

ITEM 1 COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE



GRAVITY  
CAPITAL MANAGEMENT LLC

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This brochure provides information about the qualifications and business practices of Gravity Capital Management LLC., (“GCM”) (together, with its affiliates, the “**Adviser**,” “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, please contact us at (917) 558-4968 or by email at: [Adam@GravityPartners.com](mailto:Adam@GravityPartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

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

We are a registered investment adviser. Our registration under the Advisers Act does not imply any level of skill or training.

**ITEM 2**  
**MATERIAL CHANGES**

Since the last annual updating amendment, there have been no material changes.

**ITEM 3**  
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## **ITEM 4 ADVISORY BUSINESS**

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

Gravity Capital Management, LLC (also referred to as “GCM”) was founded in 2003 by Adam Seessel. GCM conducts investment advisory activities in both separately managed accounts and a limited partnership format involving a broad range of financial instruments, including, but not limited to, individual equity and debt securities, options, fixed income products and other derivative securities. GCM operates the Long-Biased Fund (“the Fund”) as a concentrated, value-oriented portfolio. The Fund seeks long-term capital appreciation by investing up to 100% of its assets, although from time to time in executing this strategy the firm may use leverage. GCM expects that the Fund will invest primarily in common stocks, but can use cash and/or short positions in equities and equity exchange-traded funds (“ETFs”). The Fund expects to invest primarily in the securities of U.S. companies, but it may also invest outside of the U.S.

### **B. Description of Advisory Services**

GCM provides day-to-day portfolio management services and has discretion to purchase and sell securities for its clients who invest through separately managed accounts as well as the Fund.

The Fund and separately managed accounts expect to be invested in long and short positions in equity or debt securities of public and private U.S. and non-U.S. issuers. Investments may include both publicly traded and privately placed securities of public issuers, as well as publicly traded securities of private issuers. Investments in options on financial indices may be used to establish or increase long or short positions or to hedge the Fund’s investments.

GCM will likely concentrate the Funds’ assets in a relatively limited number of investments as GCM believes it can deliver superior risk-adjusted returns in a smaller number of investments.

### **C. Availability of Customized Services for Individual Clients**

The Fund and separately managed accounts are managed in accordance with their own investment objectives and are not tailored to any particular investor. While it is discouraged, clients may formally request to impose certain restrictions relating to their investment.

### **D. Wrap Fee Programs**

GCM does not participate in a wrap fee program.

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

As of December 31, 2019, GCM manages approximately \$42,000,000 in assets for approximately 18 clients. Approximately \$42,000,000 is managed on a discretionary basis exclusively.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Services and Fees**

GCM provides investment advisory services to the Fund and separately managed accounts pursuant to separate investment advisory agreements (the “Agreements”). The Agreements for the Fund and separately managed accounts set forth in detail the relevant fee structure.

GCM receives compensation and fees from the Fund based on a percentage of assets under management and based on performance. Generally, GCM receives compensation from separately managed accounts based on a percentage of assets under management and may be subject to additional fees at the discretion of GCM. Such compensation and fee arrangements are set forth in the Agreements.

#### **B. Payment of Fees**

The annual investment management fee shall be pro-rated and paid quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter.

However, in its sole discretion, GCM may accept a lesser account minimum or may charge a lesser management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, etc.).

Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

#### **C. Additional Expenses and Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security.

GCM, in its sole discretion, may waive its base fee and/or charge an adjusted investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

#### **D. Advanced Payment**

Payment of fees is made in arrears. In the event an advisory contract is terminated, client will be charged a prorated amount for services rendered.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

GCM charges performance-based fees in the Fund, and may charge separately managed accounts at the discretion of the manager. Performance-based compensation may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation.

Performance-based fees applied to the Fund are generally 20% of each limited partner's share of net profits, if any, subject to a "loss carryforward" provision (sometimes referred to as a "highwater mark.") All performance and management fees may vary depending upon investor, strategy and fund structure. Investment management and performance fees may be negotiable, depending on product type.

Investment opportunities are allocated in accordance with GCM's written policies and procedures, taking into account applicable provisions of the client's governing agreement (or investment management agreement in the case of a separately managed account).

In allocating investment opportunities, there could be incentives to favor the Fund with higher potential performance fees or carried interest allocations over separately managed accounts. GCM seeks to address such conflicts on a fair and equitable basis in its good faith discretion and has established policies and procedures to address the potential conflict of interest described above.

## **ITEM 7**

### **TYPES OF CLIENTS**

GCM generally provides investment management and advisory services to the Fund directly. Investors or separately managed accounts may include individuals, high net worth individuals, and insurance companies. Investors in the Fund or separately managed accounts will be required to meet certain suitability qualifications to comply with applicable federal securities laws and regulations.

GCM requires a minimum initial subscription from investors in the amount of \$1 million as outlined as outlined in GCM's offering documents. GCM does not require a minimum investment amount in its separately managed accounts. Under certain circumstances GCM may allow exemptions to the minimum investment requirement, which may also result in an adjustment to annual fees paid by clients as outlined in the offering documents

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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

GCM may, where appropriate, buy and sell corporate equities, bonds, options and exchange traded funds ("ETFs"). There can be no assurance that such investment strategies will be effective.

GCM is a long-term oriented value investor that seeks to buy securities below their intrinsic

value and short securities selling above it. To determine what is undervalued and overvalued, GCM uses a research process that emphasizes primary sources including, but not limited to, company reports, industry experts, and trade journals. GCM also employs various top-down techniques, including various stock-selection screening techniques.

In furtherance of its investment program, GCM expects to be invested in long and short positions in equity or debt securities of public and private U.S. and non-U.S. issuers. Investments may include both publicly traded and privately placed securities of public issuers, as well as publicly traded securities of private issuers.

GCM may add to or change its trading strategies over time. GCM may also consider implementing additional strategies at their discretion.

## **B. Risk of Loss**

Investing in securities in general involves risk of loss that clients should be prepared to bear. The Fund and separately managed accounts have risks which are specific to its particular investment strategies. For more information about the risks of the Fund, please see the offering memorandum. Generally, however, investors in the Fund or separately managed accounts may be exposed to the following risks:

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Non-Diversification:** It is anticipated that the Partnership's portfolio will be invested primarily in U.S. equities. Accordingly, the Partnership's portfolio may not be diversified among industries, geographic areas or types of securities. Further, the Partnership's portfolio may not necessarily be diversified among a wide range of issuers. Accordingly, the investment portfolio of the Partnership may be subject to more rapid change in value than would be the case if the Partnership were required to maintain a wide diversification among industries.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Small Cap Stocks:** At any given time, the Partnership may have significant investments in smaller to medium sized companies whose securities have a limited trading history or have less liquidity or more volatility than the securities of larger, better-known or more liquid companies.
- **Fixed Income Securities:** The Partnership may invest a portion of its assets in fixed-income securities when their yield and potential for capital appreciation are considered sufficiently attractive or for defensive or liquidity purposes. Fixed-income securities are subject to the risk of the issuer's inability to meet

principal and interest payments on its obligations and are subject to the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer and general market liquidity.

- **Incentive Allocation:** The allocation of a percentage of each limited partner's net profits to the General Partner may create an incentive for the General Partner to cause the Partnership to make investments that are riskier or more speculative than would be the case if this allocation were not made.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk to profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**C. Recommendation of a Particular Type of Security**

There are no material limitations to the types of securities in which we may invest our clients (subject to anything to the contrary in the relevant advisory agreement, offering document, or organizational documents of a particular client).

**ITEM 9  
DISCIPLINARY INFORMATION**

GCM and its affiliates have not been involved in legal or disciplinary events related to past or present investment clients.

Moreover, GCM or any management person is not now or has been involved in any legal or disciplinary events in the past ten (10) years that are material to its advisory business or the integrity of its management.

**ITEM 10  
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. Broker-Dealer Registration**

GCM does not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

GCM does not have any relationships or arrangements with other financial services



companies that pose material conflicts of interest.

**C. Material Relationships and Conflicts of Interests with Industry Participants**

Gravity General Partner, LLC (GGP) is the general partner to GCM and manages the Fund and separately managed accounts. GGP and GCM are under common control and share the same physical location.

**D. Material Conflicts of Interest Relating to Other Investment Advisers**

GCM does not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

**ITEM 11**

**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS  
AND PERSONAL TRADING**

**A. Code of Ethics**

GCM has a fiduciary responsibility to treat clients fairly and avoid actual or potential conflicts of interest. GCM's employees have an obligation to act solely in the best interests of clients, and to make full and fair disclosure of all material facts, particularly where the clients' interests may conflict with the GCM's. A thorough knowledge and understanding of GCM's code of ethics ("Code") by all of GCM's employees assist in promoting a "compliance culture" that is crucial to fulfilling GCM's fiduciary responsibility.

In general, the fiduciary principles that govern personal investment activities of employees are, at a minimum, the following: (1) the duty at all times to place the interests of clients first; (2) the requirement that all personal securities transactions be conducted in a manner that is consistent with Rule 204A-1 of the Advisers Act and in such a manner so as to avoid any actual or potential conflict of interest, or any abuse of an individual's position of trust and responsibility; and (3) the fundamental standard that personnel providing services to clients should not take inappropriate advantage of their positions.

It is GCM's policy that all employees conduct themselves in accordance with the highest standards of integrity, honesty and fair dealing.

Employees are specifically required to understand and comply with all applicable laws, statutes, rules and regulations to which GCM is subject.

The employees of GCM have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. GCM will provide a copy of the Code of Ethics to any client or prospective client upon request.

**B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest. Invest, or Buy or Sell at the Same Time; Conflict of Interests**

GCM and its employees may buy or sell securities that are also held by clients. In order to

avoid any potential conflicts of interest, employees must comply with the provisions of the GCM Policies and Procedures Manual.

The Chief Compliance Officer of GCM is Adam Seessel.

## **ITEM 12 BROKERAGE PRACTICES**

### **A. Selection of Broker-Dealers and Reasonableness of Compensation**

GCM is responsible for the placement of the portfolio transactions of the client funds and the negotiation of any commissions paid on such transactions. Securities transactions are executed by brokers selected by GCM in its sole discretion without the consent of the client funds. GCM does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with securities transactions (“soft dollar benefits”)

GCM has no obligation to deal with any particular broker-dealer in the execution of transactions for its clients. In selecting broker-dealers with whom to place orders for purchases and sales of securities on behalf of our clients, the Firm’s primary objective is to obtain best price and execution.

GCM considers, without limitation:

- the overall direct net economic result to the client (including commissions, which may not be the lowest available, but which ordinarily will not be higher than the generally prevailing competitive range),
- the financial strength of the broker-dealer,
- the reputation and stability of the broker,
- the efficiency with which transactions are executed,
- the ability to affect the particular transaction,
- the availability of the broker-dealer to execute difficult transactions, and
- other matters involved in the receipt of brokerage and research services.

GCM will also consider the quality of firms with which it seeks to execute client orders, the adequacy of lines of communication, timeliness of reports of order execution, the capacity to accommodate unusual trading volume and the preservation of client anonymity, among other factors.

### **Best Execution**

GCM reviews the execution of trades and trading fees on a quarterly basis. GCM does not receive any portion of the trading fees.

Trade and other clerical errors resulting in gains will be for the benefit of the client and will not be retained by GCM. GCM is under no obligation, however, to reimburse the client for trade

and other clerical errors made by GCM, its agents and affiliates, as such errors are considered by GCM to be a cost of doing business.

While GCM is under no obligation to reimburse the client for trade and other clerical errors made by GCM, its agents and affiliates, any correction of a trade or other clerical error will only be made to the extent required so that the client does not incur a loss related to such error.

Notwithstanding the foregoing, GCM will be obligated to reimburse the client for any trade or other clerical error resulting from the GCM's willful misconduct, gross negligence or material breach under the exculpation of liability and indemnification provisions of the Investment Management Agreements maintained with the client. GCM, subject to its fiduciary obligations, will determine whether or not any trade or other clerical error is required to be reimbursed in accordance with such liability and exculpation provisions. GCM, in its sole discretion, reserves the right to reimburse the client for any trade or other clerical error. GCM's reimbursement of the client for any particular error will not constitute a waiver of any policy to cause the client to bear the losses from other trade or other clerical errors.

**B. Aggregating Orders for Various Client Accounts**

When executing a trade in various accounts GCM attempts to aggregate trades by purchasing the security during the day and averaging the price paid. In such cases, each client pays the average price.

**ITEM 13  
REVIEW OF ACCOUNTS**

**A. Periodic Review of Client Accounts**

Adam Seessel, President and CCO of GCM, is generally aware of the holdings in each account on a continuous basis. Seessel monitors these holdings in light of trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions. Before deciding whether to purchase or sell a particular security on behalf of a client account, each client account holding such security will be reviewed in full.

**B. Additional Review of Client Accounts**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's situation.

**C. Contents and Frequency of Account Reports to Clients**

Each Fund investor receives unaudited quarterly performance reports and an annual audited report of the Fund in which they invest from the fund. GCM does not provide separate monthly reports.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

**A. Economic Benefits for Providing Services to Clients**

GCM does not receive economic benefit for providing investment advice or other advisory services to clients.

GCM does not directly or indirectly compensate any person who is not a supervised person for client referrals.

**B. Compensation to Non-Supervised Persons for Client Referrals**

GCM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

**ITEM 15**  
**CUSTODY**

**Account Statements**

With regard to separately managed accounts, all assets are held at qualified custodians. Custodians provide the option for electronic account statements to be delivered to clients at least quarterly. GCM does not maintain custody over separately managed accounts

GCM maintains custody over the Fund. GCM provides clients annually with an audited financial statement and quarterly unaudited updates as to the Fund's status.

In all cases, Clients are urged to review the statements received from their qualified custodian.

**ITEM 16**  
**INVESTMENT DISCRETION**

**Discretionary Authority for Trading**

GCM accepts discretionary authority to manage securities accounts on behalf of clients. GCM has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

GCM does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in client accounts on their behalf so that we may execute the investment strategy they have hired us for.

**Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. The client signs a

limited power of attorney so that we may execute the trades using our discretionary trading authority.

## **ITEM 17 VOTING CLIENT SECURITIES**

GCM's authority to vote proxies for certain the Fund and certain separately managed accounts is established by limited partnership agreements, investment advisory agreements, or comparable documents. GCM has established proxy voting policies and procedures. The proxy voting procedures are designed to ensure that proxies are voted in the best interest of GCM's clients and in line with GCM's investment strategy.

In addition, the proxy voting policy includes guidelines for GCM to follow if a material conflict of interest arises between the GCM and/or its employees and its clients to ensure any material conflict is resolved in the best interest of its clients.

Upon request, GCM will provide a client with a copy of its proxy voting policies and procedures and information on how the client's proxies were voted.

## **ITEM 18 FINANCIAL INFORMATION**

### **A. Balance Sheet**

A balance sheet is not required to be provided because GCM does not require or solicit prepayment of fees of more than \$1,200 per client, six months or more in advance.

### **B. Contractual Commitments to Our Clients**

GCM does not have any financial impairments that will preclude the firm from meeting contractual commitments to clients.

### **C. Bankruptcy Petitions**

GCM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

## **ITEM 19 INFORMATION FOR STATE-REGISTERED ADVISERS**

**Not applicable.**