

XY Investments (HK) LTD  
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September 2022

This “**Brochure**” provides information about the qualifications and business practices of XY Investments (HK) LTD. If you have any questions about the contents of this Brochure, please contact Lu Zhang, Chief Compliance Officer (“**CCO**”) of XY Investments (HK) LTD at +852 3511 6033 or by email at [lu.zhang@xy-inv.com.hk](mailto:lu.zhang@xy-inv.com.hk). 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.

Registration of an investment adviser does not imply that XY Investments (HK) LTD or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business. Additional information about XY Investments (HK) LTD is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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This Brochure has been amended to reflect the business nature of XY Investments (HK) LTD.

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**Item 4: Advisory Business**

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XY Investments (HK) LTD (“XY,” “we,” “us,” “our” or the “Firm”) is an investment adviser organized in June 2016 as a limited company in Hong Kong. Tony TANG and Shanghai XY Investments LLC are majority beneficial owners of XY. Tony TANG is primarily responsible for the management of the strategies employed by XY.

The Firm provides investment advisory services to certain private funds and separately managed accounts (the “SMAs”). These pooled investment vehicles are organized in a master-feeder structure. Investment advisory services are conducted at the master fund level, through the XY China Enhanced Equity Master Fund LTD (the “**Master Fund**”), a Cayman Islands limited company. XY also provides investments to two Cayman Islands feeder funds: XY China Enhanced Equity Fund LTD and XY China Enhanced Equity US Feeder Fund LTD, collectively the “**Feeder Funds**.” The Master Fund and Feeder Funds collectively comprise the “**Funds**” or the “**Clients**.”

As a quantitative investor, XY’s investment objective is to generate attractive, risk-adjusted returns. These returns will be generated by providing investment advice based on fundamentally driven, systematic strategies specializing in China A Shares. Advice is tailored based on the mandate of the Funds. The mandate is set forth in the collection of legal documents, including a private placement memorandum, known as the “**Governing Documents**.” These Governing Documents formulate investment objectives, direct and manage the investments and reinvestments of Client’s assets, and sets forth specific fees and expenses paid by Clients.

As of the date of this filing, our total regulatory assets under management (RAUM) are US\$148,000,000 which we manage on a discretionary basis.

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**Item 5: Fees and Compensation**

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XY generally charges Clients an asset-based management fee and a performance allocation or fee.

XY typically deducts its management fee (“**Management Fee**”) generally from Clients monthly in arrears in such amounts set forth in the Governing Documents. The Management Fee is charged as a percentage of the value of the assets under management for that account, and is set out in the Governing Documents. The management fee is calculated on the value of the portfolio of assets for the relevant period. Fees are normally pro-rated for any incomplete months during account commencement and termination.

Our fixed fees generally range from 0.85% to 1.00%.

The Funds will also incur transaction related charges such as brokerage, custody, taxes and other related costs and expenses. Please refer to Item 12 of this Disclosure Brochure.

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**Item 6: Performance-Based Fees and Side-By-Side Management**

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The Firm is entitled to receive a “**Performance Fee**” from the Client that is calculated based upon a percentage of the net capital appreciation of the Client’s account, subject to a “high watermark” provision. The performance allocation is in accordance with the available exemption set forth in Rule 205-3 of the Advisers Act. By its nature, a performance-based fee appears to provide an adviser with an incentive to make investments that are riskier or more

speculative than would otherwise be the case. The Performance Fee has been disclosed to the Clients.

We sometimes enter into side letters with prospective investors and/or grant “most favoured nation” status to them. These arrangements allow for different terms than the terms applicable to other fund investors. In general, we will not notify other investors when we enter into these agreements but will ensure that no client is disadvantaged by such side letters.

In view of the potential conflict of interest, the Firm has adopted a Code of Ethics (described in Item 11 below) that addresses potential conflicts of interests and requires, in any situation where the interests of the Firm’s clients are at stake, the clients should be treated fairly and have priority over the economic interests of employees or the Firm.

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**Item 7: Types of Client**

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The Firm currently provides advisory services to the Funds and the SMAs.

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

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***Methods of Analysis & Investment Strategy***

To achieve our goal of providing risk adjusted returns for our Clients, we use a quantitative approach. Our researchers develop proprietary trading models that attempt to predict and capitalize on future asset price movements. These models are created on the basis of extensive historical data using human skill, market experience, and technology to identify patterns and market inefficiencies. Multiple trading models are combined into a single portfolio. The research and development process is continuous with new models being discovered and implemented over time. The models are subject to our risk framework which controls for beta, liquidity, volatility, position size, sector, and other factors. Trades are generally executed systematically, although the portfolio manager reserves the right to override the system particularly in periods of extreme market stress or unusual circumstances.

***Risk of Loss Factors***

Investing in securities involves risk of loss that the Funds and any future “clients” we may advise should be prepared to bear. Clients should consider the following factors before investing. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in our management of any client’s account.

**Dependence on Key Personnel**

The Firm has overall responsibility for the investment management of client’s accounts. The Firm is dependent on the strategy and management expertise of Tony TANG and if the Firm were to lose his services, clients could be adversely affected.

**Trade Execution Risk**

Many of our investment techniques require the rapid and efficient execution of transactions. Inefficient execution can impair realization of the market opportunities sought with such techniques.

**Small to Medium Capitalization Companies**

XY may invest clients’ accounts in the stocks of companies with small to medium-sized market capitalizations of at least RMB 10 billion. While we believe these stocks may provide significant potential for profit, such stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of

such stocks are often more volatile than prices of large-capitalization stocks. Our models take into consideration liquidity and market impact and will adjust trading execution accordingly.

**Portfolio Turnover**

Part of our investment strategy may involve the taking of frequent trading positions and, as a result, turnover and brokerage commission expenses may exceed those of other investment entities of comparable size. The frequent turnover of the portfolio may also lead to inefficient tax consequences for clients.

**Technology Dependence**

The Firm's trading systems, hardware, and software are vulnerable to temporary disruption, failure, inaccuracies, and/or security breaches, including, but not limited to: communication failures or inaccuracies; security quotation and data errors (whether as a result of software errors, automatic price or data misfeeds, or a dealer's mistype or mistake); system or software crashes; distortions; viruses; stolen passwords and/or unauthorized trades; signal power disruptions; and failures of internet reception or routing. System delay or failures can have negative results on investment selection and execution. The result of any system-related failure may be, but is not limited to: trades being executed without our authorization; trades not being executed according to instructions or criteria; or trades not being executed at all. The ability to recover certain losses or foregone profits due to such disruptions and failures may be subject to limits on liability imposed by system providers, the market, financial institutions, and/or the clearing house.

**Model Risk**

Our investment program is based substantially upon a number of quantitative approaches, systematic analysis, algorithms or other models. As with any model-driven or other quantitative strategy, the investment program and its resulting performance are subject generally to model risk (i.e., the consequences of any inaccuracy, flaw or limitation of the quantitative model). Models are generally based upon historical data, which is not indicative of the future performance of any investments. The Firm continually engages in the evaluation and refinement of investment models reflected in the strategies. We may also modify existing models, discontinue use of certain models or add other models or other investment methodologies in the future. Models to be employed are intended to identify and capture favorable investment opportunities or to limit certain types of risks, or possibly both. However, there is no assurance that the use of any such models will necessarily fulfil their intended objectives or assure investment success in future markets and environments.

**Short Sales**

Short sales can and, in certain circumstances, do substantially increase the impact of adverse price movements on the strategy's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

**Item 9: Disciplinary Information**

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XY has no disciplinary information to report.

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

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XY Investments (HK) LTD is owned by Tony Tang and Shanghai XY Investments LLC **“XY Shanghai.”** XY Shanghai is an investment adviser based in Shanghai, China. XY Shanghai is beneficially owned by Xin ZHOU. XY Shanghai is regulated by the Asset Management Association of China.

XY Investments (Cayman) LTD (**“XY Cayman”**) is an investment adviser under common control with XY. XY Cayman is based in the Cayman Islands and provides investment recommendations to XY. Certain employees may work at or advise both XY Cayman and the Firm. The Firm and XY Cayman may share certain technologies such as hardware, software, and data. Expenses related to shared technologies will be allocated to both entities. We have established a variety of restrictions, procedures, and disclosures designed to address these potential conflicts. The Adviser has worked closely with the Funds to disclose potential conflicts of interest.

Neither XY nor its management personnel are registered as broker-dealers. And neither the firm or its affiliates has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

The Firm and its management personnel are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities. The Firm is an exempt Commodity Trading Advisor.

We do not recommend or select other investment advisers for our clients.

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

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Pursuant to the Advisers Act’s Code of Ethics Rule, the Firm has adopted a Code of Ethics and a Personal Trading Policy (together, the **“Code”**) that establishes various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which an employee has investment discretion. For such accounts, trades in securities of companies are strictly prohibited. All single name A-shares equity securities must be liquidated within 60 days upon hire. Employees are allowed to trade in ETFs and Mutual Funds without pre-clearance. The spirit of the Code is to prohibit personal trading that violates the law and upholds our Firm’s fiduciary responsibility as an SEC-registered investment adviser.

All of our employees must direct their brokers to send duplicate brokerage statements to the CCO, or make similar alternative arrangements. These records are used to monitor compliance with the Code.

XY absolutely prohibits the misuse or inappropriate communication of “inside information” (as defined in the Code) in connection with our securities transactions. XY, as well as federal and state securities laws, also prohibits the practice of market manipulation, which includes conduct intended to deceive or defraud investors by controlling or artificially affecting the prices of securities.

The Code also includes the following provisions:

- Communications guidelines designed to assist employees in understanding their duties and responsibilities regarding the receipt and the communication of financial and other sensitive information.
- Any outside business activities employees wish to engage in must be disclosed to and approved by the CCO.
- XY has adopted a policy regarding the giving and receiving of business gifts and entertainment.
- XY has adopted a policy governing political contributions, the holding of public office and impermissible payments. This policy is designed, among other things, to address the requirements of the Advisers Act's Pay to Play Rule.

A copy of our Code is available to our Clients and prospective clients who may request a copy by contacting our CCO, Lu Zhang, by email at [lu.zhang@xy-inv.com.hk](mailto:lu.zhang@xy-inv.com.hk), or by calling her at +852 3511 6033.

## **Item 12: Brokerage Practices**

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As an adviser and a fiduciary to client accounts, the Firm requires that clients' interests must always be placed first and foremost, and our policies and procedures prohibit unfair trading practices. XY seeks to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in a client's favor. The Firm has adopted the following policies and procedures to meet our fiduciary duty and to ensure our trading practices are fair.

### ***Best Execution***

Because the strategy has relatively high turnover, it is critical that the Firm obtains "**Best Execution**" on behalf of any client. The duty to obtain Best Execution requires us to consider many factors when evaluating broker quality and determining where to route its trades in addition to price. Factors considered include quality of execution, commission cost, market access, counterparty risk, among others.

### ***Soft Dollars***

The Firm does not use soft dollars at this time.

### ***Directed Brokerage***

Currently, the Funds do not direct brokerage.

### ***Brokerage for Client Referrals***

XY does not receive client referrals from broker-dealers.

### ***Trade Allocation and Aggregation***

The Firm only manages one master-feeder fund structure. This is not currently applicable. In the event of gaining more Clients, the Firm will institute a policy to create the proper procedures when handling trade allocation and aggregation.



**Item 13: Review of Accounts**

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Client accounts managed by the Firm are reviewed on a daily basis by the Investment, Operations, and Risk teams, including the Portfolio Manager, for proper positions and correct accounting of profit and loss and account balances. Account statements will be sent to investors by the Administrator on at least a monthly basis.

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

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XY does not currently employ any third-party marketers or solicitors for client referrals.

The Firm does not currently provide advice to parties other than the Client account, though it may do so in the future.

**Item 15: Custody**

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The Firm does not have “custody” of the Client’s funds or securities (as defined in the Advisers Act’s Custody Rule).

**Item 16: Investment Discretion**

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XY possesses discretionary portfolio management authority over a client account with respect to asset allocations and direct investments as per the applicable investment management agreement.

The Firm has the authority to determine (i) the securities to be purchased and sold for client accounts (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for client accounts.

**Item 17: Voting Client Securities**

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To the extent XY has been delegated proxy voting authority on behalf of any client account, the Firm complies with its proxy voting policies and procedures that are designed to ensure that the Firm votes proxies in the best interest of the client.

Currently, XY does not take responsibility to vote proxies.

In the future, a case-by-case basis and may or may not be in consultation with the Client. Any intended vote that is based on the Firm’s subjective intent to (i) influence or control the management or operations of a company or (ii) act in any manner that constitutes or may reasonably be interpreted as activist investing or coordinated investing with another party, is subject to the additional requirements specified in the Client’s policy concerning “Activist Investing and Coordination.”

Any known conflicts of interest should be identified in the request to the Client and will be considered and resolved, as appropriate, by the Client.

Clients may obtain a copy of the Firm’s Proxy Voting Policy and information on how the Firm voted proxies on our holding by contacting our CCO, Lu Zhang, by email at [lu.zhang@xy-inv.com.hk](mailto:lu.zhang@xy-inv.com.hk), or by calling her at +852 3511 6033.

**Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to the Funds, and have not been in existence nor the subject of a bankruptcy petition at any time during the past ten years.