

**CHICOMA PEAK LLC**

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

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**This brochure provides information about the qualifications and business practices of Chicoma Peak LLC (“Chicoma Peak”). If you have any questions about the contents of this brochure, please contact us at 505-690-4391 or email [lou@chicomapeak.com](mailto:lou@chicomapeak.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 Chicoma Peak LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2            Material Changes**

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This ADV Part 2 is an annual amendment which updates the last brochure filed on August 15, 2016. The following updates have been made to this brochure:

- In Item 10, we have removed the disclosure regarding other financial industry affiliations, as the previously disclosed company has been terminated.

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#### **Item 4            Advisory Business**

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Chicoma Peak was formed in April 2016 and began providing advisory services in May 2016. The principal owners are founding partners Lawrence Tilmont and Girish Ganesan.

Chicoma Peak provides discretionary sub-investment management services to a managed account funded by a private investment fund sponsored and advised by Chicoma Peak's only client (this firm and any applicable affiliates are referred to collectively as "the Client"). Chicoma Peak manages this account pursuant to the terms, guidelines and restrictions provided by the Client in an investment management agreement ("IMA"). Chicoma Peak's investment advisory services are provided exclusively to the Client, and we have no current intent to seek additional clients.

As of February 28, 2017, regulatory assets under management totaled approximately \$500,000,000, which is managed on a discretionary basis.

#### **Item 5            Fees and Compensation**

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Given our limited business model, there is no standard fee schedule. We receive a negotiated fee monthly in advance and are eligible to receive an annual performance fee subject to various conditions and offsets as set forth in the IMA with Client.

In connection with our management services, the managed account(s) will incur brokerage and other transaction expenses. Please see Item 12 below for more information.

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

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As noted above in Item 5, Chicoma Peak is eligible to receive a performance fee for its services. Because we do not manage other accounts that feature only an asset-based fee, we have no conflicts related to side-by-side management. Performance based fees can provide an incentive to take excessive risks. Per the IMA, the trading discretion granted to Chicoma Peak is subject to the strategy and risk parameters provided by the Client. Chicoma Peak therefore cannot act independently with respect to decisions on the amount of investment risk taken in the managed account(s).

## Item 7           Types of Clients

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Chicoma Peak provides discretionary sub-investment management services exclusively to a managed account funded by a private investment fund sponsored and managed by the Client. Additional managed accounts for the Client may be opened in the future in the Client's sole discretion.

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

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### **METHODS OF ANALYSIS**

#### ***Technical & Statistical Quantitative Analysis***

Chicoma Peak uses quantitative models to construct our investment portfolios. Each portfolio is constructed by predicting an individual stock's return relative to its industry mean. These predicted returns are then fed into a proprietary optimization process which explicitly includes constraints on market risk factors, position limits, volatility limits and sector and portfolio exposures, while simultaneously taking transaction costs into account.

#### ***Risks for Quantitative Analysis***

Our technical analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information. While we continuously review and refine, if necessary, our investment approach, there may be market conditions where the quantitative investment approach performs poorly. Despite the proprietary nature of quantitative equity models, their effectiveness can dissipate over time as a result of the independent discovery of similar strategies by academics and practitioners and as the market becomes more efficiently priced. Technological advances in computing and the Internet have made the processing and dissemination of vast amounts of financial data much easier. As a result, the proprietary components of any model are constantly threatened with discovery and publication, which will cause their investment value to be potentially arbitrated away. Consequently, dedication to constant innovation is an integral component of any quantitative investment-management process.

## INVESTMENT STRATEGY

### *Statistical Arbitrage Strategy*

Our Statistical Arbitrage Strategy seeks to achieve superior risk-adjusted returns by employing a market-neutral strategy in highly liquid U.S. equities. Utilizing our proprietary trading models based on advanced statistical signal processing techniques, the strategy seeks to capture short and medium-term price inefficiencies. Identifiable systematic market risks are sought to be hedged out of the portfolio by means of a multi-factor risk model. In addition to market factor neutrality, the strategy is kept close to dollar-neutral with respect to long and short positions. This dollar neutrality is enforced on both an overall portfolio basis and a sector basis. The strategy may employ leverage as directed by the Client.

### *Frequent Trading*

We generally trade securities with the idea of buying or selling them quickly (typically within 5-21 days). We do this in an attempt to take advantage of short-term price inefficiencies in equity markets. Because the strategy involves more frequent trading than does a longer-term strategy, there will generally be increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains. Because of these costs, frequent trading can affect overall investment performance.

### *Short Sales*

We seek to realize additional gains or hedge investments through short sales. Short sales are transaction in which we sell a security for a portfolio which it does not own, in anticipation of a decline in the market value of that security. To complete such a transaction, we must borrow the security to make delivery to the buyer. We are then obligated to replace the security borrowed by purchasing it at the market price at or prior to the time of replacement. The price at such time may be more or less than the price at which the security was sold by the strategy.

### *Leverage*

We employ leverage. This practice significantly increases a strategy's market exposure and its risk. When a portfolio has borrowed money for leverage and its investments increase or decrease in value, the portfolio's net asset value will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed by the portfolio at such time) than if it had not borrowed money. In addition, the interest the portfolio must pay on borrowed money will reduce the amount of any potential gains or increase any losses.

## MATERIAL RISKS

Investing in securities involves risk of loss that you should be prepared to bear. There is no assurance that an investment will provide positive performance over any period of time. Past performance is no guarantee of future results and different periods and market conditions may result in significantly

different outcomes. The material risks presented by the strategy and the securities we invest in are set forth below.

*Stock market risk.* The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

*Large-cap stock risk.* The chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years which is the chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

*Mid-cap stock risk.* The chance that returns from mid-capitalization stocks will trail returns from the overall stock market. Historically, mid-cap stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Mid-cap stocks tend to have greater volatility than large-cap stocks because, among other things, medium-size companies are more sensitive to changing economic conditions.

*Small-cap stock risk.* The chance that the stocks of small-capitalization companies often experience greater price volatility than large- or mid-sized companies because small-cap companies are often newer or less established than larger companies and are likely to have more limited resources, products and markets. Securities of small-cap companies are often less liquid than securities of larger companies as a result of there being a smaller market for their securities.

*Short sale risk.* Short sales lose when the stock price rises. As such, the market risk is unlimited in that the increase in the market price of the security sold short is unlimited. In addition, the amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium, dividends, interest or expenses we may be required to pay in connection with a short sale.

*Borrowing and Leverage.* This practice, depending upon the extent to which it is employed, may significantly increase a strategy's market exposure and its risk. When a strategy has borrowed money for leverage and its investments increase or decrease in value, a portfolio's net asset value will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed by the portfolio at such time) than if it had not borrowed money. In addition, the interest the portfolio must pay on borrowed money will reduce the amount of any potential gains or increase any losses. The extent to which a portfolio will borrow money, and the amount it may borrow, will depend on market conditions, interest rates and Client direction.

*Economic Risk.* Changes in economic conditions, including, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of a strategy.

*Investment Competition.* The market for some types of securities is highly competitive. We will be competing for investment opportunities with a significant number of financial institutions, other private funds as well as various institutional investors. Many of these competitors are larger and have greater financial, human and other resources than we have and may in certain circumstances have a competitive advantage over us. As a result of this competition, there may be fewer attractively priced investment opportunities, which could have an adverse impact on our ability to meet an account's investment objective or the length of time that is required for an account to become fully invested.

*Counterparty Creditworthiness.* We may trade securities on a principal basis in the over-the-counter market and, therefore, may be subject to the risk of insolvency, bankruptcy or delivery failure of the transactions counterparty.

*Institutional Risk and Custodial Risks.* The institutions, including brokerage firms and banks, with which we (directly or indirectly) do business, or to which securities have been entrusted for custodial and prime brokerage purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of an account. Brokers may trade with an exchange as a principal on behalf of an account, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to assets of the account (for example, the transactions which the broker has entered into on behalf of the account as principal as well as the margin payments which the account provides). In the event of such broker's insolvency, the transactions which the broker has entered into as principal could default and the account's assets could become part of the insolvent broker's estate, to the detriment of the account. In this regard, account assets may be held in "street name" such that a default by the broker may cause the account's rights to be limited to that of an unsecured creditor. To the extent the Client has directed our use of custodians and/or prime brokerages, the Client assumes the risks related to such direction.

*Foreign Securities.* We may invest in American Depositary Receipts ("ADRs"), which are U.S. dollar-denominated equity and debt securities of foreign issuers or directly in foreign securities. Interest or dividend payments on such securities may be subject to foreign withholding taxes. Investments in foreign securities involve considerations and risks not typically associated with investments in securities of domestic companies, including possible unfavorable changes in currency exchange rates, reduced and less reliable information about issuers and markets, different accounting standards, illiquidity of securities and markets, local economic or political instability and greater market risk in general.

*Dependence on Adviser.* Chicoma Peak's Client is dependent on the ability of the Adviser to manage its fund's assets. Chicoma Peak, in turn, is a newly formed investment adviser that has not previously operated separate from the founding partners' previous employer and is dependent on the skill,

judgment and expertise of a relatively small number of key investment and business management personnel which are integral to successfully implementing of the Client's strategies. Loss of any such key investment or business management personnel could impair the ability of Chicoma Peak to manage an account in a manner consistent with the Client's investment objectives, and the consequence to the Client could be material and adverse.

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**Item 9            Disciplinary Information**

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Chicoma Peak has no legal or disciplinary events to disclose responsive to this Item.

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

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Chicoma Peak has no other current financial industry activities and/or affiliations to disclose.

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

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Chicoma Peak has established a Code of Ethics (the "Code") which sets forth the standards of conduct expected of employees, to require compliance with the federal securities laws, and to uphold our fiduciary duties. Our Code will require that we conduct business at all times consistent with our status as a fiduciary to our clients, and uphold affirmative duties of care, loyalty, honesty and good faith in connection with all of our activities.

Our Code requires that employees avoid any actual or apparent conflicts of interest in their personal and business activities. A conflict of interest exists when an employee's personal interests, financial or otherwise are inconsistent with the interests of Chicoma Peak or its clients. All firm personnel have an obligation to conduct the firm's business in an honest and ethical manner including the ethical handling and disclosure of any actual or apparent conflicts of interest between personal and business interactions.

When engaging in personal securities transactions, firm personnel are required to place client interests first and avoid any actual or potential conflict of interest. To this end, firm personnel are not permitted to transact in securities that are held by a client account other than Exchange Traded Funds (ETFs).

Our Code requires firm personnel to provide the Chief Compliance Officer with initial and annual holdings reports and quarterly transactions reports. Firm personnel are also generally prohibited from



participating in initial public offerings, and must receive prior approval to invest in any private placement. Firm personnel are required to have duplicate copies of brokerage statements provided to the Chief Compliance Officer, who monitors securities transactions for compliance with the Code.

Firm personnel are required to promptly report any violation or apparent violation of the Code to the Chief Compliance Officer. All such reports will be investigated promptly and appropriately. We prohibit retaliation against individuals who report violation or apparent violation of the Code, applicable law or regulation in good faith and will treat any such retaliation as a further violation of the Code.

We will provide a copy of our Code of Ethics upon request to any client or prospective client.

## **Item 12            Brokerage Practices**

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We have agreed to place trades with the broker-dealer chosen by the Client. Under the IMA, any broker-dealer we select is subject to the prior consent of the Client. We do not expect to select broker-dealers on our own given our business model. The Client reviews, approves and monitors the prime brokers, executing broker-dealers and counterparties. We will periodically review the approved list of broker-dealers, commissions paid and overall range and quality of services to assist the Client as necessary with respect to best execution. Because we permit directed brokerage, the applicable guidance requires us to disclose that directing brokerage may cost clients more money because we can't aggregate client orders to reduce transaction costs or negotiate more favorable commission rates. As a practical matter, these risks do not exist in our business model and we are comfortable with the direction provided by the Client.

### ***Research and Other Soft Dollar Benefits***

It is our policy not to use commissions generated from trades for research and brokerage services, generally known as "soft dollars". Occasionally, we may receive unsolicited research from brokers. We do not use any unsolicited research, and receipt of such research does not influence our decision to use the broker providing the research.

### ***Aggregation***

Given our limited business model with only one Client, aggregation of purchase and sale transactions for multiple clients is not currently an issue. Where multiple accounts for our one Client use different models, it is possible that each model will signal the same transaction in a holding common to the models. Each order is placed separately in the market. Chicoma Peak does not believe that aggregating such orders enhances its quantitative, model-based approach to investing. As a result, such orders could compete for execution quality, price or timing. However, because the accounts are for the same Client and use the same broker-dealer as directed by the Client, the overall risk is minimal.

We do not invest in IPOs or other offerings that are limited or scarce.

**Item 13          Review of Accounts**

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The managed account's transactions and positions are reviewed on a daily basis by Chicoma Peak. The Adviser is continually reviewing and revising our portfolio models, in an ongoing effort to seek to maximize performance. All changes to the models are approved by the founding partners, and an audit trail of changes is maintained.

We will provide reports to the Client on a periodic basis as requested by the Client.

**Item 14          Client Referrals and Other Compensation**

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We do not receive economic benefits from third parties for providing advisory services to the Client. We do not directly or indirectly compensate any person for client referrals.

**Item 15          Custody**

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We do not have custody, and are expressly prohibited under the IMA from having custody of any Client funds or securities.

**Item 16          Investment Discretion**

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The IMA between Chicoma Peak and the Client sets forth our discretionary investment authority, which is subject to the strategy and risk parameters provided by the Client.

**Item 17          Voting Client Securities**

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Chicoma Peak does not accept authority to vote proxies.

**Item 18          Financial Information**

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We 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.