

# **Neo-Criterion Capital Management Limited**

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This Brochure provides information about the qualifications and business practices of Neo-Criterion Capital Management Limited ("NCC"). If you have any questions about the contents of this Brochure, please contact us at +852 2777 8398 or by email at [ryanszeto@neo-criterion.com](mailto:ryanszeto@neo-criterion.com). 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.

Registration of an investment adviser does not imply that NCC or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about NCC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

As this is Neo-Criterion Capital Management Limited's initial registration filing, this section is not applicable.

**Item 3: Table of Contents**

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**Item 4: Advisory Business**

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Neo-Criterion Capital Management Limited (“NCC”, the “Firm”) is a company incorporated in Cayman Islands on December 10, 2013 and acts as is the investment manager to the NCC China A-Share Master Fund and the NCC China A-Share Offshore Feeder Fund (collectively, the “Fund”) and together with its affiliates provides advisory services to separate managed accounts (“SMA”). The Fund is incorporated in the Cayman Islands as an exempted company with limited liability.

The principal activity of NCC is to provide discretionary investment management services including investment advisory services, specializing in China and Greater China equities investments. The Firm is primarily owned and controlled by Ji Liu.

**Services Offered**

The Firm provides investment advisory services to the Fund based on specific investment objectives and strategies. The Fund’s offering documents (as amended and supplemented from time to time) set forth the investment guidelines and/or the types of investments in which the assets of the Fund may invest.

NCC together with its affiliates currently manages approximately USD 430 million of regulatory assets on a discretionary basis. The performance of the Fund and SMAs will be reported, fees will be calculated, and all subscriptions and redemptions will be transacted, in US dollars (US\$).

**Ability to Tailor Services and Impose Restrictions**

The investment objectives and strategy for the Fund are described in the Fund’s offering documents. NCC provides investment advisory services to the Fund based on the specific investment objectives and strategies of the Fund and not individually to investors in the Fund (the “Investors”). However the Fund may from time to time enter into side letter agreements or other similar agreements (“Side Letters”) providing investors with additional and/or different rights and benefits. Directors may also reduce the minimum subscription amounts in consultations with the Firm, subject to requirements by applicable laws.

**Item 5: Fees and Compensation**

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**Management Fee**

The fees applicable to each Fund are set forth in detail in each Fund’s offering documents; with respect to all share classes, the Firm receives an annual management fee range up to 0.9% per annum in respect of the net asset value (“NAV”) of the Fund (“Management Fee”). The Management Fee is payable quarterly in arrears as soon as practicable after the end of each calendar quarter.

The Firm may, in its sole discretion, waive, rebate or decrease the Management Fee that is payable in whole or in part, in respect of each share class at any time.

The Fund may from time to time enter into Side Letters providing for changes in management fees and performance allocation.

The Fund pays various ongoing operational expenses, including but not limited to, accounting, auditing, tax preparation, legal, administration, research, and trading costs. The Fund may incur brokerage and other transaction costs.

Fees and compensation are generally deducted from the assets of each Fund on a quarterly basis.

Clients with SMAs generally pay Management Fees in a similar range as stated above.

### **Brokerage Fees**

The Fund is responsible for paying any and all brokerage fees including, without limitation, commissions, annual fees, brokerage charges, bank charges, registration fees, clearing and settlement charges, taxes and/or duties.

### **Item 6: Profit Allocation Percentage**

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The pro-rata profit allocation percentage fee ("Profit Allocation Percentage") for certain share classes is charged, subject to a high water mark, in an amount equal up to 20% per annum of the increase in NAV attributable to investment performance. Profit Allocation Percentage is paid on an annual basis.

The Profit Allocation Percentage for Clients with SMAs may vary but will generally not be higher than the Profit Allocation Percentage as stated above.

### **Item 7: Types of Clients/ Eligible Investors**

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NCC provides investment management services to the Fund. Investors in the Fund primarily consist of institutional investors and high net worth individuals.

The minimum initial investment amount for each Fund is generally US\$100,000 and the minimum subsequent investment amount is US\$100,000. In certain circumstances, minimum investment amounts may be amended by directors in consultation with the Firm.

All SMA clients will be required to enter into a separate management agreement with the Firm or its affiliates. The Firm and its affiliates may require a minimum account size to be determined on a case by case basis.

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

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#### **Investment Strategy and Objective**

The investment objective of the Fund is to achieve long-term capital appreciation through investments in securities in the People's Republic of China ("PRC") or shares of companies operating in the People's Republic of China which are listed on the Chinese A-Share Stock Markets.

The Fund primarily adopts a long-term capital appreciation approach and primarily invests in securities (including but not limited to synthetic or other financial derivative instruments such as participating notes, equity linked notes and/or equity swaps) that have exposures to companies established or operating as described above. The Fund will invest in the relevant securities through the Qualified Foreign Institutional Investor ("QFII") quota of one or more third party services providers, or a separate standalone QFII quota obtained by Neo-Criterion Capital Limited (the "Investment Adviser").

The Fund employs a bottom-up / fundamental research process, including extensive on-the-ground research and due diligence, in order to identify stocks that are mispriced by the market and have substantial upside potential. The Fund is index agnostic and will run a concentrated portfolio of investments.

### **Risk Management**

The application of any risk management approach involves numerous judgments and qualitative assessments. No risk management system is fail-safe, and no assurance can be given that the risk control framework will achieve its objectives. From time to time, without notice to the participating shareholders NCC may modify or change the risk management system and procedures.

### **Risk Factors**

An investment in the participating shares involves a high degree of risk. There is no guarantee that implementation of the investment objective or strategy with respect to the assets will not result in losses to holders of participating shares. Accordingly, prospective investors should consider the following risks including but not limited to:

**Market risk:** Any investment made in a specific group of securities is exposed to the universal risks of the securities market. However, there can be no guarantee that losses equivalent to or greater than the overall market will not be incurred as a result of investing in such securities. Markets generally, or any particular market or segment of a market in which the Fund has invested, could move against the portfolio and the Fund could suffer losses. The performance of the portfolio depends to a great extent on the accuracy of the assessments of the future course of market price movements. There can be no assurance that the Manager will be able to predict accurately these price movements.

**Liquidity:** Under certain conditions liquidity of a particular market or security may be restricted, thereby affecting the performance of the Fund. Lack of liquidity or market depth can affect the valuation of the Funds' assets as it looks to realize securities at quoted prices.

**Exchange Fluctuations:** Participating shares will be issued and redeemed in US dollars. It may not be possible, or practicable to hedge successfully against currency risk exposure in all circumstances. Further, exchange rate fluctuations and the costs of the currency hedging arrangements utilized may prejudicially affect the NAV per share of a class or series even where investment performance in respect of those classes or series is positive.

**Political Instability and Political Developments:** The markets in the countries in which the Fund may invest in could experience substantial price volatility which could have an adverse impact on the value of the investments. Periods of economic and political uncertainty may result in further volatility in the value of investments. Apart from the usual investment risk, investing in the PRC is also subject to certain other inherent political, economic, legal and regulatory risks and uncertainties.

**Less Information and Regulation:** The Fund may invest in the instruments in various jurisdictions, including emerging market jurisdictions which may have corporate governance and financial reporting standards that are relatively less regulated, when compared to developed markets. Accordingly, the Fund may not be able to obtain as much as disclosure in terms of financial and corporate due diligence, as well as not being provided the same level of governance protections, as compared to the regimes of other developed markets.

The above key risks associated with the Funds and the shares are not, nor is it intended to be, a complete or exhaustive remuneration or explanation of all risks involved in an investment in the Funds. Investors are encouraged to read the Funds' offering documents and consult own advisers before deciding whether to invest in the Funds. Investment should only be made if the nature of investments and risks of investment are understood. No assurance can be given that profits will be achieved or that substantial losses will not be incurred.

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**Item 9: Disciplinary Information**

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NCC and its affiliates have not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of NCC have been subject to such action.

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**Item 10: Other Financial or Industry Affiliations**

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**Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

The Firm and its affiliates are exempt from registration as a commodity pool operator or commodity trading adviser based on the de minimis level of commodity interests held by the Fund and has filed the applicable exemption notices with the Commodity Futures Trading Commission and the National Futures Association.

NCC has a parent-subsidary relationship with Neo-Criterion Capital China Research Limited ("NCC China"), where NCC China acts as a research office of the Firm. NCC China is not required to be registered with any regulators. NCC also has a parent-subsidary relationship with the Investment Adviser. The Investment Adviser is registered with Securities and Futures Commission in Hong Kong and listed in NCC's Section 7.A. of Form ADV Part I. As far as the Fund is concerned, there is no obvious conflict of interests due to the relationship between NCC and NCC China and the Investment Adviser.

**Other Material Relationships**

NCC does not have other relationships or arrangements that are material to NCC's advisory business or to its clients that the Firm or any of its management persons have with any of the following related persons: (i) a broker-dealer, municipal securities dealer, or government securities dealer or broker; (ii) an investment company or other pooled investment vehicle; (iii) a futures commission merchant, commodity pool operator, or commodity trading advisor; (iv) a banking or thrift institution; (v) an accountant or accounting firm; (vi) a lawyer or law firm; (vii) an insurance company or agency; (viii) a pension consultant; and (ix) a real estate broker or dealer sponsor or syndicator of limited partnerships.

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

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***Participation or Interest in Client Transactions***

The Firm serves as the investment manager to the Fund. Employees, affiliates of the employees, and relatives of the employee may make investments in the Funds. The Firm may or may not receive any compensation from such investments from employees.

We and our affiliates and employees have a financial interest in the Funds through an incentive allocation or a direct investment interest in the Funds. As such, we could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

***Code of Ethics and Personal Account Dealing***

Pursuant to Rule 204A-1 of the Advisers Act, NCC and its affiliates have adopted a Compliance Manual and a Personal Account Dealing Policy that establishes various procedures with respect to investment transactions in accounts in which employees of NCC or related persons have a beneficial interest or accounts over which an employee has investment discretion.

The Compliance Manual was adopted to avoid possible conflicts of interest, avoid the inappropriate use of material, non-public information and ensure the propriety of its employees' and partners' (or similar) trading activities.

The foundation of the Compliance Manual is based on the underlying principles that:

- Employees of NCC must at all times place the interests of clients first;
- Employees of NCC must make sure that all personal securities transactions are conducted consistent with this Compliance Manual and the Personal Account Dealing Policy contained in this Compliance Manual. All transactions should avoid any actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility; and
- Employees of NCC should not take inappropriate advantage of their positions. The receipt of investment opportunities, perquisites, or gifts from persons seeking business with NCC could call into question the exercise of an Employee's independent judgment.

The policy extends to the trading of employees and certain other persons who have a relationship with the Firm or its personnel ("Covered Persons"). Covered Persons must obtain written authorization from the Chief Compliance Officer prior to purchasing, selling or transferring certain types of securities, or exercising any option which is traded on exchanges in certain markets. The spirit of the Compliance Manual and the Personal Account Dealing Policy is to discourage frequent trading in personal employee accounts. Employees may not engage in any outside business activities or invest in private companies before obtaining authorisation from Compliance.

All applicable employees of NCC and its affiliates must provide duplicate copies of brokerage statements or quarterly attestations to Compliance. These records are used to monitor compliance with the foregoing policies.

The personal account dealing policy stipulates that:

- trades are subject to a general 30-day minimum holding period;



- securities may not be traded if they are on the Firm's restricted list;
- a Covered Person may not purchase a security in an initial public offering available to the Fund;
- the CCO will consider the volume of both personal and the Firm's trading when reviewing trade preclearance requests to determine whether trading may affect market prices.

Any request for an exception under this policy must be submitted in writing to the CCO with sufficient information for consideration. A copy of the Compliance Manual will be provided upon request.

## **Item 12: Brokerage Practices**

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### **Best Execution**

In effecting securities transactions, the Firm and its affiliates will seek to obtain best execution of orders. In determining the broker or dealer to be used and the commission rates to be paid, the Firm and its affiliates will consider the utility and reliability of brokerage services, including execution capability and performance, financial responsibility, investment information, market insights, other research provided by such brokers, and access to analysts, management and idea generation. Accordingly, the commissions charged by any such broker may be greater than the amount another firm might charge if the Firm and its affiliates determine in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage services and research information provided by such brokers.

### **Trade Aggregation**

The aggregation of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. The Firm's policy is to aggregate client transactions where possible and when advantageous to clients. In these instances, clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

### **Trade Allocation**

The Firm's policy prohibits any allocation of trades in a manner that that would allow our proprietary accounts or clients to receive more favourable treatment than other clients.

### **Principal Transactions/ Cross Trades**

In a "principal transaction," an investment adviser, acting for its own account, buys a security from, or sells a security to, a client's account. The Firm does not engage in principal transactions. The Firm may engage in cross trades.

### **Soft Dollars**

The Fund may obtain products or services other than the execution of securities transactions from brokers in exchange for the direction of brokerage transactions of the Fund to the broker ("Soft Dollars"). The Soft Dollars may include products or services from brokers or other third parties (for example through commission sharing agreement) such as (without limitation) research and advisory services, economic and political analysis, portfolio

analysis (including valuation and performance measurement), market analysis, data and quotation services and software incidental to the above soft dollars, clearing and custodian services and investment related publications. To the extent possible and appropriate, the Firm and its affiliates will use Soft Dollars for the benefit of the Fund, but may also use the Soft Dollars for other investment funds, client accounts and proprietary accounts it may manage in the future.

The Firm and its affiliates will use reasonable best efforts to ensure the use of Soft Dollars to pay for research products or services will fall within the safe harbour created by Section 28(e) of the Exchange Act. The Firm's soft dollar usage is fully disclosed in relevant offering documents.

### **Item 13: Review of Accounts**

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#### **Review of Accounts**

The Fund and SMAs are reviewed and reconciled on a daily basis by the investment team to ensure that the structure and individual securities held are suitable and consistent with the objectives and strategies. In addition, the Firm's operations team also monitors the Fund and the SMAs to help ensure conformity with investment objectives and guidelines. The Firm engages in active management and frequent transactions and, accordingly, performs daily trade and cash reconciliation.

NCC has also engaged an independent administrator to prepare monthly unaudited investor statements reviewing the Fund's performance for the month.

#### **Reporting**

The Fund will prepare its annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). Copies of the audited financial statements will be issued to all US investors within 120 days of the Fund's fiscal year-end, ending on December 31. The Firm will prepare and issue an investor newsletter on a monthly basis. The administrator will issue monthly account statements to investors.

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

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NCC does not compensate third parties who provide referrals for advisory clients.

### **Item 15: Custody**

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NCC and its affiliates do not maintain direct custody over client funds or securities. All assets are held at qualified custodians. The Funds each has its own fund administrator, prime broker and custodian who are independent of the Firm. Investors in the Funds will receive monthly account statements from the administrator. NCC urges investors in the Fund to carefully review such statements and compare such official records to the reports that NCC may provide to such investors.

**Item 16: Investment Discretion**

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NCC possesses discretionary portfolio management authority over the Fund with respect to asset allocations and direct investments as per the advisory agreements and offering documents in place.

NCC has the authority to determine (i) the securities to be purchased and sold for the client account and (ii) the amount of securities to be purchased or sold for the client account.

**Item 17: Voting Client Securities**

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Where NCC and its affiliates have responsibility for voting proxies, the Firm will take measures reasonably designed to ensure that they are voted in the best interest of its clients, which generally means voting with a view to enhancing the value of client securities. Financial interest of clients is the primary consideration in determining how their proxies should be voted. NCC and its affiliates may refrain from voting in certain circumstances.

Below are some voting principles that NCC and its affiliates may take into account in voting proxies whilst each situation must be judged on its own merits:

- In the absence of evidence to the contrary, the Firm and its affiliates will give considerable weight to management recommendations, except in the case of issues directly affecting the interests of management itself, such as management compensation;
- NCC and its affiliates will in general support management recommendations about the internal operations of the company. Whilst proposal which is likely to have significant economic effect on the relevant company and its security-holders will be subject to greater scrutiny on a case-by-case basis;
- NCC and its affiliates favour having strong independent directors and supports the delegation of key functions (such as compensation, audit and nominating committees) to independent directors and the Firm will in general oppose classification of directors

The Firm and its affiliates generally also accepts the authority to vote proxy or corporate actions on behalf of the SMAs.

**Item 18: Financial Information**

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NCC and its affiliates have no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.