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STONECASTLE ASSET MANAGEMENT LLC

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Form ADV Part 2A BROCHURE

This Brochure provides information about the qualifications and business practices of StoneCastle Asset Management LLC (“StoneCastle” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at **212-354-6500**. 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.

StoneCastle is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about StoneCastle also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Form ADV Part 2 (“Brochure”) dated June 12, 2018, replaces StoneCastle’s prior brochure, dated March 30, 2018. The following material changes were made to this Brochure since the most recent ADV filing on March 30, 2018:

- Item 4 was revised to update the principal owners of StoneCastle.
- Item 10 was revised to update the list of StoneCastle’s related persons.

At any time, you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. You may also request a copy of this Disclosure Brochure, by contacting our Chief Compliance Officer, Rachel Schatten (“CCO”) at (212) 354-6500 or rschatten@stonecastle.com. The Brochure is available free of charge.

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Item 4 – Advisory Business

StoneCastle Asset Management LLC was formed in November 2012 and is a wholly-owned subsidiary of StoneCastle Advisory Services, LLC. StoneCastle Advisory Services, LLC is a wholly-owned subsidiary of StoneCastle Holdings, LLC.

Currently, StoneCastle provides investment management services to StoneCastle Financial Corp., a non-diversified, closed-end management investment company registered with the SEC under the Investment Company Act of 1940, as amended (“SCFC”).

StoneCastle may also offer advice on fixed income securities (including, without limitation, trust preferred securities, subordinated debt securities and structured finance securities) issued by financial institutions (including, without limitation, banks, thrifts, credit unions or similar financial institutions or holding companies thereof) or special purpose vehicles or corporations, and to a lesser extent, equity securities.

StoneCastle will tailor its advisory services according to the individual needs and requests of clients. Additionally, clients may impose restrictions on investing in certain securities or types of securities. All such features and restrictions would be set forth in a client’s written advisory agreement with StoneCastle.

StoneCastle does not participate in wrap fee programs.

As of December 31, 2017, StoneCastle had discretionary assets under management of approximately \$170,430,356.

As of December 31, 2017, StoneCastle had \$0 non-discretionary assets under management.

Item 5 – Fees and Compensation

StoneCastle Financial Corp.

Pursuant to a management agreement, StoneCastle charges management fees based upon SCFC’s managed assets, calculated and paid quarterly in arrears within fifteen days of the end of each calendar quarter. The management fee for any partial quarter will be appropriately prorated.

The specific manner in which fees are charged by StoneCastle is established in SCFC's most recent Prospectus. The management fee is paid pursuant to a management agreement and is not negotiable.

Item 6 – Performance-Based Fees and Side-By-Side Management

StoneCastle does not accept performance based fees.

Item 7 – Types of Clients

Currently, StoneCastle provides investment management services to one closed-end investment management company registered under the Investment Company Act of 1940.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Analysis

As part of its focus on fundamental analysis, StoneCastle will select its investments through rigorous initial and ongoing issuer screening and manages its portfolio using a conservative credit discipline, as evidenced by the high underlying credit quality of its investments.

After such detailed analysis of the investment is conducted by StoneCastle, the Investment Committee meets to discuss the merits of the investment (which may include the relative value of the investment, the asset quality, the structural features, and how the investment contributes to the diversification of the investment portfolio for which the investment is being considered). This process is highly iterative between the committee members, where decisions can swing between buy/don't buy based upon ideas and perspectives that arise as each member discusses the target investment from his particular perspective.

In conducting due diligence, StoneCastle typically uses and intends to continue to use available public information. StoneCastle uses the following as main sources of information: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. StoneCastle also uses other public data bases (such as those available through FDIC, OCC and the Federal

Reserve) to conduct its analysis. Although StoneCastle may use research provided by third parties when available, primary emphasis is placed on proprietary analysis and valuation models conducted and maintained by our investment professionals.

Upon the conclusion of the due diligence process, StoneCastle investment professionals present a detailed investment proposal to the Investment Committee. All decisions to invest in a company must be approved by three of the five members of the Investment Committee. The consent of three of five members is required to sell a security.

Investment Strategies

The investment strategies used to implement any investment advice given to clients will include long term purchases (securities held at least a year).

StoneCastle Financial Corp.

StoneCastle manages SCFC in accordance with the investment objectives, policies and restrictions set forth in the current Prospectus and governing documents.

Risks

StoneCastle may invest in debt obligations that are unrated and issued by banks that have no corporate rating, equity and hybrid securities issued by private banks, and other thinly traded securities. In such cases, there may not be an active market for these securities and investments will be subject to significant liquidity risk in the event we are required to sell such investments.

In addition, because StoneCastle is focused on the banking sector, investments may present more risk than if StoneCastle were broadly diversified among other sectors of the economy. A downturn in the banking sector may have a larger negative impact on the valuation of investments than might otherwise be the case if we were diversified in other sectors of the economy. At times, the performance of securities issued by companies in the banking sector may lag the performance of securities issued by companies in other sectors of the economy.

General

Investing in securities involves risk of loss that clients should be prepared to bear. Stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss on the assets we manage that will be out of our control. We cannot guarantee any level of performance or that you will not experience a loss of your account assets.

Please refer to SCFC's current Prospectus for a detailed description of the various risks associated with its investment strategies.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of StoneCastle or the integrity of StoneCastle management. StoneCastle has no information to disclose applicable to this item that would impact the evaluation by a client, investor or prospective client or investor, of its advisory business or the integrity of its management.

Item 10 – Other Financial Industry Activities and Affiliations

StoneCastle is part of a group of affiliated companies owned by StoneCastle Partners, LLC that engage in the financial services business. In certain situations, StoneCastle may have business arrangements with its related companies that are material to StoneCastle's advisory business or to its clients. StoneCastle shares certain officers, supervised persons and physical location with the other StoneCastle affiliates. These arrangements may cause StoneCastle or a related person's interests to diverge from the best interests of a client.

StoneCastle's compliance department and legal department oversee its conflict-resolution system. This system emphasizes the principle of fair and equitable allocation of appropriate opportunities to StoneCastle's clients over time.

StoneCastle refers to advisory affiliates and any person or company that is under common control with StoneCastle as "related persons."

StoneCastle is a related person of the following entities:

- StoneCastle Partners, LLC
- StoneCastle Holdings, LLC
- StoneCastle Administration, LLC
- StoneCastle Advisory Services, LLC
- StoneCastle Advisors, LLC
- StoneCastle Cash Management, LLC
- StoneCastle Financial Corp.
- StoneCastle Insured Sweep, LLC
- StoneCastle Investment Management, LLC
- StoneCastle Loan Management, LLC
- StoneCastle Ventures, LLC

StoneCastle has entered into a staffing agreement (the “Staffing Agreement”) with its parent company, StoneCastle Partners and several of its affiliates. Under the Staffing Agreement, StoneCastle Partners provides experienced investment professionals to StoneCastle and provides access to their senior investment personnel. StoneCastle capitalizes on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of StoneCastle Partners’ investment professionals.

StoneCastle Cash Management, LLC, a registered investment advisor, provides various cash management products to its clients which involve depositary relationships with community banks and services to community banks with respect to their cash management products. StoneCastle Cash Management, LLC receives customary fees from these clients and/or community banks in connection with these cash management services, which may include community banks in which SCFC invests.

Related Broker Dealer

StoneCastle is a related person of the following broker dealer:

- StoneCastle Securities, LLC

StoneCastle Securities, LLC (“StoneCastle Securities”), a FINRA registered broker-dealer and an affiliate of StoneCastle, may, as part of the selling syndicate of the securities of a fund for which StoneCastle acts as investment advisor, receive compensation from such fund client.

The following officers of StoneCastle are registered representatives of StoneCastle Securities: Joshua Siegel and Rachel Schatten.

Neither StoneCastle, nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

StoneCastle's Code of Ethics described in Item 11 below addresses these potential conflicts of interest.

Item 11 – Code of Ethics

All employees subject to the Staffing Agreement between the Firm and StoneCastle Partners, must abide by the Firm's Code of Ethics.

StoneCastle has adopted a Code of Ethics for all supervised persons describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and business entertainment items, and personal securities trading procedures, among other things. Each officer, director and employee at StoneCastle must acknowledge the terms of the Code of Ethics at least annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of access persons of StoneCastle will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

To supervise compliance with its Code of Ethics, StoneCastle requires that its access persons provide copies of their personal securities holdings and transaction reports to the Firm's CCO for review. Transactions are reported to the CCO in accordance with the reporting requirements outlined in the Code of Ethics and personal trading is continually monitored in order to reasonably prevent conflicts of interest between StoneCastle and its clients. Any individual not in observance of the above may be subject to disciplinary action.

Failure to comply with the Firm's Code of Ethics may result in disciplinary action, up to and including termination of employment.

Clients and prospective clients may request a complete copy of StoneCastle's Code of

Ethics by contacting StoneCastle, at the address or telephone number on the cover page.

Conflicts of Interest

StoneCastle is subject to certain conflicts of interest in management. The members of the Investment Committee may also act as the investment committee for other investment vehicles managed by StoneCastle affiliates. These conflicts will arise primarily from the involvement of StoneCastle and its affiliates in other activities that may conflict with StoneCastle activities. StoneCastle and its affiliates engage in a broad spectrum of activities. In the ordinary course of their business activities, they may engage in activities where their interests or the interests of their clients may conflict with StoneCastle interests. Other present and future activities of StoneCastle and its affiliates may give rise to additional conflicts of interest which may have a negative impact on StoneCastle and its clients.

Such potential conflicts include those relating to allocation of investment opportunities. For example, it is possible that an investment opportunity may be suitable for more than one account managed by StoneCastle, but may not be available in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. A conflict arises where the portfolio manager has an incentive to treat an account preferentially because the account pays StoneCastle or its affiliates a performance-based fee or the portfolio manager, StoneCastle or an affiliate has an ownership or other economic interest in the account. To address these conflicts of interest associated with the allocation of trading and investment opportunities, StoneCastle has adopted an investment allocation policy and trade allocation procedures that govern the allocation of portfolio transactions and investment opportunities across multiple advisory accounts, including affiliated accounts. StoneCastle allocates across accounts fairly and equitably over time based upon its policies and procedures.

As a result of StoneCastle's allocation policies, it may not be able to invest in all opportunities that are appropriate and this may have the effect of reducing potential earnings. Although StoneCastle has agreed that it will allocate opportunities among its clients pursuant to its written policies and procedures, there is no assurance that these policies and procedures will work as intended.

As outlined in StoneCastle's Code of Ethics, the interests of client accounts will at all times be placed first and all employee personal securities transactions will be conducted in such a manner as to avoid any actual or potential conflicts of interest.

StoneCastle will provide a copy of its Code of Ethics to clients or prospective clients upon request. Contact information appears on the cover page of this Brochure.

Item 12 – Brokerage Practices

Selection of Broker-Dealers

Because most of the assets that we hold are illiquid, StoneCastle generally acquires and disposes of investments in privately negotiated transactions, and may use brokers in the course of business. StoneCastle does not expect to execute transactions or source opportunities through any particular broker or dealer.

StoneCastle generally has the authority to determine, without obtaining specific client consent, securities to be bought and sold, including the type, amount and price of the securities, the specific brokers used for the trades and the commission rates paid. As an investment adviser, StoneCastle has a fiduciary relationship to its client. One of the specific duties that flow from this relationship is a duty to seek the best price and execution of client securities transactions when the adviser is in a position to direct brokerage transactions. It is StoneCastle's policy to always seek best execution for client securities transactions. While we generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available.

When StoneCastle is directing the purchase of a security for a client and such purchase is going to be made from a broker (as opposed to directly from an institutional investor), StoneCastle may or may not pay a commission or a "mark up" to the selling broker. The amount of the mark-up is not disclosed to investors. The factors that StoneCastle considers in purchasing a security from a broker are the availability of the security (if any) from other sources and the price.

Aggregation and Allocation of Orders

StoneCastle has policies in place regarding its aggregation and allocation procedures. StoneCastle may combine orders on behalf of an account with orders for other accounts for which it or it has trading authority, or in which it has an economic interest. When it does, StoneCastle will allocate the securities across accounts, considering account size,

diversification, cash availability, and other factors, including, where appropriate, the value of having a round lot in the portfolio. StoneCastle believes combining orders in this way will be advantageous to all participants over time. However, the average price could be less advantageous to an account than if an account had been the only account effecting the transaction or had completed its transaction before the other participants. When a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if StoneCastle believes that a larger size block trade would lead to best overall price for the security being transacted.

Soft Dollars / Directed Brokerage

StoneCastle does not participate in any soft dollars or directed brokerage arrangements.

Item 13 – Review of Accounts

Reviews

StoneCastle's investments are evaluated and reviewed on an ongoing basis by the Investment Committee. The Investment Committee is currently comprised of Joshua Siegel, Managing Partner and Chief Executive Officer, StoneCastle Partners, George Shilowitz, Managing Partner, Co-CEO and Senior Portfolio Manager, StoneCastle Partners, Erik Eisenstein, Senior Bank Analyst and Director, StoneCastle Partners, Ricardo Vilorio, Co-Portfolio Manager and Director, StoneCastle Partners, and Robert McPherson, Managing Director, StoneCastle Partners.

Day-to-day management is the responsibility of StoneCastle's Investment Committee, with assistance from the portfolio managers who may also be members of the Investment Committee. There are generally no specific events that automatically trigger reviews of the portfolio on a basis other than periodically.

Reporting

StoneCastle provides quarterly reports to SCFC's Board of Directors. Information provided includes, but is not limited to, investment management updates, risk management reports, and general updates regarding compliance and market conditions for SCFC.

Item 14 – Client Referrals and Other Compensation

In order to execute its business strategy, SCFC has entered into an exclusive investment referral and endorsement relationship with a third party service provider to assist with the promotion and identification of potential investment opportunities through marketing campaigns, placements at events and introductions to banks seeking capital. Such compensation of these marketing efforts is paid by SCFC as an annual fee and paid quarterly in arrears. For a more detailed discussion of this arrangement please refer to SCFC's most recent Prospectus on file with the SEC.

Currently, StoneCastle does not directly or indirectly compensate any person for client referrals.

Item 15 – Custody

StoneCastle's client is one closed-end management investment company. As such, StoneCastle does not have custody of client assets. Cash and securities are maintained by SCFC's custodian, which has been approved by SCFC's Board.

Item 16 – Investment Discretion

In regards to portfolio management, StoneCastle receives discretionary authority pursuant to the investment management agreement with SCFC. In all cases, discretion is exercised in a manner consistent with SCFC's stated investment objectives and policies as stated in its Prospectus.

Item 17 – Voting Client Securities (i.e., Proxy Voting)

StoneCastle shall vote proxies relating to portfolio voting securities in what StoneCastle perceives to be the best interests of its clients. StoneCastle shall review on a case-by-case basis each proposal submitted to a shareholder vote to determine its impact on portfolio voting securities held by its clients. Although StoneCastle will generally vote against proposals that may have a negative impact, StoneCastle may vote for such a proposal if there is a compelling long-term reason to do so.

StoneCastle's proxy voting policies are designed to identify and monitor potential conflicts of interest that could affect the proxy voting process, including (i) significant

client relationships, (ii) other potential material business relationships and (iii) material personal and family relationships. All decisions regarding proxy voting will be determined by the Investment Committee and will be executed by the chief executive officer. Every effort will be made to consult with the portfolio manager and/or analyst covering the security. StoneCastle may determine not to vote a particular proxy if the costs and burdens exceed the benefits of voting (e.g., when securities are subject to loan or to share blocking restrictions).

Conflicts based on a business relationship with StoneCastle or any affiliate will be considered only to the extent that StoneCastle has actual knowledge of such relationships. If StoneCastle determines that voting a particular proxy would create a material conflict of interest between StoneCastle's interests and the interests of clients, StoneCastle may: (i) disclose the potential conflict to SCFC's Board of Directors and obtain consent or (ii) establish an ethical wall or other informational barrier between the persons involved in the conflict and the persons making the voting decisions.

A full copy of StoneCastle's proxy voting policies, as well as information regarding how a particular issue was voted, is available by contacting the CCO at the address, telephone number and/or email on the cover page.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide certain financial information or disclosures about StoneCastle's financial condition. StoneCastle has no financial condition that impairs its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy petition.

StoneCastle does not require prepayment of advisory fees; therefore the Firm is not required to provide an audited financial statement.

Item 19 – Requirements for State-Registered Advisers

Not Applicable.