

**Item 1 – Cover Page**

# SPARX Asia Investment Advisors Limited

## Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of SPARX Asia Investment Advisors Limited (“SAIA”). If you have any questions about the contents of this brochure, please contact us at [LC.SPARXAsia@sparxgroup.com.hk](mailto:LC.SPARXAsia@sparxgroup.com.hk). 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. Registration with the SEC does not imply a certain level of skill or training. Additional information about SAIA is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

SAIA’s most recent update to Part 2 of Form ADV was made in March 2019. During last year, there was a reduction in the accounts managed by SAIA due to a change in clients’ upcoming business and investment plans. As a result, there was a drop in the AUM.

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## Item 4 – Advisory Business

SAIA was founded in 2002 and is a wholly owned subsidiary of SPARX Asia Capital Management Limited (“SACM”), which in turn is wholly owned by SPARX Group Co., Ltd, a listed company traded on JASDAQ (Code: 8739). Mr. Shuhei Abe owns approximately 52% of SPARX Group.

SACM serves as the general partner or managing member for several pooled investment vehicles for which SAIA serves as the investment adviser. This brochure reflects the consolidated activities of both SAIA and SACM.

SAIA provides investment advisory services to various pooled investment vehicles (each a “Fund”) based on the investment objectives, policies, strategies, and guidelines of each Fund. The Funds are designed to provide exposure to particular alternative investment strategies or blends of strategies, including long/short equity. Each Fund invests in a portfolio of alternative investments consistent with the guidelines set forth in the Fund offering documents. SAIA does not tailor its advisory services to the individual needs of Fund investors.

As of December 31, 2019, SAIA managed approximately US\$40 million in assets on a discretionary basis and US\$48 million in assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

Fees paid by the Funds generally consists of two components: (1) a management fee based on a percentage of assets under management, which ranges between 0.5% to 1.5% per annum (“Management Fee”); and (2) with respect to certain Funds, a performance fee based on a percentage of the total investment return over a fixed period of time (“Performance Fee”). Management and Performance Fees are either paid to SAIA directly or through SACM, which reimburses SAIA at cost. Management Fees are generally payable monthly or semi-annually in arrears. Performance Fees are 10% to 50% with and without hurdle rate for different accounts, which are payable quarterly or annually in arrears, as of the date of any withdrawal or redemption of an investment from a Fund and after the expiry of the Investment Management Agreement.

In addition to Management Fees and Performance Fees, expenses such as custody, administration, legal, accounting, professional, and other incidental fees and expenses are payable by the Funds. The fees and expenses payable by each Fund are described in Fund offering documents. Employees of the Company (and its affiliates) who invest in the Funds may be entitled to rebates on Management and/or Performance Fees.

**For a complete description of fees and expenses, please refer to each Fund’s prospectus or private placement memorandum or Investment Management Agreement which can be provided upon request**

## Item 6 – Performance Based Fees and Side-by-Side Management

As stated in the **Fees and Compensation** section above, certain Funds are charged a Performance Fee, which is a fee based on a share of capital gains on or capital appreciation of Fund assets. The fact that the Company is compensated based on trading profits may create an incentive for SAIA to make investments on behalf of Funds that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance on which performance-based fees are calculated includes unrealized appreciation and depreciation of investments that may not ultimately be realized.

Certain Funds do not pay Performance Fees. These Funds are generally exposed to long-only equity strategies, whereas the Funds that pay Performance Fees generally follow a long-short equity or some other strategy. Accordingly, the incentive to favor Funds that pay Performance Fees over Funds that do not pay Performance Fees is limited due to the different strategies. To the extent that Funds are of similar strategy, SAIA has in place policies requiring that allocation of trades be effected across applicable Funds in a fair and equitable manner.

## Item 7 – Types of Clients

SAIA provides investment management services to non-U.S. pooled investment vehicles. The Funds are not required to register under the Investment Company Act of 1940, as amended, or register their securities under the Securities Act of 1933, as amended, pursuant to various exceptions and exemptions thereunder.

Please refer to each Fund's prospectus or private placement memorandum or investment management agreement for the minimum investment amount. Minimum investment amount may be waived at the sole discretion of the Company.

Details concerning applicable investor suitability criteria are set forth in each Fund's private placement memorandum and subscription materials. Each Fund investor is required to meet certain suitability qualifications, such as being a "qualified purchaser" as defined in the Investment Company Act or being a non-U.S. person as defined in Regulation S under the Securities Act.

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

### Methods of Analysis

SAIA pursues a disciplined and consistent approach to identifying trading opportunities that offer attractive risk-reward ratio. The investment strategy and style differ across the Funds, but in general, investment opportunities are identified using fundamental analysis of economy, industries and companies.

A complete description of the investment objectives, strategies, and methods of analysis relating to each Fund is available in the Fund's private placement memorandum.

### Investment Strategies

#### *Asian Equity Strategy*

SAIA's Asian equity strategy focuses on equities and equity-related instruments issued by companies in the Asia Pacific region, or by companies with material business interests in the Asia Pacific Region. Investment selection is based on fundamental research and trend analysis. Some equity portfolios may invest predominantly in a single market in the Asia Pacific Region while others cover multiple markets.

### Risk of Loss

A Fund investment entails a high degree of risk and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of an investment in any of the Funds. Investing in securities involves a risk of loss that all investors should be prepared to bear. Specific risks include, but are not limited to fluctuations in stock prices, interest rates, emerging market risk, country risk, liquidity risk, currency risk, the use of derivative instruments, the use of financial leverage and counterparty risk.

Prospective investors should carefully consider the investment policies and risks, as detailed in each Fund's prospectus or private placement memorandum or Investment Management Agreement, prior to making an investment.

**There can be no assurance that a Fund will be able to achieve its investment objectives or that investors will receive a return of their capital.**

### **Item 9 – Disciplinary Information**

SAIA and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

As previously stated, SAIA is related to SACM, which serves as the general partner or managing member of each of the Funds. In addition, as a subsidiary of SPARX Group, SAIA has numerous affiliates. However, neither SAIA nor SACM has a relationship or arrangement with any other affiliate that is material to the Company's advisory business or the Funds.

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

SAIA permits its employees to engage, on a limited basis, in personal securities transactions. To avoid any potential conflicts of interest involving personal trades, SAIA has adopted a code of ethics, which includes the following provisions, among others:

1. Each access person and associated person of SAIA: (a) owes a fiduciary obligation to the company's clients; (b) has the duty at all times to place the interests of the Funds and their respective shareholders, if any, first; (c) must conduct all personal securities transactions in such a manner as to avoid any actual or potential conflicts of interest or abuse of an individual's position of trust and responsibility; (d) should not take inappropriate advantage of their positions in relation to clients; and (e) must safeguard non-public information about clients and investors and their accounts, securities, instructions and interests.
2. Each access person and associated person of SAIA must comply at all times with applicable U.S. federal securities laws.
3. Each access person of SAIA must provide periodic personal holdings and transaction reports to the Chief Compliance Officer.
4. Each access person and associated person of SAIA must report violations of the code of ethics to the Chief Compliance Officer.
5. Each access person and associated person of SAIA must receive a copy of the code of ethics (and any amendments) and must provide a written acknowledgement of his or her receipt of the code of ethics (and any amendments) to the Chief Compliance Officer.

SAIA will provide a copy of its code of ethics to any Fund investor or perspective Fund investor upon request.

## **Item 12 – Brokerage Practices**

The process of selecting a broker is intended to determine which broker is best able to execute the particular transaction (taking into account the market for the securities and the size of order) at the best combination of price and quality of execution that is most favorable to the client for whose account the trade is being executed. In selecting brokers, no factor is necessarily determinative and seeking to obtain best execution for all client trades takes precedence. Selection will occur after review of all relevant criteria, including the following:

1. Price of securities – The actual price to be paid for the securities. The ability of a broker to obtain the best overall price for a transaction and to buy and sell securities with minimal disruption in the market place.
2. Market familiarity – The broker's knowledge of the market for the particular security.

3. Reliability – Whether the broker has been able to provide support to the trader when placing a difficult trade in this security or similar securities in the past. If a broker has successfully assisted with past trades, that broker is more likely to be selected for future trades.
4. Integrity (ability to maintain confidentiality) – When executing block orders, traders do not want to divulge their interest to the market. If a broker has demonstrated the ability to provide discreet execution of block orders, that broker is more likely to be selected.
5. Research budget/rankings – All other relevant factors being equal, the research capabilities of brokers may be considered when choosing a broker. In making this determination, all other variables must be equal and the broker must be capable of providing best execution in order for this factor to play a role in the selection of a broker. Analyst rankings may also be used to ascertain which brokerage research departments have the strongest track record.
6. Commission rates – Commission rates and other brokerage costs are considered.
7. Trade settlement (settlement risk) – The trader may take into account a broker's ability to ensure that the securities will be delivered on settlement date.
8. High volume transaction – The trader may select a broker that specializes in block orders.
9. Financial condition – The trading desk may take into account the financial condition of a broker and may choose not to utilize a particular broker due to uncertainty regarding the broker's financial status.
10. Technology infrastructure and operational capabilities – A trader generally selects a broker only if he or she believes that the broker has the infrastructure and operational capabilities to execute and settle the trade.
11. Willingness to commit capital – If an account holds a thinly-traded issue and there is limited interest in the securities, a broker may be selected based on its willingness to purchase or sell securities for or from its own inventory.

In addition to above, certain brokers and dealers who provide quality brokerage and execution services also furnish research services. Together, SACM and SAIA (the “Advisers”) have adopted a brokerage allocation policy that permits SAIA to cause an account to pay commission rates in excess of those another broker or dealer would have charged for effecting the same transaction if SAIA determines in good faith that the commission paid is reasonable in relation to the value of the brokerage and research services provided. The determination may be made in terms of either a particular transaction or the overall responsibilities of SAIA with respect to the Funds over which it exercises investment discretion. Research so received will be shared in the management of the Funds but may not necessarily benefit all Funds paying commissions to such brokers or all such Funds equally.

SAIA intends to comply with the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, which permits the use of soft dollars to obtain brokerage and research services that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities. Research services may include, among other things, information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal

services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibilities issues.

Research services provided by brokers and dealers are supplemental to SAIA's own research efforts and, when utilized, are subject to internal analysis before being incorporated into the investment process. As a practical matter, it would not be possible for SAIA to generate all of the information presently provided by brokers and dealers. SAIA may pay cash for certain research and technical services received from external sources.

### **Item 13 – Review of Accounts**

Daily or monthly NAV reports are prepared for each Fund advised by SAIA. Fund portfolios are monitored and reviewed on a continual basis by the relevant Portfolio Manager, Director of Risk Control & Compliance, and the President. Each review includes an analysis of portfolio positions, market trends, and investment opportunities.

Fund investors receive daily or monthly confirmations of their net asset value per share from the Fund administrator. A monthly performance report is also sent to investors. The performance report includes details of assets under management, monthly and accumulated returns, performance returns, manager review and outlook, and statistical analyses covering the performance of the portfolio. Investors will also receive annual audited financial statements.

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

SAIA's related person, SACM, may enter into certain arrangements with third-party placement agents under which SACM or an affiliate will directly or indirectly compensate these third parties for obtaining investors for the Funds. Placement fees will be borne by SACM or an affiliate and not the Funds or Fund investors.

### **Item 15 – Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks. However, SAIA's related person, SACM, may have access to client accounts since it serves as the general partner or managing member of the Funds. SAIA, in providing investment advisory services to SACM and to various clients, may also have access to client accounts. Fund investors will not receive statements from the custodian. Instead the Funds are subject to annual audits and the audited financial statements are distributed to Fund investors. The audited financial statements will be prepared and distributed within 120 days of the Funds' fiscal year ends.

### **Item 16 – Investment Discretion**

SAIA has discretionary authority to determine the securities to be bought or sold, the amount of such securities to be bought or sold, the broker or dealer to be used, and the commission rate to be paid with respect to the Funds. Limitations on this authority are outlined in each Fund's private placement memorandum and investment management and advisory agreements.



## Item 17 – Voting Client Securities

SAIA has adopted a proxy voting policy (the “Policy”) that provides as follows:

1. SAIA generally makes voting decisions pursuant to its Voting Guidelines (the “Guidelines”), unless as otherwise permitted by the Policy (such as when specific interests and issues require that a client’s vote be cast differently from SAIA’s decision in order to act in the best economic interests of clients).
2. Where a material conflict of interest has been identified and the matter is covered by the Guidelines, proxies are voted in accordance with the Guidelines. Where a conflict of interest has been identified and the matter is not covered in the Guidelines, SAIA will disclose the conflict and the determination of the manner in which to vote to the Board.
3. SAIA may determine not to vote proxies in respect of securities of any issuer if it determines it would be in its clients’ overall best interests not to vote.

The Guidelines address proxy voting on particular types of matters such as elections for directors, adoption of option plans and anti-takeover proposals. For example, SAIA’s decisions generally will:

1. Support management in most elections for directors, unless there are clear concerns about the past performance of the company or the board fails to meet minimum corporate governance standards;
2. Support option plans that motivate participants to focus on long-term shareholder value and returns, encourage employee stock ownership and more closely align employee interests with those of shareholders; and
3. Vote for mergers, acquisitions and sales of business operations, unless the impact on earnings or voting rights for one class or group of shareholders is disproportionate to the relative contributions of the group or the company’s structure following the acquisition or merger does not reflect good corporate governance, and vote against such actions if the companies do not provide sufficient information upon request concerning the transaction.

Investors may obtain information about how SAIA voted Fund proxies, as well as a copy of SAIA’s proxy voting policies and procedures upon request by contacting the number on the cover of this brochure or by email at: [LC.SPARXAsia@sparxgroup.com.hk](mailto:LC.SPARXAsia@sparxgroup.com.hk).

## Item 18 – Financial Information

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