

# Volaris Capital Management LLC

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## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Volris Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at 973-379-0600 or by email at: [vivek.kapoor@volariscapital.com](mailto:vivek.kapoor@volariscapital.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 Volaris Capital Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Volris Capital Management LLC LLC's CRD number is: 286219.*

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

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## **Item 2: Material Changes**

Volaris Capital Management LLC has not yet filed an annual updating amendment using the Form ADV Part 2A. Below are the material changes since the firm's initial approval as an investment adviser.

- The firm updated its contact information and website (Item 1).
- The firm updated its description of Investment Strategies, Methods of Analysis, and Risks of Specific Securities Utilized (Items 4 & 8).

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Volaris Capital Management LLC (hereinafter “VCML”) is a Limited Liability Company organized in the State of New Jersey. The firm was formed in October 2016, and the principal owner is Vivek Kapoor.

### B. Types of Advisory Services

#### *Portfolio Management Services*

VCML offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. VCML 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

VCML provides investors with access to opportunities in the options market based on exchange listed contracts with widely publicly disseminated prices. See below and Item 8 below for additional details on specific strategies.

*Volatility Income:* This strategy seeks to create returns by selling optionality to the market in the form of spreads, always buying at least as many options as sold on the same underlying (S&P 500 Index). This program typically buys more options units than sold to seek to limit its risks. The strikes of options trades reflects assessments of relative value through a detailed and systematic quantitative process, as well as outright limitations on the maximum intrinsic value of options sold to be a small fraction of mandate size.

*Call Write:* This program seeks to create liquidity for holders of concentrated stock positions via selling Call Options on those stocks. Selling a Call Option on a stock while owning the stock limits the upside gains incurred by the Client in the event of an increase in the value of the stock. The strikes sold Call Options on the stock reflect assessments of probability of those contracts expiring in the money and can be tailored to Clients aversion to their stock position being called away in an upward march of the underlying stock.

*Tail Risk Hedging:* This program seeks to provide protection against oversized and rare movements of the underlying markets while controlling for carry-costs and risks. This program involves either outright purchasing of options, or selling option spreads – selling near money and buying at least twice as many further out of the money options.

VCML evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. VCML 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.

VCML seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of VCML's economic, investment or other financial interests. To meet its fiduciary obligations, VCML attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, VCML'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 VCML'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.

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

VCML 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. VCML does not participate in any wrap fee programs.

### **E. Assets Under Management**

VCML has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$1,904,700,000.00	\$0	12/31/2017

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

<b>Assets Under Management</b>	<b>Annual Management Fees</b>	<b>Annual Performance Fees</b>
All Assets	Up to 1.00%	Up to 10.00%

VCML's revenue consists of fees for advisory services. These fees can be a combination of Management Fees expressed as a %/year of Mandate Size (0.20%/year – 1.00%/year) and Performance Fees expressed as % of performance (0% - 10%). Performance fees are subject to the investment strategy being above an annually reset High Water Mark and are billed annually or upon the termination of an Investment Advisory Contract. Management fees are pre-billed on a quarterly basis, and terminating clients are refunded any excess pre-billed fees.

VCML's Investment Advisory Contracts explicitly inform clients about fees and require clients to authorize custodians to implement fees. The custodians send statements on at least a quarterly basis to clients showing fees in addition to portfolio value.

These fees are generally negotiable. At a given custodian, variation of fees for identical strategy typically reflects fee breaks given to large accounts. The variation of fees across multiple custodians reflects requirements of custodians in addition to competitive considerations. The final fee schedule for each client is memorialized in that client's Investment Advisory Contract. Clients may terminate the agreement without penalty for a full refund of VCML's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 1 days' written notice.

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 VCML. Please see Item 12 of this brochure regarding broker-dealer/custodian.

Neither VCML nor its supervised persons accept any compensation for the sale of 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**

VCML 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 VCML and/or its supervised persons have an incentive to favor accounts for which VCML receives a performance-based fee. VCML addresses the conflicts by ensuring that clients are not systematically advantaged or disadvantaged due to the presence or absence of performance-based fees. VCML 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

VCML generally provides advisory services to High-Net-Worth Individuals.

There is an account minimum of \$1,000,000, which may be waived by VCML in its discretion.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

VCML's methods of analysis include the following:

**Empirical Analysis** is the starting point for strategy design. Market behavior is generally far from that postulated in classical theory, especially as it manifests in the risk-return characteristics of options.

**Stochastic Modeling** of the market microstructure is undertaken, directly addressing the non-classical findings of empirical analysis. By understanding the consequences of option contracts in the face of realistic market behavior, market prices of options are systematically and directly expressed as option risk premiums that guide portfolio construction.

**Behavioral Interpretation** of option risk premiums helps build a qualitative understanding that guides the quantitative design of the investment strategy. A multi-asset approach is undertaken to build such an interpretation.

**Risk Constraints** limit the strategy parameters available for strategy design. Portfolio construction is always subservient to explicitly articulated risk constraints. Traded instruments and configurations are limited to those amenable to such explicit articulations.

#### *Investment Strategies*

**Volatility Income:** This strategy seeks to create returns by selling optionality to the market in the form of spreads, always buying at least as many options as sold on the same underlying (S&P 500 Index). This program typically buys more options units than sold to seek to limit its risks. The strikes of options trades reflects assessments of relative value through a detailed and systematic quantitative process, as well as outright limitations on the maximum intrinsic value of options sold to be a small fraction of mandate size.



**Call Write:** This program seeks to create liquidity for holders of concentrated stock positions via selling Call Options on those stocks. Selling a Call Option on a stock while owning the stock limits the upside gains incurred by the Client in the event of an increase in the value of the stock. The strikes sold Call Options on the stock reflect assessments of probability of those contracts expiring in the money and can be tailored to Clients aversion to their stock position being called away in an upward march of the underlying stock.

**Tail Risk Hedging:** This program seeks to provide protection against oversized and rare movements of the underlying markets while controlling for carry-costs and risks. This program involves either outright purchasing of options, or selling option spreads – selling near money and buying at least twice as many further out of the money options.

**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 averse, 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.

**Quantitative analysis** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

### *Investment Strategies*

**Volatility Income:** This strategy involves sell option spread positions where the maximum liability incurred by the investor is quantified by the width of the options spread – with both legs of the spreads having identical maturity and underlying. By targeting the number of option structures written to be the target notional (i.e., Mandate) divided by the value of the underlying market, the maximum loss (% of mandate) incurred in one extreme move of the market is limited to the spread width percentage. The strategy actually purchases extra options and a better estimate of maximum loss is found by shocking the value of the underlying and revaluing the portfolio.

**Call Write:** Clients write Call Options on stocks they own. As such this strategy does not provide significant protection in the event of a sharp sell-off in the stock – for the premiums received by selling the call options are a small fraction of the stock price. Furthermore Clients are susceptible to sharp up moves in the stock that can result in their stock getting called away due to exercise of the sold call options.

**Tail Risk Hedging:** Carry costs are limited by limiting the number of options contracts purchased, outright when they are assessed to be cheap, and as a part of selling option spreads when optionality is assessed to be expensive.

When entering into option spread trades the widths of the spreads are limited to limit strategy volatility, and portfolios directional exposure is also hedged.

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

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

VCML's use of options trading generally holds greater risk of capital loss. 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.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**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 VCML 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 VCML 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**

VCML has agreed to make certain revenue sharing payments to Credit Suisse, in part, as compensation for the transfer of certain intellectual property and other systems necessary to operate the VCML platform. Credit Suisse is not a member or shareholder of VCML, and VCML operates independent from and is otherwise unaffiliated with Credit Suisse.

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

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

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

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

VCML 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. VCML's Code of Ethics is available free upon request to any client or prospective client.

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

VCML does not recommend that clients buy or sell any security in which a related person to VCML or VCML has a material financial interest.

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

From time to time, representatives of VCML may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of VCML 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. VCML 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 VCML may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of VCML 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, VCML will never engage in trading that operates to the client's disadvantage if representatives of VCML 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**

VCML does not recommend brokers/custodians.

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

VCML receives no research, product, or services other than execution from broker-dealers or custodians in connection with client securities transactions ("soft dollar benefits").

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

VCML 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***

VCML may permit clients to direct it to execute transactions through a specified broker-dealer. If a client directs brokerage, then the client will be required to acknowledge in writing that the client's direction with respect to the use of brokers supersedes any authority granted to VCML to select brokers; this direction may result in higher commissions, which may result in a disparity between free and directed accounts; the client may be unable to participate in block trades (unless VCML is able to engage in "step outs"); and trades for the client and other directed accounts may be executed after trades for free accounts, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. Not all investment advisers allow their clients to direct brokerage.

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

If VCML buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, VCML would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. VCML would determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any).

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

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

All client accounts for VCML's advisory services provided on an ongoing basis are reviewed at least monthly by Vivek Kapoor, CEO, with regard to clients' respective investment policies and risk tolerance levels. All accounts at VCML 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 VCML'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. VCML will also provide at least quarterly a separate written statement to the client.

# **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)**

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

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

VCML currently has in place an arrangement with UBS to refer clients to VCML for sharing fees.

Solicitor relationships will be fully disclosed to each Client to the extent required by applicable law. VCML 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 advisory fees are deducted directly from client accounts at client's custodian, VCML will be deemed to have limited custody of client's assets. The method of assessment of such fees is described in the Investment Advisory Contract, which authorizes the custodian to deduct fees. Clients will receive all account statements and billing invoices that are required in each jurisdiction from the Custodian, and they should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

VCML provides discretionary investment advisory services to clients. The advisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, VCML 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.

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

VCML 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**

VCML 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 VCML nor its management has any financial condition that is likely to reasonably impair VCML's ability to meet contractual commitments to clients.

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

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