

# FK Capital Management, Ltd.

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of FK Capital Management, Ltd.. If you have any questions about the contents of this brochure, please contact us at (242) 362-4145 or by email at: [info@fkcapitalmanagement.com](mailto:info@fkcapitalmanagement.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 FK Capital Management, Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). FK Capital Management, Ltd.'s CRD number is: 290144.*

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

Version Date: 01/27/2021

## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of FK Capital Management, Ltd. on March 30, 2020 are described below. Material changes relate to FK Capital Management, Ltd.'s policies, practices or conflicts of interests.

- FK Capital Management, Ltd. provides subscription services to clients free of charge. (Item 4).

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

FK Capital Management, Ltd. (hereinafter “FCML”) is a Partnership . The firm was formed in March 2015, and the principal owners are Ruben Kupferman, Jorge Finkler and Eduardo Finkler.

### B. Types of Advisory Services

#### *Portfolio Management Services*

FCML offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. FCML 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 | • Personal investment policy   |
| • Asset allocation    | • Asset selection              |
| • Risk tolerance      | • Regular portfolio monitoring |

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

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

FCML is the Manager and General Partner of FK Capital Fund, Ltd., a Private Fund.

### ***Subadvisor Services***

FCML may also act as a subadvisor to advisers unaffiliated with FCML. These third-party advisers would outsource portfolio management services to FCML. This relationship will be memorialized in each contract between FCML and the third-party adviser.

### ***Subscription Services***

FCML provides subscription services to clients free of charge. This service includes a newsletter email that will offer recommendations on purchasing and selling specific securities, sectors, asset classes, or other specific groupings of securities at a stated time.

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

FCML generally limits its investment advice to equities and non-U.S. securities, although FCML primarily recommends long-short. FCML may use other securities as well to help diversify a portfolio when applicable.

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

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

## **E. Assets Under Management**

FCML has the following assets under management:

| Discretionary Amounts: | Non-discretionary Amounts: | Date Calculated: |
|------------------------|----------------------------|------------------|
| \$ 169,000,000.00      | \$0.00                     | December 2019    |

# **Item 5: Fees and Compensation**

## **A. Fee Schedule**

## ***Portfolio Management Fees***

| <b>Total Assets Under Management</b> | <b>Annual Fees</b> |
|--------------------------------------|--------------------|
| All Assets                           | 1.50%              |

FCML uses the value of the account as of the last business day of the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

The final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Clients may terminate the agreement without penalty for a full refund of FCML's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract immediately upon written notice.

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

Qualified clients will pay an annual fee of 1.50% of assets under management along with a 20.00% performance fee based on capital appreciation. If the client's portfolio rises in value, the client will pay 20.00% on that increase in value, but if the portfolio drops in value, the client will not incur a new performance fee until the portfolio reaches the last highest value, adjusted for withdrawals and deposits, which is generally known as a "high water mark."

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

The final fee schedule is attached as Exhibit II of the Investment Advisory Contract. This service may be canceled immediately upon written notice. Clients must pay the prorated performance-based fees for the billing period in which they terminate the Investment Advisory Contract up to and including the day of termination.

## ***Subadviser Services Fees***

FCML may also act as a subadviser to unaffiliated third-party advisers and FCML would receive a share of the fees collected from the third-party adviser's client. The fees charged will not exceed any limit imposed by any regulatory agency. The notice of termination requirement and payment of fees for subadviser services will depend on the specific third-party investment adviser engaging FCML as subadviser. This relationship will be memorialized in each contract between FCML and each third-party adviser. The fees will not exceed any limit imposed by any regulatory agency.

## **B. Payment of Fees**

### ***Payment of Portfolio Management Fees***



Asset-based portfolio management fees will be invoiced and billed directly to the client, payable by bank transfer, on a quarterly basis. Fees are paid in arrears.

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

Performance-based portfolio management fees may be invoiced and billed directly to the client on an annual basis. Fees are paid in arrears.

### ***Payment of Subadviser Fees***

Subadviser fees may be withdrawn from clients' accounts or clients may be invoiced for such fees, as disclosed in each contract between FCML and the applicable third-party adviser.

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

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

## **D. Prepayment of Fees**

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

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

Neither FCML 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**

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

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

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

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

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

FCML's methods of analysis include Fundamental analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

#### *Investment Strategies*

FCML uses long term trading, short term trading, short sales, margin transactions and options trading (including covered options, uncovered options, or spreading strategies).

**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*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

## ***Investment Strategies***

FCML's use of short sales, margin transactions and options trading generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

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

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired.

**Options transactions** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value, as well as the possibility of leveraged loss of trading capital due to the leveraged nature of stock options.

**Short sales** entail the possibility of infinite loss. An increase in the applicable securities' prices will result in a loss and, over time, the market has historically trended upward.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

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

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

FCML's use of short sales, margin transactions and 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.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**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. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. 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.

**Non-U.S.** securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**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 FCML 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**

Jorge Finkler is registered as or has pending applications to become either a Commodity Pool Operator or a Commodity Trading Advisor.

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

Jorge Finkler is Managing Partner of FCML, the Manager and General Partner of FK Capital Fund, Ltd. a Private Fund and from time to time, may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. FCML always acts in the best interest of the client and clients are in no way required to utilize the services of any representative of FCML in connection with such individual's activities outside of FCML.

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

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

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

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

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

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

Jorge Finkler is Managing Partner of FCML, the Manager and General Partner of FK Capital Fund, Ltd. a Private Fund. FCML will recommend investments in this private fund to those clients for which investment in the fund is suitable.

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

As part of its Code of Ethics, FCML has implemented a restricted list to ensure that neither the adviser nor its representatives will trade in securities that FCML also recommends to clients.

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

Please see Item 11.C above.

## **Item 12: Brokerage Practices**

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

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

FCML will require clients to use Interactive Brokers LLC.

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

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

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

FCML 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***

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

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

If FCML 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, FCML 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. FCML 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 FCML's advisory services provided on an ongoing basis are reviewed at least Monthly by Ruben Kupferman, Partner, with regard to clients' respective investment policies and risk tolerance levels. All accounts at FCML 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 FCML's advisory services provided on an ongoing basis will receive a monthly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian. FCML will also provide at least monthly 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)**

FCML receives compensation via its arrangement with its underlying subadvisers, but otherwise does not receive any economic benefit from any other third party for advice rendered to FCML's clients.

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

FCML may enter into written arrangements with third parties to act as solicitors for FCML's investment management services. Solicitor relationships will be fully disclosed to each Client to the extent required by applicable law. FCML 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**

FCML may be deemed to have custody over the funds and securities invested in pooled investment vehicles that FCML manages.

## **Item 16: Investment Discretion**

FCML 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, FCML 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)**

FCML 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**

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

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

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