

# **Part 2A of Form ADV: Firm Brochure**

## **Lumina Fund Management LLC**

48 Wall Street, Suite 1100

New York, NY 10005

Phone: 212-918-4645

[www.luminafund.com](http://www.luminafund.com)

March 22, 2011

This brochure provides information about the qualifications and business practices of Lumina Fund Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 918-4645. 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 Lumina Fund Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for Lumina Fund Management LLC is 144082.

While Lumina Fund Management LLC may refer to itself as a "registered investment advisor" or "RIA" Clients should be aware that registration itself does not imply any level or skill or training.

### **Material Changes From Last Update:**

There have been no material changes in the FIRM BROCHURE (Form ADV Part 2A) prepared by Lumina Fund Management LLC from the last update prepared on March 16, 2010.

# **Table of Contents**

Item 1 COVER PAGE.....	1
Item 2 MATERIAL CHANGES FROM PREVIOUS VERSION.....	1
Item 3 TABLE OF CONTENTS.....	2
Item 4 ADVISORY BUSINESS.....	3 - 4
Item 5 FEES AND COMPENSATION .....	4 - 6
Item 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	6
Item 7 TYPES OF CLIENTS.....	6
Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	7 - 8
Item 9 DISCIPLINARY INFORMATION .....	8
Item 10 OTHER FINANCIAL INDUSTRIES ACTIVITIES AND AFFILIATIONS. ....	8
Item 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	9 - 10
Item 12 BROKERAGE PRACTICES.....	10
Item 13 REVIEW OF ACCOUNTS.....	10
Item 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	11
Item 15 CUSTODY.....	11
Item 16 INVESTMENT DISCRETION.....	11- 12
Item 17 VOTING CLIENT SECURITIES.....	12
Item 18 FINANCIAL INFORMATION.....	12
Item 19 REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	12

## **Item 4 Advisory Business**

### ***Introduction***

Lumina Fund Management LLC (hereafter “Lumina”), is a fee based investment advisor that offers qualified investor clients two types of discretionary *investment management services: Managed Accounts and a Private Investment Fund, Lumina Partners LP* (hereafter “Fund”).

Lumina was founded in 2004 and has been in business for approximately 7 years. Lumina is owned by Diego Giurleo. The experience, education and background of its professional staff is available in the Brochure Supplement document.

### ***Investment Management Services***

Lumina offers discretionary investment management services to both managed account clients and a private investment fund. Lumina tailors its investment strategies to meet established investment objectives. Lumina attends meetings and submits views to clients to discuss the investment accounts and provide investment outlooks.

In constructing investment portfolios, Lumina primarily invests in exchange-listed stocks, stock options, exchange-traded funds (ETFs) and mutual funds. On occasion, Lumina may recommend investments in private investment funds that are suitable and meet specific client investment guidelines. Lumina monitors client accounts on a daily basis so that it may make any necessary transactions in client accounts.

The securities mentioned above reflect a broad range of investment risk, including some securities that entail high degrees of risk, such as stock options and private investment funds that may only be suitable for sophisticated investors.

Lumina does not provide any “wrap programs” (programs that bundle brokerage and advisory services under a single comprehensive fee) so all securities recommended by Lumina may include additional transaction charges by the client’s broker-dealer/custodian separate from Lumina’s advisory fees.

## **Managed Accounts**

For managed accounts, the client grants Lumina discretionary trading authority in the client's broker-dealer/custodian account. This is accomplished by executing an investment management agreement with Lumina and the appropriate documents with the client's broker-dealer/custodian. The discretionary authority will allow Lumina to enter securities transactions on the client's behalf, determining which securities and the amount of securities to buy or sell. Clients will be notified of all transactions by trade confirmations from their broker-dealer/custodian and through communication with Lumina.

Under the managed account agreements, Lumina does not have the authority to make any withdrawals from the client's account(s) under management and Lumina does not provide any custodial functions. All withdrawals from the client's account(s) under management will be initiated and authorized by the client through direct communication with the broker-dealer/custodian including the payment of advisory fees to Lumina. Lumina recommends that clients always review their brokerage account statements to verify the trading activity and withdrawals that occur in their account(s). "FEES AND COMPENSATION" is discussed at greater length in Item 5 of this FIRM BROCHURE.

As of March 22, 2011, Lumina's discretionary managed account assets under management totaled approximately \$318 million. Clients include a major corporation, a fund of funds and a charitable foundation.

## **Private Investment Fund**

Lumina provides the same discretionary management services to the Fund as describe above for managed accounts. "FEES AND COMPENSATION" is discussed at greater length in Item 5 of this FIRM BROCHURE.

As of March 22, 2011, the Fund did not have any client assets. The general partner of the Fund intends to open the Fund to investors later in 2011.

# **Item 5 Fees and Compensation**

## ***Fees for Managed Accounts***

Lumina charges two types of fees for managed accounts: *management fee* and *performance fee*. Lumina may also negotiate *flat fee* arrangements with clients. In addition, clients may incur custodian fees or mutual fund expenses in connection with Lumina's advisory services.

## **Management Fee**

Lumina charges a 2% management fee based on a percentage of assets under management. The management fee is paid quarterly in arrears.

Lumina calculates and charges its management fee at the end of each calendar quarter. Once the fee amount is agreed upon between the client and Lumina, the client instructs its broker-dealer/custodian to withdraw the fee from the client's account and make the payment to Lumina. As stated above, with respect to managed accounts, Lumina does not have the authority to make any withdrawals from the client's broker-dealer/custodian account.

Lumina may negotiate its management fee and may offer discounts for friends, family, employees and strategic investors.

## **Performance Fee**

Lumina charges an annual performance fee of 20% of the participation of the net return generated for the client's account. The net return is defined as the gross return less annual management fees.

If the net return is negative, no performance fee is paid by the client to Lumina until the value of the client's account at the end of successive calendar years exceeds the highest level reached at the end for all previous calendar years.

Lumina calculates and charges its performance fee at the end of each calendar year. The performance fee is charged in arrears. Once the fee amount is agreed upon between the client and Lumina, the client instructs its broker-dealer/custodian to withdraw the fee from the client's account and make the payment to Lumina. As stated above, Lumina does not have the authority to make any withdrawals from the client's broker-dealer/custodian account. Performance fees are paid in the month following the end of the calendar year (e.g. January, 2011 for the full year 2010 investment period).

Lumina, may negotiate its performance fee and may offer discounts for friends, family, employees and strategic investors.

## ***Fees for Private the Fund***

Under the investment management agreement that will be entered into between Lumina and the Fund, Lumina will be entitled to receive two types of fees: *management fee* and *performance fee*. The details of these fees are exactly as described above under the section *Fees for Managed Accounts* in Item 5 “FEES AND COMPENSATION” of this FIRM BROCHURE. The Fund may incur additional fees under its investment management agreement and limited partnership agreement.

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

As stated above, in addition to receiving performance fees based on the capital appreciation of assets under management, Lumina also receives management fees based on the client assets under management and flat fees from certain clients.

While managing these accounts side-by-side, Lumina is fully cognizant of its fiduciary obligations to its clients. There may be a conflict caused by offering a performance fee which may encourage undue risk taking. To avoid these conflicts, all actions undertaken by Lumina personnel are in strict accordance to Lumina’s code of ethics, which outlines its principles and business standards of conduct. The code emphasizes among other things, that it is the duty and obligation of each employee to put the interest of the client first, comply with all applicable securities laws, obtain approval before engaging in certain outside activities, avoid conflicts of interest, treat all client information with the utmost confidence and report any violations of the code to the Chief Compliance Officer. Lumina’s code of ethics will be provided to any client upon request.

## **Item 7 Types of Clients**

Lumina will provide advisory services to various types of clients.

Lumina’s *Managed Account* clients generally will include: large corporations, trusts, estates and charitable organizations. The minimum investment is \$10,000,000; however Lumina may accept smaller amounts.

Lumina’s *Private Investment Fund* clients generally will include: qualified high net worth individuals, fund of funds and family offices. The minimum investment is \$1,000,000; however Lumina may accept smaller amounts.

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

Lumina structures investment strategies to meet clients' financial goals within specific investment guidelines outlined in the investment management agreement with the client. In achieving this objective, Lumina applies fundamental, quantitative/technical and behavioral analysis to select investment candidates and construct client portfolios.

Lumina's fundamental analysis aims to establish the intrinsic value of equities based on thorough analysis of fundamental metrics including: analysis of financial statements, earnings, dividends, management structure, competitive advantages, product offerings, competitors and markets. In essence, this method of analysis evaluates the overall condition of the company (or companies in a mutual fund or ETF) to determine whether it is a sound investment. Despite the fundamental analysis performed by Lumina, any investment in securities carries market risk and investors may lose their principal investment.

In its quantitative/ technical analysis, Lumina does thorough research of past market price and volume trends to assist in determining the future direction of equity prices. This is done by investigating past price movements to identify trends and patterns used in the selection of securities to purchase and price points to buy and sell. Lumina applies a set of parameters to chart and analyze the movement of various securities. Despite the quantitative/technical analysis performed by Lumina, any investment in securities carries market risk and investors may lose their principal investment.

In its behavioral analysis, Lumina applies the basic principles of behavioral finance to complement and strengthen its fundamental and quantitative/technical analysis. In deploying its behavioral finance approach, Lumina seeks to invest in securities that not only present attractive fundamental and technical metrics, but also demonstrate an element of over and/or under-reaction to material market information. Lumina focuses on information such as: earnings announcements, changes in analyst ratings and corporate actions. Despite the behavioral finance analysis performed by Lumina, any investment in securities carries market risk and investors may lose their principal investment.

In creating its investment strategies, Lumina uses the following main sources of information: its own proprietary research, research materials provided by others, annual reports, prospectuses, filings with the Securities and Exchange Commission, company press releases and financial publications.

The investment strategies may include: long term purchases (securities held over 1 year), short term purchases (securities held less than 1 year), trading (securities sold within 30 days), short sales, margin transactions and option writing, including covered options, uncovered options and spread strategies.

While Lumina does not engage in day-trading, active strategies may entail additional risk due to a greater frequency in transactions. As such, active strategies may involve additional brokerage fees, transaction costs, and taxes. Also, strategies that use options may entail additional risk as losses may exceed those seen in the underlying stock. Lastly, strategies that include private investment funds entail greater risk as these offerings have limited regulatory oversight, have less liquidity, and depend on the due diligence of the investor or investment advisor.

For *Managed Account clients*, the investment strategies used will vary depending on the client's financial goals and risk tolerance. Generally, clients seeking capital preservation with limited risk will be managed less actively with strategies using mutual funds, index funds and ETFs. Clients seeking growth with greater risk will be managed with active strategies using stocks, ETFs, and stock options.

For *the private investment fund*, the Fund will be actively managed and seek growth with a greater risk profile. The Fund will deploy active strategies using stocks, ETFs, and stock options.

## **Item 9 Disciplinary Information**

Neither Lumina nor any of its related persons have had any legal or disciplinary events in their past. Clients and prospective clients can always view the CRD records (registration records) for Lumina or any of its related persons through the SEC's Investment Adviser Public Disclosure (IAPD) website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for Lumina is 144082. Lumina's *BROCHURE SUPPLEMENT* document contains biographical information for Lumina's personnel.

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

Lumina, through an affiliated company, Lumina Fund Advisors LLC, is the General Partner of Lumina Partners LP, a private investment fund. There is a potential conflict of interest with respect to any client who might consider investing in the Fund or some other unaffiliated private fund. Accordingly, as a matter of policy and practice, Lumina discusses with every client in advance that (i) there is this conflict of interest; (ii) that the client is not required to invest with Lumina Partners LP; (iii) that the client alone makes the decision to invest with Lumina Partners LP. Currently, Lumina does not recommend the private investment fund, Lumina Partners LP to its managed account clients.



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

### ***CODE OF ETHICS***

Pursuant to SEC Rule 204A-1, Lumina has a Code of Ethics that promotes the fiduciary duty of Lumina and its personnel. The Code of Ethics articulates the importance of trust as a foundation to the relationship between an investment advisor and its clients and establishes policies and procedures to ensure that Lumina and its personnel place the interests of the clients first. The Code of Ethics requires that Lumina and its personnel adhere to all applicable securities and related laws and regulations. The Code of Ethics also requires that Lumina and its personnel follow industry “best practices” involving: confidential information, suitability of investments, personal trading on the part of Lumina and its personnel, outside business activities of its personnel, and the disclosure of conflicts of interest.

A copy of the Lumina’s Code of Ethics is available upon request for any client or prospective client.

### ***PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS***

As explained in Item 10, “OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS” above, an affiliate of Lumina, Lumina Fund Advisors LLC is the General Partner of Lumina Partners LP, a private investment fund in which the principal of Lumina has personally invested. To avoid any conflict of interest between the investment activities of Lumina Partners LP and those of any other Lumina advisory clients, Lumina strictly adheres to its code of ethics. (See Item 11 CODE OF ETHICS SECTION above). Specific trading and investment guidelines are in place to ensure that best practices for all accounts are adhered to equally.

### ***PERSONAL TRADING***

Lumina may have an interest in client transactions insofar as Lumina and/or its personnel may invest in the same securities recommended to advisory clients. These transactions involve a conflict of interest as Lumina and/or its personnel may benefit from an increase in price from subsequent purchases by advisory clients. To address this conflict of interest, Lumina and its personnel will adhere to the following procedures regarding their personal trading:

- (1) Client transactions will always be placed ahead of those for Lumina and its personnel;
- (2) Lumina and its personnel will mostly recommend investments that are widely traded;
- (3) Lumina, its personnel and advisory clients will never have enough funds invested in any given security to move the market in that particular security.

## **Item 12 Brokerage Practices**

In selecting broker-dealers for client transactions, Lumina applies the following criteria: efficient trade platform, adept trade execution, low cost commission structure and smooth transaction settlement. In exercising its fiduciary duty, Lumina constantly canvasses the broker-dealer market place to ensure that advisory clients are benefitting from the best brokerage services at the most reasonable cost.

### ***RESEARCH AND OTHER SOFT DOLLAR BENEFITS***

While Lumina has access to broker-dealer research which may be considered “soft dollar benefits” and constitute a conflict of interest, this does not factor in Lumina’s decision to do business with any broker-dealer. Lumina does not receive any other “soft dollar benefits”.

### ***DIRECTED BROKERAGE***

Lumina only selects broker-dealers on the basis of our clients’ interest in receiving the most favorable execution for its trades. As such, Lumina selects to execute transactions with specific brokers with the sole intention of receiving efficient low cost execution which is in our clients’ best interest. Lumina does not engage in markups or markdowns of brokerage commissions. Lumina never directs client transactions to a particular broker dealer in return for client referrals. None of our clients require Lumina to direct its brokerage to any particular firm. Lumina does not aggregate purchases and sales of securities for our client accounts. Lumina has no affiliation with any broker-dealer.

## **Item 13 Review of Accounts**

Lumina reviews all client accounts on a daily basis. Lumina conducts regular portfolio reviews which involve performance and risk analysis and may result in the appropriate portfolio rebalancing to meet clients’ investment objectives. Lumina’s managed account clients have full access to all account details, transactions and net asset valuations on an ongoing basis and also receive monthly statements and reports.

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

In accordance with applicable SEC rules, Lumina may compensate other financial professionals to refer clients to Lumina for investment advisory services. For referrals that engage Lumina for investment advisory services, Lumina will compensate the financial professional a portion of Lumina's fees. The use of referral compensation may constitute a conflict of interest. Lumina currently has no such compensation arrangements. In the event that Lumina engages in such arrangements, Lumina will ensure all conflict of interest issues are eliminated within the framework of Lumina's compliance guidelines and Code of Ethics. (See Item 11 CODE OF ETHICS SECTION above).

## **Item 15 Custody**

For *managed accounts*, clients engage an independent broker-dealer/custodian to maintain their accounts and so Lumina does not have *physical* custody or access of clients' assets, monies, or securities. Clients receive and/or have access to account statements directly from the custodian.

For the *Private Investment Fund*, under the investment management agreement that Lumina intends to enter into with the Fund, the Fund will engage an independent broker-dealer/custodian to maintain its account so Lumina does not have *physical* custody of or access to the Fund's assets, monies, or securities. The Fund will receive and/or have access to account statements directly from the custodian and in connection therewith, Lumina will advise the Fund to carefully review such account statements.

## **Item 16 Investment Discretion**

As described in Item 4 "ADVISORY BUSINESS" section of this FIRM BROCHURE, Lumina has investment discretion for its advisory clients. Before assuming this authority, Lumina will execute an investment management agreement with each client which grants such authority within the specific guidelines of the agreement. Clients will also sign a trading authorization form with their broker-dealer/custodian which specifies Lumina's investment discretion in the clients' accounts.

When clients grant discretionary authority to Lumina, clients may still place restrictions on Lumina, such as a prohibition on investing in specific securities, industries, or markets that the client chooses. These restrictions are outlined and specified in the investment management agreements between Lumina and its clients.

In executing its investment discretion, Lumina ensures that it maintains its clients' investment profile in-line with the guidelines stipulated in the investment management agreements executed between Lumina and its respective clients.

## **Item 17 Voting Client Securities**

For any security that entails a voting right in the underlying company, Lumina will not have or accept authority to vote client securities. All voting issues, proxies, and solicitations will be communicated to advisory clients through the client's broker-dealer/custodian. Upon request, however, Lumina may help explain or answer questions regarding a given voting issue.

## **Item 18 Financial Information**

Lumina would be required to disclose additional financial information if it were to charge fees in advance, but as described in Item 4 "ADVISORY BUSINESS" section of this FIRM BROCHURE, Lumina charges all advisory fees in arrears. In any case, Lumina and its, personnel have no material financial information (e.g. bankruptcies, liens, judgments) in their backgrounds.

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

Lumina is not a state registered advisor; accordingly, the question is not applicable to Lumina.