

Form ADV Part 2A: Firm Brochure

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March 30, 2016

**This brochure provides information about the qualifications and business practices of Elmrox Investment Group IM L.P. (“EIG”). If you have any questions about the contents of this brochure, please contact us at the number listed above. 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.**

**EIG is federally registered with the SEC as an investment adviser. Registration with the SEC does not imply any level of skill or training.**

**Additional information about EIG is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **2. Material Changes**

Since EIG's brochure dated March 31, 2015, there have been the following changes to the brochure:

- As of January 31, 2016, EIG terminated the Elmrox Long Term Returns Fund LLC, a Delaware limited liability company that it managed, and returned all capital to the fund's investors. EIG is in the process of liquidating the Elmrox Long Term Returns Master Fund Ltd., the "master fund" that Elmrox Long Term Returns Fund LLC invested through, and completion of this liquidation is expected to occur in April 2016.
- In addition, two senior analysts ceased to be employed by EIG.

There have been no other material changes to report.

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#### **4. Advisory Business**

Elmrox Investment Group IM L.P. (“EIG”) is an investment adviser registered with the United States Securities and Exchange Commission. EIG is principally owned by Daniel W. Lawrence. It commenced operations on November 1, 2014.

EIG offers discretionary investment management services to clients through private, pooled special-purpose vehicles (“SPVs”) and separately managed accounts (“SMAs”). One or more clients may be investors in a SPV managed by EIG, while a SMA typically is tailored to the needs of a single client.

EIG’s investment strategy involves single-issuer investments in publicly-listed, global equity securities and equity-related instruments. EIG uses a combination of intensive research, deep diligence and strategic thinking to identify securities with perceived asymmetric risk/reward profiles over varying investment horizons. Specific information about investments to be made for a SPV may be found in the limited partnership agreement (“LPA”) relating to such SPV. Specific information about investments to be made for a SMA may be found in the investment management agreement (“IMA”) relating to such SMA. Any investment restrictions are disclosed in the SPV’s LPA and SMA’s IMA, respectively.

As of March 28, 2016, EIG provides investment management services, on a discretionary basis, for one SMA client with assets of \$101,029,000.

#### **5. Fees and Compensation**

For SPVs, EIG charges a quarterly management fee (the “management fee”) generally ranging from 1% to 2% of assets under management, and an EIG affiliate charges a performance-based fee generally ranging from 15% to 20% of the increase in the account’s net asset value, in accordance with the terms described in the SPV’s LPA. For SMAs, EIG charges a quarterly management fee ranging from 0% to 2% of assets under management, and a performance-based fee generally ranging from 15% to 20% of the increase in the account’s net asset value, in accordance with the terms described in the SMA’s IMA. EIG does not charge its current SMA client a management fee for the investment management services it provides with respect to the account. EIG does receive a performance-based fee equal to 15% of the increase in the net asset value of the account, in accordance with the terms described in the SMA’s IMA.

EIG’s fees are generally not negotiated although EIG may agree to reduce the management fee (as it has done for its current SMA client), the performance-based fee or any other amounts due to EIG for certain clients.

Certain expenses, including brokerage commissions and other transaction costs incurred in connection with securities transactions, may be paid by the SPV or EIG and allocated to clients in proportion to their respective account value at the time of the allocation. Generally, the prime brokers and custodians used by EIG do not charge the SPVs and SMA accounts a custody fee. Neither EIG nor its affiliates is a broker/dealer and, consequently, none receive any commissions or other compensation in connection with the purchase or sale of securities.

Additional operating expenses, such as administration, legal, accounting, auditing and other professional fees and expenses, are paid by the SPV or EIG and are allocated to the clients in the manner described above. The clients do not pay any of EIG's or its affiliates' internal expenses such as salaries, bonuses or office rent.

EIG generally charges management fees in advance, at the beginning of each quarter. If a client redeems its investment before the end of the quarter, EIG will refund to the client the pro-rated portion of the management fee based on the number of days remaining in the quarter.

Neither EIG nor any of its officers, partners or directors accepts compensation for the sale of securities or other investment products.

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

As indicated above, EIG may receive a fee based on the assets that it manages, and it receives performance-based compensation as well. The performance-based compensation may create an incentive for EIG or its affiliates to make investments that may be riskier or more speculative than it would make under a different fee arrangement. Performance-based compensation is in conformity with Rule 205-3 of the Investment Advisers Act of 1940, as amended ("the Advisers Act").

## **7. Types of Clients**

EIG provides investment advisory services to one or more private, pooled investment vehicles (e.g., the SPV referenced above) and to separately managed accounts. The minimum initial capital contribution by an investor in a SPV is \$5,000,000. The minimum initial capital contribution for a SMA is \$20,000,000. EIG may accept investments below these minimums in its discretion. Investors in a SPV are required to represent that they are "accredited investors," as defined in Regulation D under the Securities Act of 1933 and "qualified purchasers" as defined in the Investment Company Act of 1940, as amended.

## 8. Methods of Analysis, Investment Strategies and Risk of Loss

The investment objective of the SPVs and SMAs is to achieve superior returns primarily through investments in individual publicly-listed, global equity securities. The strategy is “activist” in nature although markedly different from most such strategies. EIG’s strategy is to establish and maintain a close relationship with company management for the purpose of identifying and agreeing on effective ways to create long-term shareholder value. EIG may also invest in hedges to offset losses experienced by the securities in the client accounts. EIG uses a combination of intensive research, deep diligence and strategic thinking to identify securities with perceived asymmetric risk/reward profiles over varying investment horizons. By conducting in-depth primary research through extensive diligence focused on long-term structural business characteristics, EIG intends to identify individual high-conviction alpha generating long equity positions in the global securities markets. EIG will also leverage relationships with industry executives, consultants and private equity contacts, and will regularly meet with senior and middle management, customers, competitors, suppliers and distributors to better understand ongoing changes to the underlying business fundamentals of the companies in which it invests.

**Activist Strategy.** The outcome of any activist investment strategy, such as that which is pursued by EIG, is subject to the material uncertainty of legal, bankruptcy and other proceedings, as well as to resistance by management, adverse publicity and several other factors.

**Concentration on Equities.** EIG invests in equities and equity-related products (*i.e.*, options, etc.). The equity markets are speculative and highly issuer-specific. Mismanagement or misconduct by corporate officers can cause the complete loss of an equity investment, and the equity markets may be particularly susceptible to subjective investment factors and market sentiment.

**Declining Equity Markets.** Given that EIG’s strategy is to invest in long positions, the profit potential of the client accounts could be diminished during market cycles in which there is a sustained decline in equity price levels.

**Market Volatility.** Equity prices have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price volatility is influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions. On the other hand, the equities markets from time to time enter into “stagnant” periods of significantly reduced volatility. EIG believes that its strategy can be successful in a wide range of volatility environments. However, the profit potential of this strategy could be adversely affected during periods when market volatility approaches extreme levels (either high or low), particularly because the client accounts are expected to invest in one or a small number of investments.

**Fundamental Analysis.** The focus of the EIG strategy is fundamental, “bottom-up” analysis of individual issuers. Fundamental analysis — which is based on the theory that market mispricings exist because market prices do not incorporate all knowable economic and other relevant data (in the case of EIG, with particular emphasis on the idiosyncratic factors applicable to individual issuers) — is subject to the risk of inaccurate or incomplete market information, as well as the difficulty of predicting future prices based upon analysis of all known information. Investments made based upon fundamental analysis are subject to significant losses when market sentiment leads to Financial Instruments’ market prices being materially discounted from the expected prices indicated by fundamental analysis or when technical factors, such as price momentum encouraged by trend following, dominates the market. Fundamental analysis is inherently subject to the risk of not having identified all the relevant economic factors, and in the case of EIG this risk is exacerbated by the difficulty of even being aware of all relevant idiosyncratic factors.

**Medium- Capitalization Companies.** EIG may invest a significant portion of its clients’ capital in the securities of companies with medium-market capitalizations. Although EIG believes that these securities may provide significant potential for appreciation, such securities often involve higher risks than do investments in the securities of larger-capitalization companies.

**Duration of Investment Positions.** The length of time for which a position is maintained varies significantly, based on EIG’s subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses.

**Model Risk.** EIG will make use of certain proprietary, quantitative valuation models to determine which issuers meet its next level of in-depth individual research. As market dynamics (for example, due to changed market conditions and participants as well as, for example, the availability of capital to finance valuations based on what had formerly been commonly used multiples of EBITDA used in valuing companies) shift over time, a previously highly successful model often becomes outdated or inaccurate. There can be no assurance that EIG or its affiliates will be successful in obtaining, developing and/or maintaining effective quantitative models.

**Regulatory Actions.** From time to time, certain of EIG’s activities may be subject to regulatory inquiries, investigations and/or enforcement proceedings from U.S. and non-U.S. governmental agencies, regulatory bodies and securities commissions, which can be costly and occupy significant staff time and resources of EIG and/or its affiliates.

All investors should carefully review the SPV’s LPA or the SMA’s IMA, as the case may be, to understand the account’s investment objectives and specific investment risks.

## **9. Disciplinary Events**

EIG and its affiliates have no legal or disciplinary events to report.

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

Neither EIG, nor its principals or management personnel, has an application pending to register as a broker-dealer, representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser or as an associated person of the foregoing.

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

EIG has adopted written policies and procedures reasonably designed to prevent or detect violations of the Advisers Act that include a Code of Ethics with which all EIG Parties are required to comply. The Code of Ethics covers, among other things, the fiduciary relationship of EIG and its affiliates with investors, personal securities transactions, reporting obligations regarding personal securities transactions, the avoidance of actual or potential conflicts of interest, gifts, prohibitions against disclosure of non-public information relating to investors or investor transactions, rules governing prohibitions on trading on the basis of non-public information and penalties for violations of provisions of the Code of Ethics.

A copy of the Code of Ethics is available to investors upon request.

With respect to personal securities transactions, the Code of Ethics prohibits EIG employees and their related accounts from electing to or taking any action to acquire the same securities in which the client accounts invest. The Code of Ethics also requires that EIG employees first obtain written authorization before engaging in personal securities transactions, send to EIG copies of their monthly personal account statements and file with EIG a monthly transaction report. The EIG managing partner or his designee reviews the personal trading documentation, except as to his own, which is reviewed by EIG's compliance officer. These policies do not prohibit an EIG employee from owning U.S. government securities, money market fund shares, variable annuities and life insurance, bank cash management instruments such as bank certificates of deposit, municipal bonds, or shares in exchange-traded funds or mutual funds, although in some cases prior written authorization is required.

These situations present potential conflicts of interest to EIG that are described and addressed above.



## 12. Brokerage Practices

EIG is authorized to determine the broker or dealer to be used for each securities transaction on behalf of the clients. In selecting brokers and negotiating commission rates, EIG takes into account the financial stability and reputation of brokerage firms, and the quality of the investment research, special execution capabilities, clearance, settlement, custody, recordkeeping and other services provided by the broker, even though a given client account may or may not in any particular instance be the direct or indirect beneficiary of the research or other services provided. In selecting brokers or dealers to execute transactions, EIG need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. EIG may cause the client accounts to pay commissions to particular brokers that are higher than those charged by other brokers in exchange for products or services provided by the brokers receiving higher commissions, although EIG in any case will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker.

Section 28(e) of the Exchange Act establishes a “safe harbor” that permits an investment manager to use commissions, or “soft dollars,” to obtain certain research and brokerage services in connection with the investment decision-making process. Under Section 28(e), research obtained with “soft dollar” credits generated by one client account may be used by EIG to service other accounts. Where a product or service provides both research and non-research assistance to EIG, a portion of the cost of the product or service, based upon a reasonable allocation between the two types of uses, may be paid for with “soft dollars.”

Research services within Section 28(e) may include, but are not limited to: research reports, including market research; certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts, including legal analysts and advice to the extent that the legal advice relates to a particular investment or investment strategy; meetings with corporate executives; consultants’ advice on portfolio strategy; market data; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto, such as connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians; trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic trade confirmations or trade affirmations.

EIG will not make use of “soft dollar” services which EIG believes fall outside of Section 28(e), provided that EIG may obtain “capital introduction” services from prime brokers at no additional cost.

Research and brokerage services obtained by the use of commissions arising from the client accounts’ portfolio transactions may be used by EIG in its other investment activities. The client accounts may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided in consideration of the “soft dollars” generated by the client accounts’ trading.

When it receives products or services from brokers, EIG receives a benefit because it does not have to pay for the products or services, such as research. In addition, EIG has an incentive to recommend broker-dealers based on benefits that it receives from brokers, even in the absence of “soft dollar” arrangements, rather than the interests of the client accounts in receiving the most favorable execution.

Brokers may refer investors to EIG. As a result, EIG has an incentive to select or recommend brokers based on such broker’s providing client referrals, rather than upon the client accounts’ receiving favorable execution from the broker.

### **13. Review of Accounts**

The client account holdings are reviewed on an ongoing basis by Daniel Lawrence, the managing partner of EIG. The purpose of the review is to ascertain that the positions are appropriate for the strategy and objective of the account, and to ensure that any investor directed guidelines are observed. Any uncertainties regarding the appropriateness of holdings, adherence to investor guidelines or adherence to risk limits are addressed immediately.

An annual independent audit of each SPV will be conducted by an independent public accounting firm that is registered with and subject to inspection by the Public Company Accounting Oversight Board. Written financial statements audited by these accountants will be sent annually to the SPV’s investors within 120 days of a SPV’s fiscal year-end. In addition, investors in the SPV will receive written unaudited capital account statements monthly prepared by the SPV’s administrator which will include the increase or decrease in the net asset value of the investor’s capital account during the preceding month. The independent public accountants also provide written tax information related to the SPV that EIG will send to the SPV’s investors on an annual basis.

No audit is conducted of the SMAs. EIG does not provide SMA clients with account statements, but such statements are generally available monthly from the client's chosen account custodian. EIG does not provide SMA clients with any tax information on an annual basis.

In addition, EIG sends to each client periodic communications that review the performance of the client's account and include commentary on the markets in which such account invests.

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

EIG and its affiliates do not receive an economic benefit for providing advice to their clients from anyone other than the clients.

EIG and its affiliates do not directly or indirectly compensate any third parties for client referrals.

#### **15. Custody**

Neither EIG nor its affiliates has actual custody of any client assets. However, EIG will be deemed to have custody of SPV investor assets by virtue of the arrangements it will have under which it will be authorized to deduct management fees from the capital accounts of those investors.

As indicated in Item 13, EIG will provide audited financial statements to the investors in the SPV within 120 days of the SPV's fiscal year-end. Since the financial statements will also be prepared by an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board and will be prepared in accordance with U.S. generally accepted accounting principles, EIG will be exempt from certain provisions of the SEC's custody rule. Clients are urged to carefully review all statements and letters.

#### **16. Investment Discretion**

EIG manages all client accounts on a discretionary basis. It has sole discretion to determine which securities and the quantity of securities to be bought or sold without consultation with the clients. Clients do not generally have any authority to place limitation on EIG's discretionary authority.

Each EIG client must review and sign the LPA or IMA relating to its account, which grants EIG or its affiliates discretionary authority with respect to the account. EIG complies with any investment guidelines and restrictions set forth in the account's LPA or IMA.

## **17. Voting Client Securities**

As part of the SPV or SMA account opening process, clients generally delegate discretion for proxy voting to EIG, which has adopted written policies and procedures regarding how it exercises this discretion. EIG votes proxies in a manner that is in the best interests of its clients. A client generally may not request that EIG vote a certain way on a particular vote because the other clients may be affected. EIG generally expects to vote in accordance with the recommendations of company management, as it believes management usually knows more about the company than passive shareholders. However, EIG realizes that there are many complexities to proxy votes and will vote against a proposal or recommendation of management if it determines that such a vote is not in the best interests of its clients. In addition, there are times when not voting on a particular issue may be in the best interests of clients.

In exercising its voting discretion, EIG avoids any material conflicts of interest. If a material conflict arises, EIG will have no further input on the vote, will solicit the services of an outside proxy voting vendor and will vote in accordance with such vendor's vote recommendation. EIG maintains required records in connection with its proxy voting, and upon written or oral request will provide clients with information about how proxies were voted.

Clients may request a copy of its Proxy Voting Policies and Procedures by contacting EIG by telephone or in writing at:

**Elmrox Investment Group IM L.P.  
50 West 29<sup>th</sup> Street  
Suite 7E  
New York, NY 10001  
Phone: (646) 663-4960**

## **18. Financial Information**

Neither EIG nor its affiliates has any financial condition that impairs its ability to meet contractual commitments to clients, and neither has ever been the subject of any bankruptcy petition.