

# ***HMOUNT Asset Management (HK) Limited***

## **合山資產管理（香港）有限公司**

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### **Form ADV Part 2A**

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This brochure provides information about the qualifications and business practices of HMOUNT Asset Management (HK) Limited (“the Company”) and funds under management by HMOUNT, including private funds. Throughout this brochure and related materials, HMOUNT Asset Management (HK) Limited may refer to itself as a “registered investment adviser” or “being registered.” These statements do not in any way imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact HMOUNT at [service@mountaincapitalchina.com](mailto:service@mountaincapitalchina.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Any reference to private funds within this brochure is for informational purposes only, and is intended to address legally required disclosures about the Company’s business practices and conflicts associated with managing private funds. Only qualified investors are able to invest in these funds, and they should read the fund’s prospectus or other offering material prior to doing so. No reference within this brochure should be viewed as an offer to sell or an offer to buy an interest in private funds.

This brochure provides information for the Company’s U.S. clients. Most provisions of the U.S. Investment Advisers Act of 1940 and of this brochure do not apply to HMOUNT’s non-U.S. clients.

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

**Item 2: Material Changes**

This Item is not applicable because this is the Company's initial filing as a Registered Investment Adviser.

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#### **Item 4: Advisory Business**

HMOUNT Asset Management (HK) Limited (“the Company” or “the Trading Manager”) is a Securities and Futures Commission (“SFC”) Type 9 licensed corporation (CE No.: BKU365) to conduct asset management business since 22 March 2018.

The Company is 50% owned by Mountain Holdings Limited (“MHL”) which is incorporated in British Virgin Islands (“BVI”) and 50% owned by XIANG Yuan. The Company is also beneficially owned by the Responsible Officers of the Company, i.e. Ms. TONG Yan (own 20% shares of MHL) and Ms. SHAN Dan (own 80% shares of MHL), through the ownership of MHL.

The Company is appointed by Asia Series 8, a series of ABS Direct Equity Fund LLC, a Delaware Series LLC having its business address at 537 Steamboat Road, Greenwich, CT (“Asia Series 8”), to be the non-discretionary sub-adviser of Asia Series 8. The assets of Asia Series 8 is maintained with Standard Chartered Bank, Singapore (“Custodian”).

Asia Series 8 is a separate and distinct “series” for the purposes of Section 18-215 of the Delaware Limited Liability Company Act of ABS Direct Equity Fund LLC, a Delaware multi-series limited liability company, for which ABS Investment Management (CRD# 127290/SEC#: 801-62188) (“the Investment Manager”), an investment adviser registered under the Advisers Act, as amended with the SEC, serves as the “Investment Manager” and managing member.

The Company is responsible for providing trading and research services for Asia Series 8 to advise and recommend the investment, divestment and re-investment of all assets held in Asia Series 8 from time to time as measured in USD, and, subject to pre-approval by the Investment Manager and so long as such execution is carried out in compliance with the trade authorisation pre-approved by the Investment Manager in writing, execute transactions in connection with the management of the assets of Asia Series 8, and to recommend and give general advice assistance to the Investment Manager on an ongoing basis concerning the investment, realisation and re-investment of the assets of Asia Series 8 and the placing of the assets of Asia Series 8 on deposit, in accordance with and subject to the provisions of the Trading Manager Agreement and the investment objectives, policies and restrictions of the Series.

Other than the US portfolio which is managing by the Company, the Company is also managing a master-feeder structured Cayman Fund named Mountain Capital China Fund &

Mountain Capital China Feeder Fund ("Cayman Fund"), which has no any US clients. The Company serves as the investment manager of this Cayman Fund.

### Investment Objectives and Strategy

In Asia Series 8, the Company only invests in listed equity securities on a long only basis. The objective of the Account is to outperform the MSCI China Value Total Return Index (Bloomberg Ticker: DUVACF) over the long term by investing in equity securities (including convertible bonds, which shall not exceed 20% of the assets of Asia Series 8) of companies located anywhere in the world that primarily operate in, or derive a substantial amount of revenue from the Asia Pacific region, which includes the People's Republic of China, Taiwan, Hong Kong and Singapore. No borrowing, leverage and future trading will be utilised unless it is approved by written notice from the Investment Manager.

### Investment Restrictions

Asia Series 8 is subjected to the following investment restrictions:

1. *Diversification*: no fewer than 10 stocks at any time
2. *Position Size*: Single long active position no more than 20% of the total NAV
3. *Gross Exposure*: Maintain a gross exposure of 85% to 100%. If the gross exposure is lower than 85% for 5 consecutive days, but shall never fall below 75%, the Company shall provide an explanation report and investment advice to the Investment Manager within 3 business days. The Investment Manager may divest cash in the Account so that the gross exposure would be no less than 85%
4. *Prohibited Investment*: The investment in any publicly traded partnership, master limited partnership or any other entity which is considered to be a partnership or other pass-through entity for U.S. federal income tax purposes. Also, in relation to the foregoing, no investment shall be made which could generate unrelated business taxable income ("UBTI") under the U.S. Internal Revenue Code of 1986, as amended. Lastly, investments shall not be made in entities which prohibit investment by entities the assets of which are plans assets.

### Asset under Management

As of 31 December 2021, the Company is managing Asia Series 8 with the approximate AUM US\$191,948,635, all of which being on a non-discretionary basis.

This Brochure contains disclosures relevant only to the Company's US Client.

## Item 5: Fees and Compensation

### i. Management Fee

During the term of the Trading Agreement, the Company is entitled to a management fee ("Management Fee") in relation to the assets of Asia Series 8, which shall be equal to 0.50% per annum of the latest Net Asset Value as of the first day of a calendar month (after giving effect to any capital contributions on such date and withdrawals as of the immediately preceeding date) accrued monthly and payable in USD quarterly in arrears out of the assets of Asia Series 8.

### ii. Performance Fee

The Company is also entitled to receive an annual performance fee ("Performance Fee") in arrears, from the Series with respect to the appreciation in the value of each deposit of cash added to the assets of Asia Series 8 (each a "tranche") above the prevailing High Water Mark (as defined below) and the "Benchmark" (defined as the MSCI China Value Total Return Index (Bloomberg Ticker: DUVACF)) so that each Tranche is charged a Performance Fee that equates fairly with the performance of the Tranche. This method of calculation ensures that – (i) any Performance Fee paid to the Company is charged only on a Tranche that has appreciated in value above the Benchmark; and (ii) that Performance Fees for a year are imposed only on the portion of appreciation in excess of the High Water Mark measured for each Tranche.

The period for calculating the Performance Fee ("Performance Fee") shall begin at the inception of each Tranche and end a) initially on the month end date that is no less than 11 months and no more than 12 months later and b) every one-year anniversary thereafter (i.e. any money deposited on 1 October 2019 will have the initial Performance Period end on September 2020 followed by a Performance Period ending on 30 September 2021 and each September 30<sup>th</sup> thereafter). If the assets of Asia Series 8 are removed by the Series prior to the end of the relevant Performance Period (including by reason of termination of the Trading Agreement), the Performance Period for that cash flow shall be deemed to end on the date of the removal (the "Redemption Period").

At the end of each Performance Period, the Performance Fee shall be an amount equal to (12%) of the positive difference between the Net Asset Value of each Tranche (net of Management Fees and expenses attributable to the assets of Asia Series 8) as of the end of

the Performance Period (or on the Redemption Date) less the “Performance Value” of the Benchmark for the same period (which shall equal the hypothetical value of Tranche invested in the Benchmark). The Performance Fee will not be payable until all subject to a “High Water Mark” mechanism so that the Performance Fee will not be payable until all prior net losses are recouped as described below: High Water Mark means, in relation to the payment of the Performance Fee in respect of each Tranche, the greater of: (i) the amount initially added by the Series to the Account Assets (i.e. cost); or (ii) the highest value of the particular Tranche (net of prior Management Fees, Performance Fees and fees and expenses attributable to the Account Assets) at which a Performance Fee has been paid at the end of any previous Performance Period (if any).

iii. Payment

On behalf of the Series, the Investment Manager shall direct or otherwise cause the Custodian to deduct and pay such Management and Performance Fees from Asia Series 8 to the Company in arrears on a quarterly basis for Management Fees and at the end of each Performance Period in arrears for Performance Fees. Management and Performance Fees will be accrued by Tranche and as such any mid-month contributions or withdrawals will be adjusted accordingly. Such payments shall be transmitted within 30 days after the receipt of the Company’s invoice for the relevant period and fee.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

### **1) Performance-Based Compensation**

The Company charges performance fees as described in Item 5.

### **2) Conflicts of Interest**

Performance-based compensation may create an incentive for the Company to make investments which may be riskier or more speculative than those which would be made under a different fee arrangement.

The potential conflicts of interest arising from these fee arrangements are addressed by the Company's internal procedures, see Item 11 "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading". The Company has adopted policies and procedures and maintains a compliance program designed to help manage such potential conflicts, including trade allocation policies. These trade allocation policies and procedures seek to ensure that the Company is not favouring one client over another and that trading for all client accounts is conducted in a fair and equitable manner.

### **3) Side-by-Side Management**

Conflicts of interest exist when a portfolio management firm manages multiple client portfolios. The Company has undertaken a full review of the potential conflicts associated with side-by-side management and implemented procedures to ensure that all funds are treated fairly on an ongoing basis. These include trade allocation policies and procedures, seeking to ensure that it is not favouring one fund over another and that trading for all funds are conducted in a fair and equitable manner. For more information regarding conflicts of interest relating to the management of multiple funds, see Item 11 "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading".



## **Item 7: Types of Clients**

The Company provides non-discretionary advisory services to Asia Series 8 in which Asia Series 8 is the only client of the Company from the legal perspective.

The underlying investors of Asia Series 8 are comprised of investors ranging between “accredited investors” as the term is defined in Rule 501 of Regulation D of the Securities Act 1993 as amended and “qualified purchasers” pursuant to Section 2(1)(51) of the Investment Company Act. The investors primarily consist of banks or thrift organizations, corporate and public pension plans, endowments, foundations, high net worth individuals or other business entities not listed above.

It should be remarked that the Company is not involved in the client on-boarding procedures of Asia Series 8 as this is conducted by the Investment Manager of ABS Direct Equity Fund LLC, i.e. ABS Investment Management, LLC.

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

### **1) Methods of Analysis**

The Company employs a disciplined bottom-up, value oriented and long-term fundamental investment strategy. The Company performs fundamental research to uncover investment opportunities and use a bottom-up investment process to drive investment decision making and portfolio implementation. The Company manages assets that invest in the equity markets of Asia Pacific, namely equities of listed companies, have their head offices or exercise a predominant part of their activity in Asia Pacific (including emerging markets). The Company seeks to identify and invest in undervalued companies that primarily operate in, or derive a substantial amount of revenue from the Asia Pacific region, companies that are capable of sustainable growth based on fundamental analyses. The Company looks for investment opportunities by considering the company's corporate governance behaviour, its position in its industry sector, its future expected operating performance, as well as the macroeconomic framework. The Company evaluates a target company and the industry with a long-term perspective and expect profits on an investment over a period of more than 3 years. The Company focuses on stocks with tangible assets, such as cash and property, rather than intangible assets such as goodwill. The Company buys a stock when the market price is significantly lower than its underlying business value to establish margin of safety.

However, an investment in listed equities is speculative and involves a variety of financial risks, including market risk (price risk), foreign exchange risk and liquidity risk. The Company's value investment strategy may cause the assets the Company manages to experience a high level of return volatility especially in the short-term. There can be no assurance that we will achieve the investment objectives and losses may be incurred. Investors may not get back the full amount invested. In addition, calculation of performance is based on the NAV-to-NAV for the stated period, with dividend reinvested, in denominated currency. If investment returns are not denominated in HKD/USD dollar-based investors are exposed to exchange rate fluctuations.

Furthermore, a number of risks have been identified in regard to the management of Asia Series 8:

- Under certain market conditions, Asia Series 8 may find it difficult or impossible to liquidate a position;
- The placement of contingent orders by Asia Series 8 or the Company authorised by Asia Series 8, such as a "stop loss" or "stop limit" order, will not necessarily limit Asia Series

8 losses to the intended amounts, since market conditions may make it difficult or impossible to execute each orders;

- A “spread” position may not be less risky than a simple “long” or “short” position;
- Asia Series 8 is subject to substantial charges for management and performance fees. It may be necessary for Asia Series 8 to make substantial trading profits to avoid depletion or exhaustion of its assets;
- The prices of securities fluctuate, sometimes dramatically, and a security may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities; and
- Where assets are denominated in a currency other than the US Dollar, there is a currency risk of exchange rate movements which may result in a loss on the investment

## 2) Investment Strategies

The investment objective of the Account is to outperform the MSCI China Value Total Return Index (Bloomberg Ticker: DUVACF) over the long term by investing in equity securities (including convertible bonds, which shall not exceed 20% of the assets of Asia Series 8) of companies located anywhere in the world that primarily operate in, or derive a substantial amount of revenue from the Asia Pacific region, which includes the People's Republic of China, Taiwan, Hong Kong and Singapore. No borrowing, leverage and future tradings will be utilised unless it is approved by written notice from the Investment Manager.

Asia Series 8 will invest in listed equity securities on a long only basis and it will not deploy borrowing, leverage and future trading unless approved by written notice from the Investment Manager.

## 3) Material Risks

The Company has adopted risk management and pre-trade compliance procedures intended to identify, measure, manage and monitor risks in connection with the investment of the assets of in the Account, including market risk, factor risk, liquidity risk, currency exposure risk, issuer and counterparty and credit risk and operational risk, taking into account the nature, scale and complexity of the business of the Company and the investment objective of its strategies.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that would be material to a client's or prospective client's evaluation of the Company's business or the integrity of its management.

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

This Item is not applicable.

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

### Code of Ethics

The Company has a Compliance Manual in place which applies to all employees of the Company. The Compliance Manual contains provisions reasonably designed to deter misconduct and conflict of interests and to detect violations of the Compliance Manual and applicable law. The Compliance Manual includes the following material provisions:

#### **(a) Compliance and Regulatory Requirements**

The Compliance Manual sets out compliance and regulatory requirements for the Company and all employees of the Company with respect to: record keeping; transactions with connected Persons; soft dollars and rebates; personal trading accounts; portfolio valuation; confidentiality; conflicts of interests; know-your-client procedures; corporate governance; proxy voting; and best execution and broker reviews.

#### **(b) Prohibited Conduct; Insider Trading**

The Compliance Manual contains provisions designed to prevent any trading or tipping based on material, non-public information and other types of market misconduct, including: false trading; price rigging; disclosure of information about prohibited transactions; disclosure of false or misleading information inducing transactions and stock market manipulation; and engaging in or assisting, counselling or procuring another person to engage in any of the above market misconduct.

(c) Personal Trading

The Compliance Manual sets out procedures to be followed for the Company personnel with respect to trading in their own accounts or the accounts of their spouses or immediate families. The procedures include, but are not limited to: initial and annual disclosure of the employee's holdings in their own accounts and those of their spouse or their immediate families; seeking prior approval from the investment management team and compliance team for securities transactions or opening of broker accounts; submission of trade confirmation and account statements from the employees or their brokers; and a minimum holding period of 30 days for securities.

(d) Receipt or Provision of Benefits

The Compliance Manual sets out the procedures to be followed for receiving or offering gifts and benefits in connection with the affairs or business of a client to make sure that any such gifts and/or entertainment must be reasonable in terms of frequency and value. At no time are employees allowed to accept any gifts, rebates or other benefits from the Company's clients or business contacts if it is likely to lead to a conflict of interest with duties owed to the Company or Company's clients. All relevant gifts, inducements and entertainment given and received by the staff of the Company must be reported to and approved by the Compliance Officer and recorded in the Gifts Register maintained by the Compliance Officer.

(e) Protection of Trading and Client Information

The Compliance Manual sets out the procedures to be followed for handling the Company's trading and client information to ensure confidentiality.

(f) Books and Records

The Compliance Manual sets out the types of books and records that are required to be kept and the related timing as required under the relevant regulatory requirements applicable to the Company.

(g) Non-compliance

Any person not in compliance with the Compliance Manual may be subject to disciplinary action, including summary dismissal. The Company will provide a copy of its Compliance Manual to any client or prospective client upon request.

Participation or Interest in Client Transactions

The Company does not ordinarily take direct proprietary positions in listed equity securities, futures or derivatives, or carry out any principal transactions with clients or non-clients on such financial instruments.

Provision of Investment Management / Advisory of Similar Service to Multiple Private Funds

The Company is a sub-investment manager of Asia Series 8 (U.S. Client), an investment manager for the master-feeder structured Cayman Fund (non-U.S. Client) and may in the future advise Private privately placed pooled investment vehicles ("Private Funds") or Managed Accounts that may have similar or different investment objectives and policies.

The Company or its licensed staff may give advice and take action with respect to any Private Funds or Managed Accounts it advises that may differ from action taken by the Company on behalf of other Private Funds or Managed Accounts. The Company is not obligated to recommend, buy or sell or to refrain from recommending, buying or selling any security that the Company or staff may buy or sell for its or their own accounts or for other Private Funds or Managed Accounts advised by the Company. Additionally, the Company's personnel and affiliates may invest, directly or indirectly, in Funds, which in turn, may invest in securities held in other Private Funds and Managed Accounts advised by the Company. From time to time, the Company's officers and employees may have interest in securities owned or sold by or recommended to the Private Funds and Managed Accounts.

These situations present a potential conflict of interest for the Company in relation to its Private Fund and Managed Account clients. To address this potential conflict of interest, the Company has adopted policies and procedures and maintains a compliance program designed to help manage such potential conflicts, including trade allocation policies. These trade allocation policies and procedures seek to ensure that the Company is not favouring one client over another and that trading for all client accounts is conducted in a fair and equitable manner. The Company also has in place procedures relating to personal securities transactions and

insider trading and other market misconduct designed to reasonably detect and prevent actual conflicts of interests.

Some of the Private Funds and Managed Accounts that the Company advises are subject to performance-based fee arrangements; others are not. Different fee arrangements may create an incentive for the Company to favour higher fee-paying accounts over other accounts in the allocation in investment opportunities.

To mitigate these potential conflicts of interest, the Company has adopted policies and procedures to ensure fair allocation of investment opportunities among multiple Private Funds and Managed Accounts. In allocating investment opportunities, among other things, the Company will take into consideration the investment objectives and mandate of each Private Fund and Managed Account, the stock weighting with each Fund and Managed Account, the size of each Fund and Managed Account, the sector weighting and excess cash available.

#### Other Potential Conflicts of Interest

The following is a list of some other potential conflicts of interest that can arise in the course of the normal investment management business activities of the Company:

##### (a) Related Party Transactions

The Company's employees or directors and service providers may contract or enter into financial, banking or other transactions with one another or with any investor of a fund that the Company manages. There is a risk that such transactions may not be at arm's length, causing conflicts of interest to arise.

The Compliance Manual prohibits the Company's connected or interested persons from transacting with the Private Funds unless such transaction is carried out on arm's-length terms.

##### (b) Gifts and Entertainment

The Company's employees may receive gifts and benefits from brokers, other services providers and clients. To avoid any potential conflicts of interest, the gifts and entertainment that its employees can receive must be reasonable in terms of frequency and value. At all times, employees are not allowed to accept any gifts, rebates or other benefits from the Company's clients or business contacts, regardless of value, if such acceptance is likely to

lead to conflict of interest with duties owed to the Company or the Company's clients. All relevant gifts, inducements and entertainment given and received by the staff of the Company must be reported to and approved by the Compliance Officer and recorded in the Gifts Register maintained by the Compliance Officer.

(c) Directorships and External Arrangements

Certain the Company staff may hold positions in external organizations. There is a potential risk that its personnel may place their own interests (resulting from outside employment/directorships) ahead of the interests of the Company's clients. Before accepting an executive or non-executive directorship or any other appointment in another company, employees, including executive directors, must obtain the prior approval of the Company's compliance department. The CCO will only permit appointments that would not present a conflict of interest with the Company employee's responsibilities to the Company and its clients.

Personal Trading

All employees of the Company have to follow the Company's personal trading policy, which requires its employees to obtain pre-clearance from the compliance department on personal trades and regularly declare their personal investments details to the compliance department. Other facets of the Company's personal trading policy include:

- Any employee of the Company who wishes to purchase or sell securities for any account in which he or she has a direct or indirect beneficial interest must obtain pre-clearance in writing from the compliance department. The pre-clearance is valid only for that specific business day and valid only for the specific security and specific share amount specified in the written request. A new pre-clearance must be obtained if the proposed transaction is to be altered in any way. If the proposed transaction is not completed within that business day, a new pre-clearance must be obtained before the transaction may be completed;
- Trading and/or maintaining position(s) in securities in the (Chinese) domestic market, including but not limited to those listed on domestic Exchanges, are forbidden.
- No employee may buy or sell a security on a day in which the Company has a pending "buy" or "sell" order in the same security until that order is executed or withdrawn;



- No employee may buy or sell an investment for accounts for which he or she has a direct or indirect beneficial interest within 1 trading days before (if the employee is aware of a forthcoming client transaction) or after trading in that security on behalf of a the Company's client;
- No employee may buy or sell an investment for accounts for which he or she has a direct or indirect beneficial interest within 1 trading days before (if the employee is aware of a forthcoming recommendation) or after a recommendation on that security is made or proposed by the Company; and
- All employees are required to hold all personal investments for at least 30 days, unless prior written approval of the compliance officer is given for an earlier disposal.

All of the above is in line with the requirements of Securities & Futures Commission ("SFC"), which is the regulator of the securities and futures markets in Hong Kong, where the Company is licensed to conduct business.

## Item 12: Brokerage Practices

### Specified Brokerage

Since the Investment Manager of Asia Series 8 has directed the Company to use a specified broker, the Company may not always be able to comply with the best execution standard for clients.

Nonetheless, the Company does have relevant policies and procedures in place which have been enclosed in the Company's Compliance Manual that ensure the Company seeks to act the best interests of any current or prospective clients of the Private Funds or Managed Accounts that the Company has the discretion on their management with U.S. Clients by (i) making suitable investment decisions; and (ii) conducting trading activities in a manner that is consistent with applicable federal securities laws, rules and regulations.

#### 1) Selecting Brokerage Firms

The Company is under a duty to obtain "best execution" of client transactions, which is generally described as a duty to execute securities transactions with reasonable endeavours to pursue the objective that a client's total costs or proceeds in each transaction are the most favourable under the circumstances, including but not limited to the best price available.

However, the Company may not always pay the lowest price for commission, but may, in addition to lowest price, take into account a number of factors, including a broker's trading expertise, reliability, responsiveness, reputation, execution, clearance, settlement, access to particular trading market, availability of securities to borrow or short sales and the value of research it provides. The Company may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than solely relying on receiving the most favourable execution. The Company has formal procedures in selecting brokers. Before a broker account opening decision is made, a new broker is evaluated based on factors which may include its execution ability, administration and settlement ability, quality of research produced, specialists' research skills, quality of information services, quality and frequency of client contact, ability to deal in specific markets and financial strength.

Any new brokers must be recommended by one of the Company's portfolio managers and approved by the Chief Investment Officer ("CIO"). The compliance department then conducts

due diligence on the broker prior to opening the account. A broker review meeting is held at least semi-annually to review each of the brokers on the approved broker list. The Company's management then decides whether to add or remove brokers, if any, to or from the active broker list based on the aforementioned criteria.

## 2) Best Execution

The Company defines "best execution" as whether the price is the best available price for the client in the relevant market at the time of the transaction of the kind and size concerned. Daily reviews will be conducted to review if the executed price is the best available price by comparing it to the volume weighted average price (VWAP) from Bloomberg to ensure it is reasonable.

Periodic review on the best execution as well as correctness and fairness of trade allocations will be performed by the compliance department on a random basis.

## 3) Soft Dollars

The Company may receive goods or services from a broker or a dealer in consideration of directing transaction business on behalf of the client to such broker or dealer, provided that (a) the goods or services are of demonstrable benefit to the client, and (b) the transaction execution is consistent with best execution and is not in excess of customary full service brokerage rates.

Services may take the form of benefits, including but not limited to research, special execution capabilities, clearance and settlement (i.e. brokerage-related products and services). The services received will benefit all the accounts under management by the Company.

The goods and services which the Company is permitted to receive may not include (1) travel, (2) accommodation, (3) entertainment, (4) general administrative goods and services, (5) general office equipment or premises, (6) membership fees, (7) employee salaries, (8) direct money payments or (9) any other goods and services.

The Company is not required to select the broker that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers. The Company may consider the value of research services or products that the broker provides. Because many of those research services that it obtained from allocating some client's brokerage business

may benefit the Company and other clients of the Company, it may have a conflict of interest among different clients. The Company intends to comply with Section 28(e) of the Securities Exchange Act of 1934. Under Section 28(e), use of a client's commission dollars to acquire research products and services is not a breach of fiduciary duty to the client – even if the brokerage commissions paid are higher than the lowest available – as long as the Company determines that the commissions are reasonable compensation for both the brokerage services and the research acquired.

#### 4) Trade Aggregation & Allocation

The Company may make group orders to obtain efficiencies that may be available on larger transactions when it determines that investment decisions are appropriate for each participating account and consistent with the terms of the investment management agreement with each client.

When an investment opportunity, in the opinion of the responsible portfolio manager, is suitable for two or more portfolios, the allocations must be consistent with weighting within each portfolio.

Where orders are partially filled, orders are allocated on a pro-rata basis, unless there are good reasons not to allocate, for example, where using a pro-rata basis may result in an uneconomic allocation or an odd-lot. In these cases, the proposed allocation, and the rationale for it must be recorded, and these allocations are subject to internal compliance review.

The Company's differing fee arrangements with clients creates a conflict of interest by virtue of the incentive to favour higher fee-paying accounts over other accounts in the allocation of investment opportunities. The allocation of investment opportunities may, among other reasons, impact the relative performance of client investments. Therefore, the Company has developed policies and procedures that will allocate investment opportunities and make purchase and sale decisions among client accounts in a manner that the Company considers, in its sole discretion and consistent with its fiduciary obligation to the clients, to be reasonable. In many cases, these policies may result in the pro rata allocation of limited opportunities across client accounts.

## 5) Trade Errors

A trade error is defined as

- An error in the investment decision making process (e.g. a violation of a portfolio's guideline, purchases made with unavailable cash, or sales made with unavailable securities); or
- An administrative error made prior to, or during the trade's execution (e.g., a trader executes an order for the wrong security, or for an incorrect amount or number of shares).

The Company utilizes its best efforts to correct a trade error as soon as possible following discovery of a trade error, in accordance with the policies and procedures as outlined in the Company's Compliance Manual. A trade error may not in any circumstance be resolved by reallocating the trade to another client. Generally, any gain due to a trade error will be credited to the client, however any loss due to a trade error will be compensated by the Company to make the client whole as if there had been no trade error.

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

### **1) Periodic Review of Client Accounts**

Asia Series 8 (U.S. Client) and the master-feeder structured Cayman Fund (non-U.S. Client) currently managed by the Company are monitored on an ongoing basis by the senior management and the CCO of the Company. Furthermore, the senior management and the CCO of the Company review all Private Funds in detail with the relevant members of the investment team on at least a quarterly basis and more often if senior management considers it necessary. Reviews will focus on analysis of the performance, portfolio valuation metrics, liquidity, concentration as well as qualitative factors such as sector and industry allocation and investment themes.

### **2) Accounts Reviewed on Other Than a Periodic Basis**

Reviews will also be carried out during periods of portfolio underperformance, increased economic uncertainty or heightened market volatility as well as when major changes in market conditions or rebalancing needs arise driven by major subscriptions or redemptions.

### **3) Regular Reports**

Investors receive periodic communications, including but not limited to account statements, monthly or quarterly manager reports, and annual audited financial statements (if applicable) through the Investment Manager of Asia Series 8, i.e. ABS Investment Management, LLC.

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

The Company or its related person may enter into certain arrangements with third-party introducers, under which the introducers will be paid for referring clients or investors. All such introducer fees will be paid by the Company or its related person and clients or investors will not be subject to any increased or additional fees or charges. All such arrangements with third-party introducers will be in compliance with rules and regulations of applicable jurisdictions.

#### **Item 15: Custody**

The Company does not maintain custody of client funds or securities. All assets are held at qualified custodians, which may include prime brokers. Investors of Asia Series 8 (ABS Direct Equity Fund LLC) will receive monthly statements from the administrator directly reflecting the current value of the account and any transactions that have occurred during the period. Investors will also receive a copy of the audited financial statements on an annual basis.

#### **Item 16: Investment Discretion**

The Company is appointed as the Trading Manager to be the non-discretionary sub-adviser of Asia Series 8. The Company provides trading and research services for the assets of Asia Series 8 to advise and recommend the investment, divestment and re-investment of the assets of Asia Series 8 subjected to the pre-approval by the Investment Manager, i.e. ABS Investment Management, LLC. Such execution is carried out in compliance with the trade authorisation pre-approved by the Investment Manager in writing, execute transaction in connection with the management of the assets of Asia Series 8, and to recommend and give general advice and assistance to the Investment Manager on an ongoing basis concerning the investment, realisation and re-investment of the assets of Asia Series 8 and the placing of the assets of Asia Series 8 on deposit, in accordance with and subject to the provisions of the Trading Manager Agreement and the investment objective, policies and restrictions of Asia Series 8.

## **Item 17: Voting Client Securities**

The Company will be responsible for monitoring and responding to proxy requests on behalf of Asia Series 8 with full discretion and authority to vote or abstain from voting with respect to any shares held by Asia Series 8.

The Investment Manager of Asia Series, ABS Investment Management, LLC, fully delegates responsibility for monitoring and voting proxies (via the Standard Chartered Straight 2 Bank Web Platform or such other means made available by Standard Chartered Bank, the custodian for Asia Series 8) to the Company in a manner that it is in the best interest of Asia Series 8.

In connection therewith, the Company will maintain documentation, and make it available for periodic review by the Investment Manager, to support such activities including at a minimum:

- a. Proxy statements received regarding client securities;
- b. Records of votes cast on behalf of clients;
- c. Any documents prepared by the Company that were material to the decision to vote the proxy; and
- d. Proxy voting policies and procedures in effect at the time of the vote.

## **Item 18: Financial Information**

The Company does not require prepayment of any fees. The Company is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time.

**- The End -**