and clients that are invested in the Firm's Funds are not permitted to direct the Firm to use or allocate commissions from any broker.

### **Soft Dollar Considerations**

It is the Firm's policy, consistent with the obligation to seek the most favorable combination of price and quality of execution, to effect transactions from time to time with brokers who provide research related products or services or pay for research related products and services provided by third parties directly or indirectly to the Firm.

The services and products received by the Firm from brokers are limited to research and research related services that fall within the so-called 'safe harbor' provisions of Section 28(e) of the U.S. Securities Exchange Act of 1934 and the so-called "permitted research" exemptions established by the United Kingdom Financial Services Authority governing the receipt of research and execution services from brokerage counterparties. This includes, among other items, research of actual or potential portfolio companies, their competitors or suppliers as well as market intelligence data. These research services provide the Firm's investment and portfolio managers and analysts with valuable assistance in the decision-making process. FPP believes that the amount of commissions paid to brokers providing it with research and research related products and services is reasonable in relation to the value of the brokerage and research services provided by the broker/dealer, viewed in terms of a particular transaction or the Firm's overall responsibilities to its Funds, the underlying investors in these Funds, and Clients.

## **Allocation of Investment Opportunities**

FPP endeavours to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities among its Funds, separately managed accounts, or temporary separate client accounts (for purposes of this section, the "Clients").

When the Firm determines that it would be appropriate and feasible for more than one Client to participate in an investment opportunity, the Firm may place combined orders for all such Clients simultaneously and, if the order is not filled at the same price, the Firm will average the prices paid over a particular trading day or such longer period consistent with the accumulation or disposition of a particular position. Similarly, if an order is placed on behalf of more than one Client and the order cannot be fully executed under prevailing market conditions, the Firm may allocate the trade execution among different Clients on a basis that the Firm deems equitable. This is normally achieved by pro-rating actual trade executions among Clients in accordance with the total number of shares outstanding on each Client's order and rounding such executions to reflect minimum trading sizes, minimum allocations necessary to avoid undue costs being realized by clients (such as transaction and foreign exchange costs triggered by certain allocations having a value less than approximately US\$5,000) and efficiencies inherent in trade reporting. Situations may occur where a Client could be disadvantaged because they participated in the aggregate order.

FPP anticipates that the substantial majority of its trade executions will be allocated between Clients in a pro-rata manner. Where the Firm determines that this pro rata allocation methodology may not be in a Client's best interest or the best interests of all Clients, the Firm may, in its reasonable discretion, make an adjustment to the pro-rata allocation. This may occur when a Client has insufficient cash on hand to settle an allocated order or satisfy certain future commitments. This may also occur if a Client will be overdrawn as a result of accepting a commitment to purchase the allocated securities, or if the Client will suffer unnecessary costs or charges related to trading or settlement. In these situations, the Firm will use its judgment to determine whether a Client should receive no allocation or a smaller allocation of shares resulting from a given execution. In other situations, a larger allocation of shares may be made to a Client if, for example, an additional allocation is required to clear a Client's negative cash balances or to raise funds to satisfy future Client commitments. Clients should be aware that the Firm is not ordinarily subject to any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to any one Client or group of Clients or subject to any restrictions on the nature or timing of making investments for a Client or its own accounts. FPP is not required to accord exclusivity or priority to any one Client or group of Clients in the event of 'limited availability' investment opportunities.

Subject to certain trading restrictions outlined in the Firm's Compliance Manual and Personal Account Dealing Policy, the Firm's directors, officers, and employees may buy and sell securities (or other instruments that derive their value from securities) for their own account and/or the accounts of other related parties. Such trading may be similar to, or different from, the investment strategies pursued on behalf of the Firm's Clients and securities included in Client portfolios.

## **I. Review of Accounts**

All accounts of the Fund and any segregated accounts are monitored and managed daily by the respective portfolio managers and the independent Administrator. The independent Administrator sends to client investors both interim and full year Financial Statements of the Fund.

FPP prepares monthly performance reports (Monthly Newsletters) which are sent to the client investors. The reports detail the portfolio activity, actual performance of the investments and market outlook.

The independent Administrator also sends to client investors their individual statement of holdings each month.

## **J. Client Referrals and Other Compensation**

FPP Fund Management Inc. is the distributor of the Funds and is compensated through a share of the fees generated. FPP Fund Management Inc. also has arrangements with a small number of external third party marketers who are compensated by FPP Fund Management Inc. on a fee share basis.

## **K. Custody**

FPP does not hold any client money and is not authorised by the UK Financial Services Authority to hold client assets.

## **L. Voting Considerations**

FPP takes all reasonable steps to vote proxies on behalf of accounts for which it has voting authority in the best interest of clients by voting, where applicable, with the recommendations of Institutional Shareholder Services Inc. ('ISS'), a leading provider of corporate governance solutions to the financial services industry. The proxy analyses and voting recommendations of ISS are based on publicly disclosed benchmark policies and guidelines which reflect prevailing market best practices, codes and standards of corporate governance in the market in which they are applied. ISS provides voting recommendations, but the ultimate voting decision for each resolution at a company meeting remains the responsibility of FPP. Separately managed account clients generally name their own custodians who may use a different provider of proxy processing services.

FPP's Proxy Voting Policy is designed to ensure that voting is done in the best interests of the Client. Any conflicts of interest are resolved at the discretion of the portfolio manager, as detailed in the Policy. In certain circumstances, the Firm may be unable to vote a specific proxy including (but not limited to)

- (i) when the Firm refrains from voting as it is considering liquidating a position, as shares may be blocked when proxies are submitted,
- (ii) where the costs of voting a specific proxy outweigh the economic benefit that the Firm believes would be derived by the Client,
- (iii) where a specific class of shares does not carry voting rights with respect to a given issue subject to shareholder vote,
- (iv) where re-registration of the shares in the name of the Client (rather than the custodian's nominee name) may (or may reasonably be expected to) result in a violation of local privacy laws or adversely impact the Client's economic interests, or
- (v) in the event an error is committed by any party involved in the proxy voting or registration process.

When voting proxies in certain international markets, the Firm may be constrained by certain country or portfolio company specific issues. For example, some companies in the portfolio impose voting caps on the maximum number of proxy votes that any single outside shareholder may control. Others require all board issues to be resolved by a show of hands, rather than a poll. As all of the shares over which the Firm exercises voting control may be held by one nominee, these restrictions have the effect of substantially limiting the impact of any proxies cast. Furthermore, some companies in the portfolio may restrict investment managers (such as the Firm) from voting proxies where disclosures of Fund and/or Client holdings have not been made on a timely basis or in a format required under the portfolio company's articles of incorporation.

Investors may request a copy of the Policy and the proxy voting record by contacting FPP at the address or telephone number listed on the cover page.