

## Item 1 Cover Page

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### **Firm Brochure**

(Part 2A of Form ADV)

## **NewOak Asset Management LLC**

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This brochure provides information about the qualifications and business practices of NewOak Asset Management LLC (“NAM”). If you have any questions about the contents of this brochure, please contact us at: 212-209-0850, or by email at: [jfrischling@newoak.com](mailto:jfrischling@newoak.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.

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

Date: January 28, 2015

## **Item 2 Material Changes**

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This is our first amended filing of our Brochure to report the change in our assets under management.

We will offer or deliver information about our qualifications and business practices to our clients at least annually. We will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

We will provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Mr. James Frischling, President, at 212-209-0858 or [jfrischling@newoak.com](mailto:jfrischling@newoak.com).

Additional information about NewOak Asset Management LLC is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4 Advisory Business

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### *Firm Description*

NewOak Asset Management LLC (“NAM”) is a Delaware limited liability company which is wholly owned by NewOak Capital LLC (“NOC”). NAM was formed in 2009<sup>1</sup> and has been substantially inactive from formation until October 1, 2014.

NOC, NAM’s parent is a financial advisory and consulting firm that provides strategic, analytical and forensic consulting in the areas of risk management, valuation and credit covering multiple asset classes including residential and commercial mortgages and securities, consumer finance, municipal, and corporate securities and loans. NOC has four principal operating subsidiaries: NewOak Advisors LLC, which provides fundamental analyses, valuation, risk and model validation services with respect to a variety of asset classes and complex asset-backed securities; NewOak Credit Services, which provides underwriting, compliance, credit rating, independent audit and quality control for mortgage loans and in connection with mortgage-backed securities litigation and secondary mortgages; NewOak Solutions LLC, which provides financial technology solutions and products for multiple asset classes and portfolios; and NewOak Capital Markets LLC, a registered broker-dealer (member of FINRA, SIPC and MSRB).

### *Principal Owners*

NAM is 100% owned by NOC, which in turn is 100% owned by NewOak Capital Holdings, L.P., a Delaware limited partnership. Ron D’Vari, who is the Chief Executive Officer of both NAM and NOC, owns 47.7% of the equity interest of NewOak Capital Holdings, L.P., including a controlling interest in the general partner. No other person owns more than 25% of the equity interest of NewOak Capital Holdings, L.P.

### *Types of Advisory Services*

NAM limits its investment advice to the following types of investments: asset-backed securities (“ABS”), residential mortgage loans secured by real estate located in the United States, residential mortgage backed securities (“RMBS”), mortgage servicing rights (“MSR”) and derivatives and interest rate swaps in connection with hedging activities.

NAM provides both non-discretionary and discretionary advisory services.

#### *Non-discretionary Services*

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<sup>1</sup> NAM was originally formed as “NewOak Capital Asset Management LLC”. It changed its name to NewOak Asset Management LLC in 2013.

NAM provides advisory services on a non-discretionary basis to a federally-chartered corporate Credit Union (the “CU Client”). In this capacity NAM provides continuing surveillance and periodic reporting with respect to a designated portfolio of ABS (the “ABS portfolio”). The ABS portfolio is a portion of the overall investment portfolio of the CU Client (the “CU Client portfolio”). The CU Client in turn offers participations in the CU Client portfolio to its members (other credit unions). The ABS portfolio represents approximately 8% of the CU Client portfolio.

NAM provides the following advisory services with respect to the ABS portfolio:

- Annual sector analyses of the auto loan and dealer floor plan ABS sectors, including specific analyses of twelve specific issuers (“shelves”).
- Monthly stress testing of a portfolio of approximately 280 ABS owned by the CU Client, based on up to 16 different stress scenarios mutually determined with the CU Client, including delivery of a written report reflecting the impact of the stress scenarios on each of the securities.
- Monthly credit surveillance of each of such securities, including sector, shelf, vintage and index (if applicable) performance comparisons, market color and investment recommendations as requested by the CU Client.
- Semiannual impairment analyses of approximately 15 specific ABS (subject to adjustment based on client-directed changes in the portfolio) backed by private student loans.
- Annual breakeven stress analytics for pre-purchase credit analysis on five shelves within the dealer floor plan sector. Securities are analyzed and “scored” for breakeven loss coverage (base case and stressed case) using proprietary methodology<sup>2</sup>, with securities being deemed acceptable or ineligible for purchase by the CU Client depending upon their numerically expressed breakeven loss coverage ratios.

In addition, NAM provides consultation and advice to the CU Client with respect to its reports on an hourly fee basis.

NAM has no discretion or authority with respect to the purchase or sale of any of the securities comprising the ABS portfolio, or any other securities or assets owned by its owned by the CU Client.

#### *Discretionary Services*

NAM provides advisory services on a discretionary basis to two private funds: NewOak SJ-MAC Fund, LP, a Delaware limited partnership (the “US Fund”) and NewOak SJ-MAC Cayman Fund, Ltd, a Cayman Islands exempted company (the “Cayman Fund”, and together with the US Fund, the “Funds”). The Funds are controlled by affiliates of NAM.

The Funds are pooled investment vehicles intended for sophisticated investors and institutional investors and capital commitments will be sought and accepted exclusively

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<sup>2</sup> The modeling methodology employed is proprietary to NewOak Advisors LLC, an affiliate of NAM, which will perform certain of the analyses. There is no separate charge to the CU Client for these services.

from such investors. The minimum capital commitment for investors in the Funds is \$1,000,000. The Funds have obtained capital contributions in excess of the minimum required for commencement of operations, and are in the process of obtaining additional capital commitments. The terms of the offering of interests in each Fund are more fully described in such Fund's Private Placement Memorandum and governing documents (the "Offering Materials"). The Offering Materials contain a more complete description of the investment, operating and distribution policies of each Fund, and any persons contemplating an investment in either Fund should review and rely upon the Fund's Offering Materials in that connection rather than on this Brochure.

The Funds intend to purchase residential mortgage loans and mortgage securities, with an initial focus on alternative income super jumbo ("AISJ") loans. These are large (typically \$1 million to \$5 million) mortgage loans made to high-net-worth individuals underwritten with consideration of alternative income sources. The Funds anticipate being structured with a mix of debt and equity, with debt from loan facilities or other direct borrowings of five to ten times the amount of equity raised in each Fund. For the purpose of the foregoing leverage restriction, retained interests in securitization transactions and implied leverage in RMBS securities will not be applicable.

The Funds expect to participate in securitization transactions and may enter into interest rate and credit hedging transactions.

NAM will provide substantially all required investment advisory services to the Funds in connection with the investment and re-investment of the Funds' assets consistent with the Funds' investment guidelines. Such services will include:

- Due diligence review of mortgage loans offered to the Funds;
- Approval of mortgage loans and other investments for purchase by the Funds;
- Purchasing of mortgage loans and other investments for the account of the Funds;
- Management of third-party providers (trustees, custodians, administrators, loan servicers, etc.) who will provide various asset management and reporting functions to the Funds;
- Collateral management services required of the Funds in connection with lending or hedging transactions; and
- Such other investment management activities as may be agreed to by NAM and the Funds under the Funds' respective Investment Advisory Agreements.

Certain of the above services will be performed for NAM by related parties. There will be no separate charge to clients for such services.

Neither NAM nor any related party of NAM will provide trustee, custodian or fund administration services to, or perform loan servicing for, the Funds.

#### *Availability of Tailored Services for Individual Clients*

NAM provides advisory services to its clients pursuant to the agreements described below based on the specific client requirements, investment objectives and strategies described in this Brochure. NAM does not tailor advisory services to the individual needs of non-institutional clients. Clients for which NAM provides discretionary advisory services may not impose restrictions on investing in certain securities or certain types of securities.

### *Assets Under Management*

As of 12/31/14, NAM has assets under non-discretionary management of \$350.9 million, consisting of the ABS portfolio described above. As of 1/22/15, NAM has assets under discretionary management of \$52 million.

### *Types of Agreements*

NAM provides non-discretionary services under a Services Agreement (the “Services Agreement”) with the CU Client and will provide discretionary services under Investment Advisory Agreements (each an “IAA”) with each of the Funds.

### *Services Agreement*

The Services Agreement includes, among other provisions, the following:

- A detailed scope of work including a description of the services to be performed, and a list of the securities included in the ABS portfolio;
- Mutual limited licenses for certain proprietary intellectual property to be exchanged in connection with the performance of the services;
- Mutual confidentiality provisions regarding confidential information to be exchanged in connection with performance of the services;
- Representations, covenants and warranties of each party;
- Recitation of certain assumptions and sources relied upon in the performance of the services, and disclaimer of warranties with respect to the information provided as part of the services;
- Recitation of risk considerations and acknowledgments;
- Limitation of liability and indemnification provisions;
- Term and termination provisions; and
- A statement of the fees for each of the services to be performed.

### *Investment Advisory Agreements*

The IAAs provide, among other things, that:

- NAM has broad discretion to manage, invest and reinvest assets of the Funds (including the authority to pay its fees under the IAA from Fund assets when due), subject only to the respective Funds' investment guidelines;
- NAM is entitled to receive an investment advisory fee (as more fully described in Item 5) and, in the case of the Cayman Fund, a performance-based incentive fee (as more fully described in Item 6);
- NAM has the unlimited right to enter into agreements (referred to as "side letters") with limited partners of the US Fund or shareholders of the Cayman Fund that waive or modify the terms (including fees payable) of the IAA;
- NAM may delegate its obligations under the IAAs to an affiliate without the permission of the affected Fund; and
- NAM and its affiliates may engage in or participate in other activities, whether or not similar to the Funds, including advising other funds that may be competitive with the Funds. As a result of such other activities NAM may have conflicts of interest in allocating time, services and functions among the Funds and such other activities.

#### *Termination of Agreements*

The Services Agreement Terminates on March 31, 2015, but is automatically renewed for successive one-year terms unless either party provides the other with notice (30 days by the CU Client, 90 days by NAM) of intention not to renew. In addition, the CU Client may terminate the Services Agreement at any time upon 30 days notice.

The Investment Advisory Agreements have the same term as the respective Funds, but may be terminated by the Funds upon 180 days notice.

## **Item 5 Fees and Compensation**

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#### *Description*

Under the Services Agreement, NAM will be paid a fixed fee for performance of each specific advisory service set forth in the Services Agreement, and will be paid an hourly fee for consultation services rendered at the request of the CU Client.

Under the IAAs, NAM will be paid an investment advisory fee equal to 2% per annum of each Fund's net assets (the "management fee") payable quarterly in advance. NAM will also receive performance-based fees as more fully described in Item 6 below.

These fees are negotiable.



### *Payment of Fees*

The Services Agreement provides that fees are payable by the CU Client within 30 days after invoice by NAM following performance of the services (on a monthly, semiannually or quarterly basis, as the case may be).

Under the IAAs NAM deducts the management fee from client accounts on a quarterly basis by instructing the client's custodian.

### *Other Fees*

Under the Services Agreement, fees are payable for additional services performed by mutual agreement with the CU Client.

Under the IAAs, in addition to paying investment management fees (and, if applicable, performance-based compensation), client accounts will also be subject to other investment expenses such as custodial and other administrative charges; trustees' fees, servicers' fees and expenses; brokerage fees, commissions and related costs; interest expenses; securitization expenses and fees; taxes, duties and other governmental charges; transfer, recording and registration fees or similar expenses; costs associated with foreign exchange transactions; and other portfolio expenses.

In addition, as provided in the Offering Materials of the Funds, the Funds may reimburse NAM or its related persons for certain organizational and offering expenses in connection with the offering of the Funds to investors.

### *Prepayment of Fees*

No prepayment of fees is required under the Services Agreement. Under the IAAs, the Funds are required to pay NAM's fees in advance as set forth in the IAA.

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

*There are no performance-based fees payable in connection with non-discretionary advisory services. In connection with the performance of discretionary advisory services NAM or an affiliate will receive performance-based fees as described below.*

### *Sharing of Capital Appreciation*

NAM will receive a performance-based fee from the Cayman Fund equal to 20% of the increase in the net asset value of the Cayman Fund during the determination period, normally a calendar quarter. In the event there is a decrease in net asset value during a determination period, no incentive fee shall be taken during that period or in any

subsequent period for as long as, and to the extent that, there is an unrecouped decrease in net asset value. This provision (referred to as a “high water mark” provision) is designed to assure that the performance-based fee will reflect appreciation in net asset value over the life of the Fund.

NAM will not receive a performance-based fee in respect of the US Fund. However, the general partner of the US Fund, an affiliate of NAM, will receive a performance-based fee in respect of the US Fund that is calculated in the same manner as the performance fee payable to NAM from the Cayman Fund. All of the control persons of the general partner of the US Fund are supervised persons of NAM.

In addition, NAM’s procedures also require the objective allocation of investment opportunities to ensure fair and equitable allocation among client accounts. These areas are monitored by NAM’s Chief Compliance Officer. For this reason, NAM believes that it does not have any conflicts resulting from its side-by-side management of the Cayman Fund and the US Fund.

#### *Determination of Net Asset Value*

As stated in their Offering Materials, the Funds plan to engage Mortgage Industry Advisory Corporation (“MIAC”) or another independent third party valuation firm to value their assets.

It should be noted that under certain circumstances NAM or a related party may provide asset valuations for clients’ assets, including valuations on which performance-based compensation is based. A possible conflict of interest exists in such circumstances. The possibility of such conflicts is fully disclosed to potential investors in the Funds in the Offering Materials of the Funds.

In all instances where client assets may be deemed to be “plan assets” under ERISA, valuations will be provided by independent third party valuation firms.

## **Item 7 Types of Clients**

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NAM’s only clients are (i) a federally-chartered corporate Credit Union (the CU Client) and (ii) private funds (the Funds) that are, or are controlled by, related persons of NAM. NAM does not have any requirements for opening or maintaining an account. Initial and additional subscription minimums for the Funds are disclosed in the Offering Materials of the Funds.

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

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## *Methods of Analysis*

NAM uses a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental credit review and analysis of individual investments, mortgage loans or other assets as well as the use of quantitative tools and investment approaches.

The investment objective of the CU Client is the effective management of interest rate and credit risk within the ABS portfolio, as a part of its overall management of the CU Client portfolio. NAM provides analysis and investment advice with respect to designated ABS sectors, shelves and specific securities in the ABS portfolio consistent with the investment objectives of the CU Client as communicated to NAM from time to time. Since NAM does not actively manage the ABS portfolio (or any other assets) on behalf of the CU Client, NAM does not execute an independent investment strategy with respect to these assets.

The investment objective of the Funds, for which NAM provides active management services, is high yield on invested capital consistent with commensurate risk of capital loss. NAM's primary investment strategy in the Funds is to acquire US residential first mortgage loans, with a focus on loans with initial balances of \$1–3 million (referred to as "super jumbo" loans). NAM's investment strategy utilizes a significant amount of leverage which involves borrowing funds from banks or other lenders in order to increase the amount of capital available for investment.

NAM has very broad discretion to invest the Funds' assets in other types of securities, including residential mortgage-backed securities ("RMBS") or derivatives based on RMBS, and intends to do so if, in NAM's opinion, such securities are available at attractive risk-based yields.

NAM will utilize a variety of financial instruments such as derivatives, options, and interest rate swaps, caps and floors, for risk management purposes or for profit.

## *Active Investment*

NAM will not pursue an active investment strategy with respect to the ABS portfolio of the CU Client, for which NAM provides non-discretionary advisory services.

NAM intends to pursue a strategy of active management of the Funds' portfolios which may include some or all of the following:

- Purchase and sale of individual mortgage loans, portfolios of loans or fractional interests in loans;
- Securitization of all or a portion of clients' loan portfolios, which may entail retention by clients of a portion of the securities issued;
- Active hedging of interest rate risk in clients' portfolios;
- Purchase and sale of RMBS and derivatives; and

- Active management, in conjunction with servicers, of delinquent or defaulted mortgage loans

The above methods, strategies and investments involve risk of loss to clients, and clients must be prepared to bear the loss of their entire investment.

*Material Risks Relating to Investment Strategies*

Investment involves risk of loss. NAM will not implement any investment strategies on behalf of its non-discretionary client (the CU Client). However, NAM will provide investment advice (including valuations and specific opinions regarding risks and prospects for certain designated ABS sectors, shelves and securities) which, if relied upon by the CU Client in implementing its own investment strategy, could involve certain risks summarized below.

- In preparing the evaluation of a security, NAM will rely upon certain assumptions and judgments, such as with respect to movement in and volatility of interest rates and spreads, and relative risks and the relationship between risk factors. NAM's opinions may, in part, be based on observations of past market behavior that may not hold true in the future, and assumptions used may not cover all aspects of the valuations.
- NAM's opinions are also dependent on the integrity of data furnished by the CU Client as well as economic data obtained from third-party providers.
- All of NAM's evaluations of the ABS portfolio are as of a date certain, and NAM has no obligation to update them except on the schedule set forth in the Services Agreement.
- Significant professional disagreement exists regarding the accuracy and validity of the types of assumptions, analyses, models and methodologies used by NAM to evaluate the securities in the ABS portfolio.
- Analytically derived risk measures may not be appropriate for all securities, and NAM may in such cases use its best judgment in analyzing such securities by other means; in any case, there can be no assurance that any valuation provided for relatively illiquid securities represent the price at which such securities could actually be sold.

These and certain other risk factors are described, and specifically acknowledged and accepted by the CU Client, in the Services Agreement. However, investment strategies implemented by the CU Client based in whole or in part upon investment analysis and advice provided by NAM could result in loss to the CU Client.

The investment strategies that NAM will implement on behalf of its discretionary clients (the Funds) also involve certain risks, summarized below. In addition, investors in the Funds will be subjected to various risks having to do with the structure of the Funds and other factors, as set forth in the Offering Materials of the Funds. Prospective investors should review and carefully consider the Offering Materials and in particular the discussion of risk factors contained in the Offering Materials, and should not rely

exclusively on the discussion of risks contained in this Brochure, which is not a complete statement of all material risks factors applicable to investors in the Funds.

Specific risks associated with NAM's investment strategy are as follows:

- NAM's investment strategy is focused on investment in residential mortgages and RMBS. Client portfolios managed by NAM will thus be concentrated in a particular asset class, and will not be diversified. Accordingly, client portfolios are subject to more rapid change in value than would be the case if NAM were required to maintain a wider diversification.
- The success of NAM's investment strategy will be materially affected by conditions in the residential mortgage market, the residential real estate market, the financial markets and the economy, including inflation, energy costs, unemployment, geopolitical issues, concerns over the creditworthiness of governments worldwide and the stability of the global banking system.
- NAM's investment strategy involves the use of significant amounts of leverage. Use of leverage increases the risk of loss.

Risks Associated with Types of Securities Recommended (Including Significant or Unusual Risks)

- NAM will invest client funds in mortgage loans that were originated using less stringent underwriting guidelines than those used in underwriting prime mortgage loans (mortgage loans that generally conform to Fannie Mae or Freddie Mac underwriting guidelines), which may be riskier than conforming first-lien mortgage loans. Additionally, such loans will not be "Qualifying Mortgages" under standards promulgated by the Bureau of Consumer Financial Protection. As a result, holders of these loans will not be entitled to the benefit of a presumption relating to the borrower's ability to repay at the time the loan was originated, and may therefore be subject to certain defenses that might be raised by a defaulting borrower in a foreclosure proceeding.
- NAM will employ analytical models (both proprietary and third-party models) and information and data supplied by third parties to value assets or potential asset acquisitions and dispositions. If such models or the data utilized prove to be incorrect, misleading or incomplete, any decisions made in reliance could misprice assets or inaccurately predict market behavior and increase clients' risk of loss. For example, predictions concerning the likely prepayment rate of mortgages in a portfolio could prove inaccurate, with the result that the duration of the mortgage loans could be lengthened or shortened. This is most likely to occur in a manner that is disadvantageous to clients: accelerated prepayments during periods of falling interest rates generally (when yields on reinvestments of cash are likely to be lower), delayed prepayments during periods of rising rates (forcing clients to accept lower yields than currently available, and increasing the credit risk).
- NAM's investment strategy relies for success on a positive difference between the income (net of credit losses) from acquired assets and financing costs of those assets. In a rising interest rate environment the income from clients' portfolio assets may respond more slowly to interest rate fluctuations than clients' cost of

borrowings. Consequently, changes in interest rates, to the extent not offset by interest rate hedges, may significantly influence the Fund's financial results. In addition, rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may adversely affect NAM's ability to acquire assets that satisfy its clients' investment objectives.

- Interest rate changes may also increase the risk of loss as a result of mismatches between clients' assets and the financing used to acquire them. In general, NAM's investment strategy will use short-term financing to fund acquisition of longer-term assets (mortgage loans). Use of leverage increases the risk of loss. In the event that clients are unable to replace, or "roll" these borrowings as they mature, they may be required to sell portfolio assets at an inopportune time of price.
- Clients will be acquiring loans from a number of unaffiliated third-party originators ("TPOs"). Although NAM will conduct due diligence on each loan acquired, clients will also receive representations and warranties from TPOs regarding the loans, and will have the right under certain circumstances to require the TPOs to repurchase loans that are in default. In the event that TPOs fail or refuse to repurchase defaulted loans when required, clients will have increased risk of loss in respect of such loans.
- Securitization of clients' loan portfolios is a part of NAM's investment strategy. If securitization opportunities are not available (which could be due to market conditions or other reasons) it may be difficult to liquidate client assets in a timely fashion or at acceptable prices. If securitization is available, participation in securitization transactions may expose clients to additional risk of loss including the following:
  - The Dodd-Frank Act requires the securitizer of any asset securitization, including any securitization of residential mortgage loans that are not "qualified residential mortgages," to retain five percent of the credit risk of the underlying pool of assets. It is not anticipated that mortgages acquired by clients will qualify for the qualified residential mortgage safe harbor. Retention of an equity component of securitizations would continue clients' exposure to the credit risk of mortgages included in such securitizations.
  - Terms of any securitizations into which the clients may sell loans will generally require the Funds to make certain representations and warranties for the benefit of investors in the securitization and to repurchase or substitute loans in the event of a breach of a representation or warranty given to the loan purchaser. In many cases clients will have received similar representations and warranties from TPOs from which loans were purchased, and will have similar rights to require repurchase. However, as indicated above, TPOs may refuse or fail to repurchase loans as required. Repurchased loans are typically worth only a fraction of the original price. Significant repurchase activity could therefore materially increase the risk of loss.

- NAM's clients (i.e., the Funds) expect to acquire loans and other assets that are secured by real estate, and may own real estate directly or indirectly in the future including upon a default of mortgage loans. Real estate assets are subject to various risks, including: declines in the value of real estate, acts of God, acts of war or terrorism, changes in laws, regulations, fiscal policies and zoning ordinances and the related costs of compliance, environmental remediation and liabilities, and the potential for uninsured or under-insured property losses. The occurrence of any of the foregoing or similar events may materially increase the risk of loss to clients.
- NAM's investment strategy may involve the use of interest rate swaps, credit default swap, total rate of return swaps or other derivatives to hedge various risks. The use of derivatives exposes NAM's clients to counterparty risk. In addition, derivative contracts may require NAM clients to post additional collateral upon the occurrence of certain events, which in turn may require liquidation of client assets at an inopportune time or price.

## **Item 9 Disciplinary Information**

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Not applicable.

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

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### *Financial Industry Activities Broker-Dealer Registration Status*

All of NAM's management persons are also registered representatives and/or registered principals of NewOak Capital Markets LLC, a registered broker dealer (member FINRA, SIPC and MSRB – CRD No. 104063) ("NOCM"). NOCM is an affiliate of NAM.

NOCM has no involvement with either the formulation or the implementation of NAM's investment policies or strategies. Specifically, NOCM does not engage in the purchase or sale, for its own account or as a broker, of mortgage loans, mortgage-backed securities or hedges or derivatives of the type that NAM intends to acquire for the Funds. NAM does not intend to engage NOCM to perform any of these functions.

### *Material Relationships or Arrangements with Industry Participants*

Other than its affiliation with NOCM described above NAM and its management persons do not have any relationship or arrangements with any person that is material to NAM's advisory business or that creates a potential conflict of interest with NAM's clients.

NAM does not recommend or select investment managers for its clients.

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

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### *Code of Ethics*

NAM has adopted a code of ethics as required by Rule 204A-1 of the Investment Advisers Act (the “Rule”). A copy of the code will be provided by NAM to its clients. Key provisions of the code of ethics are summarized below.

- The NAM Code of Ethics (the “Code”) covers all officers, directors and employees of NAM (other than employees whose functions are purely clerical), all of whom are considered “access persons” under the Rule.
- General: all covered persons have an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of NAM’s clients. Covered persons should avoid activities that give even the appearance of conflict of interest and should fully disclose to NAM’s CCO all material facts in connection with any conflict that does arise.
- Covered persons are required to comply with all applicable provisions of federal securities laws, including without limitation the anti-fraud provisions and prohibitions on trading while in possession of material nonpublic information.
- Covered persons are required to inform NAM of all outside business activities in which they may be involved. NAM reserves the right to prohibit or condition participation by a covered person in an outside business activity that, in NAM’s opinion, presents a risk of conflict of interest or is otherwise inconsistent with the covered person’s duties at NAM.
- Covered persons should respect the confidentiality of client information (including information regarding investors in any client Fund) and not disclose such information unless required by NAM firm policies or applicable law. In the event that any confidential client information is disclosed, the recipient should be advised of the confidential nature of the information and that it should not be further disclosed without permission.
- All personal securities transactions and securities holdings of covered personnel must be reported to NAM’s compliance department on an ongoing basis. All covered persons shall advise NAM of any existing outside brokerage accounts they or their spouses have, or in which they have a beneficial interest or over which they exercise trading authority, and shall cause duplicate statements and trade confirmations on such accounts to be sent to NAM.<sup>3</sup> Purchases by covered persons of private placements or initial public offerings are subject to pre-approval by NAM’s CCO. NAM maintains a restricted list of securities (as to which, in the

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<sup>3</sup> Mutual-fund-only accounts, managed accounts where covered persons have no direct or indirect trading authority, certain 401(k) accounts and variable annuity accounts are excepted from this requirement.



opinion of management, there exists a possibility that NAM employees may come into possession of material nonpublic information), and covered persons are required to refrain from trading such securities.

- Covered persons are prohibited from making political or charitable contributions for the purpose of influencing a NAM client or potential client, or a US or foreign official or agency in connection with NAM's advisory business. All political contributions in excess of \$250 must be pre-cleared with NAM.
- Covered persons are prohibited from trading for their own accounts (or accounts in which they have a beneficial interest) in mortgage loans, mortgage-backed securities or derivatives for which the reference security is a mortgage-backed security or index.
- Violations of the Code by covered persons may subject such persons to disciplinary action by NAM, which may include termination. Depending on the facts and circumstances, compliance with particular provisions of the Code may be waived upon request by NAM's CCO.

#### *Participation or Interest in Client Transactions*

Neither NAM nor any covered person is permitted to participate in or have an interest in a transaction with a client.

## **Item 12 Brokerage Practices**

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Not applicable.

## **Item 13 Review of Accounts**

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#### *Periodic Reviews*

NAM reviews client accounts and holdings on a continuous basis. Matters reviewed include adherence to investment guidelines and performance of client portfolios.

#### *Non-Periodic Reviews*

Significant market events affecting assets held in clients' accounts, a change in investment guidelines, or a pending liquidity event such as a securitization may trigger reviews of clients' accounts on other than a periodic basis.

### *Regular Reports*

NAM will cause monthly reports to be delivered to clients by the Administrator (as such term is defined in the Offering Materials) and will, pursuant to the IAAs, prepare quarterly reports for delivery by clients to their investors. A client's investors receive reports from the client pursuant to the terms of clients' Offering Materials.

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

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### *Payments to NAM by a Non-Client in Connection with Advisory Services Provided to a Client*

NAM receives no cash or non-cash compensation or other economic benefit from non-clients for providing services to clients.

### *Solicitation, Introduction or Placement Arrangements*

NAM may compensate certain affiliated and unaffiliated persons or entities for introductions or placement of interests in the Funds. Such arrangements will be in compliance with applicable law, and may include circumstances where NAM or a related person will pay or split a portion of its management or advisory fees with an unaffiliated third party for assisting in obtaining a specific investor. The material terms of such arrangements will be disclosed to relevant investors. NAM will advise each investor that is the subject of such placement services that the third-party placement agent will be compensated by the investor, the relevant Fund or NAM, as the case may be, and will disclose the name of each third party providing such services and the nature of any affiliation between such third party and NAM.

In accordance with the requirements of the Advisers Act, (i) all compensation to any solicitor shall be made pursuant to a written agreement and (ii) in the case of any such arrangement with a third-party solicitor, the agreement shall require such solicitor to provide to each person solicited for NAM's advisory services a written disclosure statement and this Brochure (or a permitted alternative brochure).

## **Item 15 Custody**

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NAM will not have physical custody of clients' assets. However, because the Funds have authorized NAM to receive its advisory fees from assets in the Funds' accounts by sending invoices to the custodians of such accounts, NAM may be deemed by the SEC to have custody of the Funds' assets.

In the case of the CU Client, NAM has neither physical custody of the ABS Portfolio nor authority to invoice the custodians of such assets for its fees. Accordingly NAM should not be deemed to have custody of the CU Client's assets.

#### *Account Statements*

Clients will generally receive monthly account statements directly from third-party custodians of their assets. In addition, NAM may provide clients with periodic statements containing information about their accounts. Such statements will include both information about assets in those accounts and reports of performance of such accounts during the period covered by the report (and may include year-to-date or cumulative performance).

### **Item 16 Investment Discretion**

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#### *Discretionary Authority for Trading*

Under the terms of its IAAs, NAM has discretionary investment authority for its clients, the Funds, subject to the Funds' respective investment guidelines set forth in the IAA, and to the supervision and oversight of the general partner (in the case of the Onshore Fund) or the Board of Directors (in the case of the Offshore Fund). This authority includes the authority to purchase, sell, and reinvest sale proceeds in assets on behalf of the Funds.

Under the terms of the Services Agreement NAM has no discretionary trading authority for the CU Client.

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

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Not applicable.

### **Item 18 Financial Information**

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Not applicable.