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# Gottex Fund Management Sàrl

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This Brochure provides information about the qualifications and business practices of Gottex Fund Management Sàrl (the “Adviser”). If you have any questions about the contents of this Brochure, please contact Sonia Bhasin, Chief Compliance Officer, at [Sonia.bhasin@lumx.com](mailto:Sonia.bhasin@lumx.com). 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.

Additional information about Gottex Fund Management Sàrl also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

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There have been no material changes since the previous disclosure.

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## **Item 4 – Advisory Business**

The Adviser was founded in October of 1992 in Lausanne, Switzerland. Early on, Gottex established a hedge fund whose underlying strategy was to generate absolute returns by taking macro views on interest rate differentials across major European currencies. Gottex subsequently developed a fund of hedge funds (“FoHF”) business, offering products that would appeal to investors with professionally managed portfolios. The Group grew rapidly and expanded its presence internationally, in North America, Europe and Asia.

In 2014, the Group merged with EIM, a leading Swiss-based FINMA-regulated provider of tailored alternative solutions for sophisticated institutional investors. This merger brought together two complementary organizations, reinforcing Gottex’s global platform with the unique skills and extensive risk and transparency infrastructure developed by EIM over many years

The Group has since then significantly re-scaled its business and made the strategic decision to focus on its core strengths of alternative investment solutions and associated risk advisory services.

To mark the completion of the merger of EIM with Gottex and the new strategic initiatives taken by the Group, the Adviser’s ultimate parent company was renamed from Gottex Fund Management Holdings Ltd. to LumX Group Limited in December 2016. LumX Group Limited is a Guernsey-incorporated holding company entity which is a publicly listed company headquartered in Switzerland. LumX shares trade on the SIX Swiss Stock Exchange (ticker: LUMX).

As of March 31, 2017, LumX employs investment and risk professionals located in New York, London, and Nyon (near Geneva).

The Adviser provides advisory service to the Gottex Real Asset Fund (the “RA Fund”), a fund investing directly in real assets.

## **Item 5 – Fees and Compensation**

In the case of the RA Fund, the Adviser may receive carried interest subject to a catch-up clause above a preference return of 8% in favour of Limited Partners. The Adviser receives a 2% fee on invested capital outstanding.

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

As indicated above, the Adviser currently only manages the RA Fund.

## **Item 7 – Types of Clients**

The Adviser advises only the RA Fund whose investors are sophisticated institutional investors.

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

### **Direct Real Asset Investing**

The Adviser adopts traditional private equity practices of investment analysis and is currently in the process of harvesting the investments of the RA Fund through asset sales.

### **Risks**

The following risks are material to Real Asset Investing:

- **Business risk:** The RA Fund buys assets, not companies, which are highly collateralized and structured through an operating and asset company to ensure stable cash flows.
- **Financial leverage risk:** Financial leverage risk is mitigated by seeking to produce stable cash flows from assets and therefore usually have low loan to value exposure. The RA Fund's leverage exposure is dependent on the particular asset. Some may use leverage and others not, the key for the RA Fund is to analyze the recovery and extract cash flows therefore producing an agreeable level of leverage.
- **Liquidity risk:** Given the nature of the investment opportunities the assets are by definition illiquid, but structured to produce stable cash flows that creates transparency and facilitates multiple exit strategies i.e. IPO, trade sale and securitization.
- **Interest rate risk:** Long dated assets typically have interest rate exposure. Interest rate risk can be identified in the future cash flows of the asset and in its potential refinancing risk. Interest rate risk is calculated using a standard DV01 and DV50 measure shocking future cashflows to derive interest rate buckets for the asset. This is measured at the asset and portfolio level. Interest rate derivatives will be utilized to mitigate such interest rate risk at the asset level. If necessary, they may also be implemented at the portfolio level.
- **Commodity price risk:** Commodity risk is hedged at the asset level through the use of a suitable hedging programme from a reputable commodities house. Commodity exposure is stress-tested and an appropriate blend of short and long-term hedges are intended to be effected to mitigate commodity prices. Long-term offtake contracts, where available, may also be utilized to mitigate this exposure.
- **Currency risk:** The RA Fund seeks to invest in US Dollars where possible. Some investments may be made in currencies other than U.S. dollars. This may cause the Adviser to hedge the fund's exposure to currency fluctuations between the U.S. dollar and other currencies which may increase the risk of loss;
- **Regulatory risk:** The adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations, could have a material adverse effect on portfolio companies and thus on the RA Fund's ability to meet its investment objectives. Such changes could necessitate the creation of new business models and the restructuring of investments in order to meet regulatory requirements, which may be costly and/or time-consuming.

- **Fraud/accounting risk:** The adviser performs due diligence on each asset at the start of the investment process, then monitored monthly to follow the link between revenues and cash flows.
- **Litigation risk:** Many of our assets have included insurance packages that cover litigation risk (i.e. aviation and leasing). One consideration in picking assets is stable cash flows and in doing so consideration is paid to the manner the cash flows are obtained and therefore litigation is a consideration at this stage, forming part of the due diligence process and is assessed if such exposure identified. Where available we also seek litigation insurance.

Investors in the direct real asset investing funds that are advised by the Adviser should refer to the applicable fund's Offering Document for additional risks. Clients may request a copy of these Offering Documents by contacting the Adviser's Client Service Department at [investor.relations@gottex.com](mailto:investor.relations@gottex.com).

## **Item 9 – Disciplinary Information**

Registered investments advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of the adviser's management.

The Adviser has no information applicable to this Item.

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

The Adviser is currently registered with the United States National Futures Association (the "NFA") as a Commodity Trading Advisor (CTA) and also as a Commodity Pool Operator (CPO).

## **Item 11 – Code of Ethics**

The Adviser acts as an investment manager to a direct real asset investing fund. The Adviser and its related persons have invested their personal funds in these funds. The Adviser may give advice and take action in the performance of its duties to clients which differs from the advice given, or the timing and nature of action taken, with respect to the accounts of its affiliates and/or the accounts of other clients.

On any issues involving actual conflicts of interest, the Adviser will be guided by its good faith judgment as to a client's best interests. Subject to the applicable investment management agreement and other governing documents, the Adviser may take such actions as it may deem necessary or appropriate to ameliorate the conflict.

The Adviser has adopted a code of ethics (the "Code"). Each employee of the Adviser must follow and abide by the letter and spirit of the Code. The Adviser maintains a Global Compliance Committee to oversee compliance with the Adviser's Code. Under the terms of the Code all personal securities trades of all the Adviser's employees must be reported to the Chief Compliance Officer on a quarterly basis and full portfolio holdings of the on an annual basis. Additionally, any investment in IPO's and limited-offering securities must be preapproved by the Chief Compliance Officer prior to any investment by an employee of the Adviser. The Adviser prohibits its employees from investing in hedge funds in their personal accounts. The Global Compliance Committee meets on a quarterly basis to review

internal activity and compliance with the Code. The Adviser will furnish a copy of the Code to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

Except for the general investment guidelines set forth in the Offering Document of the RA Fund managed by the Adviser, there are no limitations on the authority of the Adviser with respect to the matters regarding investment or brokerage discretion.

On a continuing basis, the Adviser generally seeks to determine what levels of commission rates are reasonable in the marketplace for transactions executed. In evaluating the reasonableness of commission rates, the Adviser may consider:

- Historical commission rates, both before and since rates have been fully negotiated;
- Rates quoted by broker dealers;
- The size of a particular transaction, in terms of the number of shares, dollar amount, and number of clients involved;
- The complexity of a particular transaction in terms of both execution and settlement; and
- The level and type of business done with a particular firm over a period of time.

The SEC has, however, indicated that an adviser need not solicit competitive bids on each transaction.

The Adviser has a duty to obtain “best execution” for its securities and currency transactions. To fulfill this obligation, The Adviser generally must execute securities and currency transactions in such a manner that the Client’s total cost or proceeds in each transaction is the most favorable under the circumstances. The SEC has stated that in deciding what constitutes best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. The Adviser will aggregate the purchase or sale of securities in its pursuit of best execution.

As a general rule, the Adviser does not participate in soft dollar transactions.

## **Item 13 – Review of Accounts**

The RA Fund's assets are valued at least quarterly. Financial statements are audited on an annual basis.

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

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The Adviser has no information applicable to this Item.

## **Item 15 – Custody**

The Bank of New York Mellon is the qualified custodian of the assets of the RA Fund

## **Item 16 – Investment Discretion**

Except for the general investment guidelines set forth in the Offering Document for the direct real asset investing fund managed by the Adviser, there are no limitations on the authority of the Adviser with respect to the matters related to investment decisions.

The Adviser determines the investments in which the assets of the direct real asset investing funds it manages are invested.

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

The Adviser has no information applicable to this Item.

## **Item 18 – Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about the adviser's financial condition. The Adviser's financial condition is not reasonably likely to impair its ability to meet its contractual obligations to clients. The Adviser has not been the subject of a bankruptcy proceeding.

## **Item 19 – Requirements for State-Registered Advisers**

Not applicable because the Adviser is registered with the SEC.