

## Part 2A of Form ADV: Firm Disclosure Brochure



# LUMINA FUND MANAGEMENT LLC

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This brochure provides information about the qualifications and business practices of Lumina Fund Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 918-4645 and/or email Eric Hoyle at: [ehoyle@luminafund.com](mailto:ehoyle@luminafund.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. While Lumina Fund Management LLC is a “registered investment advisor” or “RIA” with the Security Exchange Commission, clients should be aware that registration itself does not imply any level of skill or training.

Additional information about Lumina Fund Management LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for Lumina Fund Management LLC is 144082.

### **Material Changes From Last Update**

This Brochure, dated March 30, 2022, is an annual update to the Brochure prepared on March 31, 2021. Since the last submission, Lumina Fund Management LLC has no substantive changes to this brochure.

## Table of Contents

Cover Page .....	1
Material Changes From Last Update .....	2
Table of Contents .....	3
Advisory Business .....	4
Introduction.....	4
Types of Advisory Services .....	4
Managed Accounts.....	4
The Fund.....	5
Sub-Advised Accounts .....	5
Fees and Compensation .....	5
Managed Accounts.....	5
The Fund.....	5
Performance-Based Fees and Side-By-Side Management .....	6
Types of Clients.....	6
Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Disciplinary Information .....	8
Other Financial Industry Activities and Affiliations .....	8
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	8
Code of Ethics .....	8
Participation of Interest in Client Transactions.....	8
Personal Trading.....	9
Brokerage Practices.....	9
Research and other Soft Dollar Benefits .....	9
Directed Brokerage.....	10
Review of Accounts .....	10
Client Referrals and Other Compensation.....	10
Custody.....	10
Investment Discretion .....	11
Voting Client Securities.....	11
Financial Information.....	11
Requirements for State-Registered Advisors .....	11

## **Advisory Business**

### **Introduction**

Lumina Fund Management LLC (hereafter “Lumina”) currently advises Lumina Partners LP, a private investment fund (the “Fund”) that is offered to institutional investors and accredited investors.

Lumina also advises managed accounts for certain large, sophisticated institutional investors. Collectively, the Fund and Lumina’s other advisory clients are referred to herein as Lumina’s “Clients,” where appropriate.

Lumina was formed on September 25, 2003 as a Delaware Limited Liability Company and registered with the SEC as an investment advisor under Section 203(c) of the Investment Advisor Act of 1940 on September 12, 2007. The principal is Diego Giurleo and the experience, education and background of its professional staff is available in the Brochure Supplement document.

### **Types of Advisory Services**

Lumina offers discretionary investment management services to managed account clients, the Fund and sub-advised accounts. Lumina tailors its investment strategies aimed at meeting established investment objectives. In constructing investment portfolios, Lumina primarily invests in exchange-listed stocks, stock options, exchange-traded funds (ETFs), ETF options and mutual funds. On occasion, Lumina may recommend investments in private investment funds that are suitable and meet specific client investment guidelines. The above mentioned securities entail a wide range of equity market investment risk, including some securities, such as options and private investment funds, which have high degrees of risk and can have limited liquidity.

Lumina does not provide any “wrap programs” (programs that bundle brokerage and advisory services under a single comprehensive fee) so all securities recommended by Lumina may include additional transaction charges by the client’s broker-dealer/custodian separate from Lumina’s advisory fees.

### **Managed Accounts**

For managed accounts, clients grant Lumina discretionary investment management authority in their broker-dealer/custodian accounts, subject to restrictions agreed upon in advance. This is accomplished by executing an investment management agreement with Lumina and the appropriate documents with the client’s broker-dealer/custodian. The discretionary authority will allow Lumina to enter securities transactions on the client’s behalf, determining which securities and the amount of securities to buy or sell. Clients are notified of all transactions by trade confirmations from their broker-dealer/custodian.

Under the managed account agreements, Lumina does not have the authority to make any withdrawals from the client’s account(s) and Lumina does not provide any custodial functions. All withdrawals from the client’s account(s) must be initiated and authorized by the client through direct communication between the client and the broker-dealer/custodian. This includes, but is not limited to the payment of advisory fees to Lumina. Lumina recommends that clients always review their brokerage account statements to verify the trading activity and withdrawals that occur in their account(s). “FEES AND

COMPENSATION” is discussed at greater length in this FIRM BROCHURE. As of December 31, 2020, Lumina’s discretionary managed account assets totaled approximately \$252 million.

### The Fund

In the Fund, Lumina has discretionary investment management authority, which is granted through the Limited Partnership Agreement, Private Placement Memorandum and Subscription Agreement clients complete before investing. Lumina primarily invests in exchange-listed stocks, stock options, exchange-traded funds (ETFs) and ETF options. “FEES AND COMPENSATION” is discussed at greater length in this FIRM BROCHURE. As of December 31, 2021, the Fund had approximately \$138 million in client assets.

### Sub-Advised Accounts

On December 31, 2021, Lumina did not provide sub-advisory services.

## Fees and Compensation

For the majority of Lumina’s assets under management, Lumina charges one of two different types of investment management fees, depending on the investment strategy. For the largest Managed Account, Lumina currently charges a *management fee* based on the assets under management. For the Fund, Lumina charges a *management fee* and a *performance fee*. Lumina may also negotiate *flat fee* arrangements with some clients. In addition to the fee(s) Lumina charges, clients may incur commissions, custodian, ETF and/or mutual fund expenses charged by other service providers (but not received by Lumina in whole or in part) in connection with Lumina’s advisory services.

### Managed Accounts

Management Fee: Lumina charges an annual 50 basis points management fee based on a percentage of assets under management. The management fee is calculated pro-rata on a monthly basis, and paid quarterly in arrears. Lumina may negotiate its management fee and may offer discounts for strategic investors, employees, friends and family.

Lumina calculates and charges its management fee after the end of each calendar quarter. Once the fee amount is agreed upon between the managed account client and Lumina, the client instructs its broker-dealer/custodian to withdraw the fee from the client’s account and make the payment to Lumina. As stated above, with respect to managed accounts, Lumina does not have the authority to make any withdrawals or transfers from the client’s broker-dealer/custodian account. Lumina does not act as a custodian for any of its managed accounts.

### The Fund

Management Fee: Lumina charges an annual 1% management fee, based on a percentage of assets under management. The management fee is calculated pro-rata on a monthly basis, and paid quarterly in arrears. The Fund’s Administrator independently calculates the management fees, which are in turn

verified by Lumina. Lumina may negotiate its management fee and may offer discounts for strategic investors, employees, friends and family.

Performance Fee: The Fund's General Partner, Lumina Fund Advisors LLC, is entitled to an annual performance fee equal to 10% of the appreciation of each Limited Partner's Capital Account. The Fund's Administrator independently calculates the performance fees, which are in turn verified by Lumina. The performance fee will be calculated in arrears according to the guidelines stipulated in the Limited Partnership Agreement and Private Placement Memorandum. Lumina may negotiate its performance fee and may offer discounts for strategic investors, employees, friends and family.

If the net return is negative, no performance fee is paid by the Limited Partners until the value of the Limited Partners' Capital Account at the end of successive payment dates exceeds the highest level reached at the end for all previous calendar years.

Additional Fees: The Fund may incur additional administration, legal and accounting fees in compliance with its investment management and limited partnership agreement.

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

As stated above, in addition to receiving performance fees based on the capital appreciation of assets under management, Lumina also receives management fees based on the client assets under management and flat fees from certain clients.

While managing these accounts side-by-side, Lumina is cognizant of its fiduciary obligations to its clients. There may be a conflict caused by offering a performance fee which may encourage undue risk taking. To try and avoid these conflicts, under supervision of Lumina's Chief Compliance Officer, all actions undertaken by Lumina personnel are required to be in accordance with Lumina's Policy and Procedures Manual, as well as Lumina's Code of Ethics, which outline Lumina's principles and business standards of conduct. The code emphasizes, among other things, that it is the duty and obligation of each employee to attempt to put the interest of the client first, seek to comply with all applicable securities laws, obtain approval before engaging in certain outside activities, make efforts to avoid conflicts of interest, treat all client information with the utmost confidence and report any violations of the code to the Chief Compliance Officer. Lumina's Policy and Procedures Manual and the Code of Ethics are available to any client upon request.

## **Types of Clients**

Lumina provides advisory services to various types of clients.

Managed Accounts: Lumina's Managed Account clients can include: corporations, fund-of-funds, trusts, charitable organizations, such as endowments and foundations, and other qualified institutional accounts. The minimum investment is \$10,000,000; however Lumina may accept smaller amounts.

The Fund: Lumina's Fund investors can include: qualified high net-worth individuals, corporations, trusts, fund-of-funds, family offices and other institutional accounts. The minimum investment is \$1,000,000; however, Lumina may accept smaller amounts.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Lumina aims to structure investment strategies to meet clients' financial goals within specific investment guidelines outlined in the investment management agreements with clients. In seeking to achieve this objective, Lumina applies fundamental, quantitative/technical and behavioral analyses to select investment candidates and construct client portfolios.

Lumina's fundamental analysis aims to estimate the intrinsic value of equities based on fundamental metrics including: analysis of financial statements, earnings, dividends, management structure, competitive advantages, product offerings, competitors and markets. Fundamental analysis provides a sound evaluation of the overall financial condition of investment candidates. Despite the fundamental analysis performed by Lumina, any investment in equity securities carries market risk and investors may lose some or all of their investment.

In its quantitative/technical analysis, Lumina researches past market price and volume trends to assist in projecting the future direction of equity prices. By investigating past price movements, Lumina identifies trends and patterns which are applied to establish price points to buy and sell securities. Despite the quantitative/technical analysis performed by Lumina, any investment in securities carries market risk and investors may lose some or all of their investment.

In its behavioral analysis, Lumina applies behavioral finance principles aimed at strengthening its fundamental and quantitative/technical analysis. In deploying its behavioral finance approach, Lumina seeks to invest in securities that not only present attractive fundamental and quantitative metrics, but also demonstrate an element of over and/or under-reaction to material market information. This style of analysis focuses on, without limitations, information such as: earnings announcements, changes in analyst ratings and corporate actions. Despite the behavioral finance analysis performed by Lumina, any investment in securities carries market risk and investors may lose some or all of their investment.

In creating its investment strategies, Lumina uses the following main sources of information: its own proprietary research, research materials provided by others, annual reports, prospectuses, filings with the Securities and Exchange Commission, company press releases and other financial publications.

The investment strategies may include: long term purchases (securities held over 1 year), short term purchases (securities held less than 1 year), trading (securities sold within 30 days), short sales, margin transactions and option buying and writing, including covered options, uncovered options and spread strategies.

While Lumina does not engage in day-trading, active strategies may entail additional risk due to a greater frequency in transactions. As such, active strategies may involve additional brokerage fees, transaction costs, and taxes. Also, strategies that use options may entail additional risk as losses may exceed those

seen in the underlying stock. Lastly, strategies that include private investment funds entail greater risk as these offerings have limited regulatory oversight, have less liquidity, and depend on the due diligence of the investor or investment advisor.

## **Disciplinary Information**

Neither Lumina nor any of its related persons have had any disciplinary events in their past. Clients and prospective clients can always view the CRD records (registration records) for Lumina or any of its related persons through the SEC's Investment Advisor Public Disclosure (IAPD) website at **[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**. The CRD number for Lumina is 144082. Lumina's *BROCHURE SUPPLEMENT* document contains biographical information for Lumina's personnel.

## **Other Financial Industry Activities and Affiliations**

Lumina Fund Advisors LLC, an affiliated company of Lumina, is the General Partner of the Fund. Clients should be aware of potential conflicts of interest before considering an investment in the Fund. Accordingly, as a matter of policy and practice, Lumina discusses with every client in advance that (i) there is a conflict of interest; (ii) that the client is not required to invest with the Fund; (iii) that the client alone makes the decision to invest with the Fund.

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

### **Code of Ethics**

Pursuant to SEC Rule 204A-1, Lumina has a Code of Ethics that promotes the fiduciary duty of Lumina and its personnel. The Code of Ethics articulates the importance of trust as a foundation to the relationship between an investment advisor and its clients and establishes policies and procedures to try and ensure that Lumina and its personnel place the interests of the clients first. The Code of Ethics requires that Lumina and its personnel adhere to all applicable securities and related laws and regulations. The Code of Ethics also requires that Lumina and its personnel try and follow what is generally considered the industry's constantly evolving "best practices" involving: confidential information, suitability of investments, personal trading on the part of Lumina and its personnel, outside business activities of its personnel, and the disclosure of conflicts of interest.

A copy of the Lumina's Code of Ethics is available upon request for any client or prospective client.

### **Participation of Interest in Client Transactions**

As explained in "OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS" above, an affiliate of Lumina, Lumina Fund Advisors LLC, is the General Partner of the Fund in which the principal of Lumina has personally invested. To try and avoid conflicts of interest between the investment activities of the Fund and those of any other Lumina advisory clients, Lumina has implemented a Code of Ethics. (See



CODE OF ETHICS Section above). Specific trading and investment guidelines are in place to try and ensure that all accounts are managed fairly, equally and in compliance with our Code of Ethics.

### **Personal Trading**

Lumina may have an interest in client transactions insofar as Lumina, its affiliates, and/or its personnel may invest in the same securities recommended to advisory clients. These transactions involve a conflict of interest as Lumina, its affiliates, and/or its personnel may benefit from an increase in price from subsequent purchases by advisory clients. To try and address this conflict of interest, Lumina, its affiliates, and its personnel are required to adhere to the following procedures regarding their personal trading:

- (1) Client transactions will be placed ahead of those for Lumina, its affiliates, and its personnel;
- (2) Lumina and its affiliates generally recommend investments that are widely traded;
- (3) Lumina, its affiliates and its advisory clients generally do not have enough funds invested in any given equity security to move the market in that particular security.

The Chief Compliance Officer is responsible for monitoring all personal trading and to insure conformity to the guidelines provided in Lumina's Code of Conduct.

### **Brokerage Practices**

Lumina selects broker-dealers for customer transactions with the intention of serving our clients' best interest. Minimizing commissions is one factor in selecting a broker-dealer; however, it is not the only factor. Lumina does not engage in markups or markdowns of brokerage commissions.

Lumina uses, without limitation, the following criteria for selecting a broker-dealer to serve the client's best interest: efficient trading platform, adept trade execution, commission rates and smooth transaction settlement. In serving our client's interest, Lumina monitors the brokerage landscape on an ongoing basis and has a formal review on a quarterly basis to discuss and evaluate the broker-dealers Lumina uses.

When a security is traded for multiple clients, the transaction may be combined into one or more trading blocks with securities and costs allocated by specific, predetermined rules. This is done to improve execution of the trade and ensure equitable treatment of all the participating clients.

### **Research and other Soft Dollar Benefits**

While Lumina has access to broker-dealer research and security pricing, which may be considered "soft dollar benefits" and constitute a conflict of interest, this does not factor in Lumina's decision to do business with any broker-dealer. Lumina does not receive any other soft dollar benefits.

## **Directed Brokerage**

Lumina never directs client transactions to a particular broker dealer in return for client referrals. None of our clients require Lumina to direct its brokerage to any particular firm. Lumina has no affiliation with any broker-dealer.

## **Review of Accounts**

Lumina reviews all client accounts on a regular basis. Lumina conducts regular portfolio reviews which involve performance and risk analysis and may result in the appropriate portfolio rebalancing to meet clients' investment objectives. Lumina's managed account clients have full access to all account details, transactions and net asset valuations on a daily basis, and also receive regular reports and monthly statements. The beneficial owners of the Fund receive regular monthly statements from the Fund's independent administrator.

## **Client Referrals and Other Compensation**

In accordance with applicable SEC rules, Lumina may compensate other financial professionals to refer clients to Lumina for investment advisory services. For referrals that engage Lumina for investment advisory services, Lumina may compensate financial professionals a portion of Lumina's fees. The use of referral compensation may constitute a conflict of interest. Lumina attempts to ensure that all conflict of interest issues are reduced or eliminated within the framework of Lumina's compliance guidelines and Code of Ethics. (See CODE OF ETHICS Section above).

## **Custody**

Managed Accounts: For Managed Accounts, clients engage an independent broker-dealer/custodian to custody and maintain their accounts. Lumina does not have *physical* custody or access of clients' assets, monies, or securities. Clients receive and/or have access to account statements directly from the custodian.

The Fund: For the Fund, the Fund engages an independent broker-dealer/custodian to custody and maintain its account. Lumina or an affiliate may be deemed to have custody over these assets as per SEC Rule 206(4)-2. Investors in the Fund receive monthly statements from an independent Administrator and the Fund's annual audited financial statements within 120 days following the end of the fiscal year. Investors should review all statements carefully.

## **Investment Discretion**

Managed Accounts: For its managed account clients, Lumina executes an investment management agreement with each client, which grants discretionary trading authority within specific guidelines. Managed account clients will also sign a trading authorization form with their broker-dealer/custodian which specifies Lumina's investment discretion in the clients' accounts.

When managed account clients grant discretionary authority to Lumina, clients may still place restrictions on Lumina, such as a prohibition on investing in specific securities, industries, or markets that the client chooses. These restrictions are outlined and specified in the investment management agreements between Lumina and its clients.

The Fund: For the Fund clients, Lumina has investment discretion as detailed in the Fund's Limited Partnership Agreement and Private Placement Memorandum.

## **Voting Client Securities**

With respect to managed accounts or sub-advised accounts, for any security that entails a voting right in the underlying company, Lumina does not have or accept authority to vote client securities. All voting issues, proxies, and solicitations will be communicated to advisory clients through the client's broker-dealer/custodian. Upon request, however, Lumina may help explain or answer questions regarding a given voting issue.

For the Fund, Lumina fulfills its voting duties with the best interest of clients in mind.

## **Financial Information**

Lumina would be required to disclose additional financial information if it were to charge fees in advance, but as described in "ADVISORY BUSINESS" section of this FIRM BROCHURE, Lumina charges all advisory fees in arrears. Lumina has no material financial conditions (e.g. bankruptcies, liens, judgments) in its background that would be likely to impair its ability to meet contractual commitments.

## **Requirements for State-Registered Advisors**

Not applicable.