

# Haitou Investment Management, LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Haitou Investment Management, LLC. . If you have any questions about the contents of this brochure, please contact us at (917) 373-5372 or by email at: [jerry@haitou360.com](mailto:jerry@haitou360.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 Haitou Investment Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Haitou Investment Management, LLC's CRD number is: 283555.*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Haitou Investment Management, LLC has not yet filed an annual updating amendment using the Form ADV Part 2A. Therefore there are no material changes to report.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Haitou Investment Management, LLC (hereinafter “HIML”) is a Limited Liability Company organized in the State of Delaware.

The firm was formed in August 2014, and the principal owner is Haitou Inc.

### **B. Types of Advisory Services**

#### ***Portfolio Management Services***

HIML offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. HIML creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

HIML evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. HIML will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

HIML seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of HIML’s economic, investment or other financial interests. To meet its fiduciary obligations, HIML attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, HIML’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is HIML’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

#### **Services Limited to Specific Types of Investments**

HIML generally limits its investment advice to ETFs, although HIML primarily recommends invest in ETFs to a majority of its clients. HIML may use other securities as well to help diversify a portfolio when applicable.

## **C. Client Tailored Services and Client Imposed Restrictions**

HIML offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. HIML does not participate in any wrap fee programs.

## **E. Assets Under Management**

HIML has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$0	\$25,000,000.00	July 2016

# **Item 5: Fees and Compensation**

## **A. Fee Schedule**

### ***Asset-Based Fees for Portfolio Management***

<b>Total Assets Under Management</b>	<b>Annual Fee</b>
All assets	1.00%

These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Clients may terminate the agreement without penalty for a full refund of HIML's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 30 days' written notice.

HIML uses an average of the daily balance in the client's account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

### ***Performance-Based Fees for Portfolio Management***

Qualified clients will pay an annual fee of 2.00% of assets under management along with a 20.00% performance fee based on capital appreciation. If the client's portfolio rises in value, the client will pay 20.00% on that increase in value, but if the portfolio drops in value, the client will not incur a new performance fee until the portfolio reaches the last highest value, adjusted for withdrawals and deposits, which is generally known as a "high water mark."

The high water mark will be the highest value of the client's account on the last day of any previous year, after accounting for the client's deposits or withdrawals for each billing period.

These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. This service may be canceled with 30 days' notice. Clients must pay the prorated performance-based fees for the billing period in which they terminate the Investment Advisory Contract up to and including the day of termination.

## **B. Payment of Fees**

### ***Payment of Asset-Based Portfolio Management Fees***

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis. Fees are paid in arrears.

### ***Payment of Performance-Based Portfolio Management Fees***

Performance-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis. Fees are paid in arrears.

## **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by HIML. Please see Item 12 of this brochure regarding broker-dealer/custodian.

## **D. Prepayment of Fees**

HIML collects its fees in arrears. It does not collect fees in advance.

## **E. Outside Compensation For the Sale of Securities to Clients**

Neither HIML nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

HIML manages accounts that are billed on performance-based fees (a share of capital gains on or capital appreciation of the assets of a client) and may as well manage accounts that are not billed on performance-based fees. Managing both kinds of accounts at the same time presents a conflict of interest because HIML and/or its supervised persons have an incentive to favor accounts for which HIML receives a performance-based fee. HIML addresses the conflicts by ensuring that clients are not systematically advantaged or disadvantaged due to the presence or absence of performance-based fees. HIML seeks best execution and upholds its fiduciary duty for all clients. Clients paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

## **Item 7: Types of Clients**

HIML generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pooled Investment Vehicles

### ***Minimum Account Size***

There is no account minimum for any of HIML's services.

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

### **A. Methods of Analysis and Investment Strategies**

#### ***Methods of Analysis***

HIML's methods of analysis include modern portfolio theory.



**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

### ***Investment Strategies***

HIML uses long term trading.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### ***Methods of Analysis***

**Modern Portfolio Theory** assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### ***Investment Strategies***

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of

transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither HIML nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither HIML nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Jinlong Wang acts as a sponsor, general partner, or managing member of Haitou US Investment Fund, LP and from time to time, may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. HIML always acts in the best interest of the client and clients are in no way

required to utilize the services of any representative of HIML in connection with such individual's activities outside of HIML.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

HIML does not utilize nor select third-party investment advisers. All assets are managed by HIML management.

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

#### **A. Code of Ethics**

Haitou has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Haitou's Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

HIML and its associated persons may have material financial interests in issuers of securities that HIML may recommend for purchase or sale by clients. For example, HIML and is Manager and General Partner of Haitou US Investment Fund, LP.

This presents a conflict of interest in that HIML or its related persons may receive more compensation from investment in a security in which in which HIML or a related person has a material financial interest than from other investments. Client approval will be sought for client investment in such recommendations and, if granted, such approval will be binding. HIML always acts in the best interest of the client consistent with its fiduciary duties and clients are not required invest in such investments if they do not wish to do so.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Haitou may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Haitou to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to

clients. Such transactions may create a conflict of interest. Haitou will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

#### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Haitou may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Haitou to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, Haitou will never engage in trading that operates to the client's disadvantage if representatives of Haitou buy or sell securities at or around the same time as clients.

### **Item 12: Brokerage Practices**

#### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on HIML's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and HIML may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in HIML's research efforts. HIML will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

HIML will require clients to use Millennium Trust Company.

#### ***1. Research and Other Soft-Dollar Benefits***

While HIML has no formal soft dollars program in which soft dollars are used to pay for third party services, HIML may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). HIML may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and HIML does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. HIML benefits by not having to produce or pay for the research, products or services, and HIML will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be

aware that HIML's acceptance of soft dollar benefits may result in higher commissions charged to the client.

The research and other soft dollar benefits HIML received will not cause clients to pay commissions higher than those charged by broker-dealers in return for soft dollar benefits. The research and other soft dollar benefits HIML received are used to service all clients. Adviser seeks to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

## ***2. Brokerage for Client Referrals***

HIML receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

HIML will require clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

HIML does not aggregate or bunch the securities to be purchased or sold for multiple clients. This may result in less favorable prices, particularly for illiquid securities or during volatile market conditions.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for HIML's advisory services provided on an ongoing basis are reviewed at least quarterly by Jinlong Wang, CEO with regard to clients' respective investment policies and risk tolerance levels. All accounts at HIML are assigned to this reviewer.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client of HIML's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian. HIML does not provide additional written reports, all required reports will be sent by the custodian.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

HIML does not receive any economic benefit, directly or indirectly from any third party for advice rendered to HIML's clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

HIML may enter into written arrangements with third parties to act as solicitors for HIML's investment management services. Solicitor relationships will be fully disclosed to each Client to the extent required by applicable law. HIML will ensure each solicitor is exempt, notice filed, or properly registered in all appropriate jurisdictions. All such referral activities will be conducted in accordance with Rule 206(4)-3 under the Advisers Act, where applicable.

## **Item 15: Custody**

When it deducts fees directly from client accounts at a selected custodian, HIML will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. HIML may also be deemed to have custody over the funds and securities invested in pooled investment vehicles it that HIML manages. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

HIML provides discretionary and non-discretionary investment advisory services to clients. The Investment Advisory Contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, HIML generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share. Client will execute a limited power of attorney to evidence discretionary authority. Where HIML does not have discretionary

authority to place trade orders, HIML will secure client permission prior to effecting securities transactions for the client's account. HIML will also have discretionary authority to determine the broker or dealer to be used for a purchase or sale of securities for a client's account.

### **Item 17: Voting Client Securities (Proxy Voting)**

HIML will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

### **Item 18: Financial Information**

#### **A. Balance Sheet**

HIML neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

#### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither HIML nor its management has any financial condition that is likely to reasonably impair HIML's ability to meet contractual commitments to clients.

#### **C. Bankruptcy Petitions in Previous Ten Years**

HIML has not been the subject of a bankruptcy petition in the last ten years.

### **Item 19: Requirements For State Registered Advisers**

#### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

HIML currently has only one management person/executive officer: Jinlong Wang. Education and business background can be found on the Form ADV Part 2B brochure supplement for such individual.

## **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Other business activities for each relevant individual can be found on the individual's Form ADV Part 2B brochure supplement.

## **C. Calculation of Performance-Based Fees and Degree of Risk to Clients**

HIML accepts performance-based fees, fees based on a share of capital gains on or capital appreciation of the assets of a client.

Qualified clients will pay an annual fee of 2.00% of assets under management along with a 20.00% performance fee based on capital appreciation. If the client's portfolio rises in value, the client will pay 20.00% on that increase in value, but if the portfolio drops in value, the client will not incur a new performance fee until the portfolio reaches the last highest value, adjusted for withdrawals and deposits, which is generally known as a "high water mark."

The high water mark will be the highest value of the client's account on the last day of any previous year, after accounting for the client's deposits or withdrawals for each billing period.

These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. This service may be canceled with 30 days' notice. Clients must pay the prorated performance-based fees for the billing period in which they terminate the Investment Advisory Contract up to and including the day of termination.

Clients that are paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

## **D. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at HIML or HIML has been found liable in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

## **E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

See Item 10.C and 11.B.