

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

September 5, 2018

#### **1839 Asset Management LLC**

SEC File No. 801-112123

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This brochure provides information about the qualifications and business practices of 1839 Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at 917-797-3452. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about 1839 Asset Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. At this time there are no material changes.

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## Item 4: Advisory Business

### A. 1839 Asset Management LLC

1839 Asset Management LLC ("1839 Asset Management" and/or "the firm") is a New York limited liability company. The firm was formed in 2013 and is owned by Vincent Spreuwenberg, Managing Member and CCO, and Sharon Koh, Member and CEO.

### B. Advisory Services Offered

#### B.1. Sub-Advisory Services

1839 Asset Management provides management services to insurance companies and institutional accounts. In addition to providing management services directly to its clients, 1839 Asset Management acts as a sub-advisor to other investment managers and their respective clients, and may select and retain sub-advisors which provide 1839 Asset Management's clients with exposure to various investment strategies. The primary strategies that 1839 Asset Management utilize or may in the future utilize on behalf of 1839 Asset Management's investors are identified below (each, a "Strategy"):

- Direct Commercial Real Estate Loans
- Investment Grade Debt: including highly rated corporate bonds and US/Canadian Government Obligations (including governmental unit and instrumentalities thereof)
- High Yield Debt: including primarily non-investment grade USD-denominated corporate debt
- Equity-Based Real Estate Financing
- Investments in other pools which invest in similar strategies

1839 Asset Management provides investment management services (i) directly to an insurance company, (ii) as sub-advisor to a registered investment advisor managing investments on behalf of four insurance companies and intends to provide similar services, directly and indirectly, to other insurance companies and institutional clients in the future and (iii) through sub-advisors which are retained in consultation with and approval of 1839 Asset Management's clients. 1839 Asset Management only manages assets which are the subject of its management and sub-advisory agreements, and does not consider the client's other assets and other obligations (subject to "Additional Services" described below). 1839 Asset Management receives authority to supervise and direct the investment of the assets on a discretionary basis in accordance with the clients' written objectives and limitations as outlined in each individual client's Investment Management Agreement or Sub-Advisory Agreement, as applicable, and may, in the future, supervise and direct the investment of assets on a non-discretionary basis. Clients may impose restrictions or limitations on investing in specific securities, specific types of securities, or specific strategies. Additionally, 1839 Asset Management may provide investment management services utilizing strategies and asset types outside of the two primary Strategies described herein to the extent consistent with an individual client's Investment Management Agreement or Sub-Advisory Agreement, as applicable.

**B.1.a. Direct Commercial Real Estate Loans**

The small to mid-tier commercial real estate loan market is both inefficient and fragmented creating quality loan opportunities that can be captured through 1839 Asset Management and its sub-advisors' dynamic underwriting and origination processes. Relationships, expertise, and knowledge allow 1839 Asset Management and its sub-advisors to source, underwrite, and structure loan opportunities with favorable yields and acceptable risk. 1839 Asset Management and its sub-advisor(s) focus on making loans secured by well-positioned properties with appropriate risk-return profiles.

**B.1.b. Investment Grade Debt**

1839 Asset Management and its sub-advisors seek to generate attractive risk-adjusted returns for 1839 Asset Management's clients by investing in a combination of domestic and international fixed income bonds. The portfolio will invest across various fixed income asset classes including Treasury Bonds, Agency MBS, Non-Agency MBS (high grade), Senior Secured Bank Debt and Investment Grade Bonds. The objective is to produce returns that exhibit low correlations to the broad markets through disciplined credit selection and active portfolio management. 1839 Asset Management may employ consultants (as well as sub-advisors) in connection with its management in these asset classes.

**B.1.c. High Yield Debt**

1839 Asset Management and its sub-advisors plan to invest on behalf of 1839 Asset Management's clients in bonds, loans, or other debt instruments, which are rated Ba or lower by Moody's or BB or lower by S&P or are unrated but determined to be of comparable quality. Below investment grade debt securities have higher yields but generally involve greater risk of loss, are subject to greater price volatility and are less liquid, especially during periods of economic distress, than higher rated debt securities. Fixed-income securities may have fixed or variable principal payments and all types of interest rate and dividend payment and reset terms, including fixed rate, adjustable rate, zero coupon, contingent, deferred, payment in kind and auction rate features.

**B.1.d. Equity-Based Real Estate Financing**

The firm may recommend investments in certain public or privately traded real estate investment trusts and/or private equity real estate funds. The firm conducts due diligence on such investment trusts and funds that meet the client's investment goals and objectives.

**B.2. Consulting Services to Insurance Companies**

1839 Asset Management also provides advice for a consulting fee to insurance companies, their affiliates and other institutional clients, including, without limitation, advice on matters such as overall asset allocation and/or portfolio optimization based on: i) stated investment guidelines and/or ii) risk-based capital guidelines. 1839 Asset Management also intends to provide consulting services.

1839 Asset Management also intends to provide flat-fee consulting services ("Flat Fee-based Consulting") to clients including, without limitation, providing advice on matters related to financing arrangements, financial modeling, and documentation.

### **B.3. Private Fund Management**

The firm provides discretionary asset management services to an affiliate private fund. The terms, conditions, risks, investment strategy and related information is described in detail in the fund's offering documents.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment mandate and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## **D. Wrap Fee Programs**

1839 Asset Management does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

## **E. Client Assets Under Management**

As of December 31, 2017, the firm has \$50 million in discretionary assets under management, which includes \$16 million for the firm's affiliate private fund.

## **Item 5: Fees and Compensation**

### **A. Methods of Compensation and Fee Schedule**

All fees are subject to negotiation. Among other things, certain factors 1839 Asset Management considers are the size of the account, the type of assets managed and the nature of the services provided. Fees and compensation may be comprised of investment advisory fees, base management fees, performance or incentive fees and consulting fees. The manner in which fees are charged by 1839 Asset Management are set forth in each Client's respective written Investment Management Agreement.

1839 Asset Management charges a base management fee (the "Base Fee") for investment advice. Generally, Base Fees range from 0.50% to 2.00% per year on the principal amount of the assets managed by 1839 Asset Management, paid monthly in arrears. Base Fees are invoiced directly to clients.

In addition to Base Fees, for certain clients that are exempt from the compensation prohibition of section 205(a)(1) of the Investment Advisers Act of 1940, 1839 Asset Management may charge performance fees ("Incentive Fees"). Incentive Fees accrue on a Strategy-by-Strategy basis when returns on investments expressed on a percentage basis ("Returns") exceed an agreed upon hurdle rate for such Strategy (the "Hurdle Rate"). Hurdle Rates will be individually negotiated with each client and are expected to range from 5% to 9% per annum, depending on the Strategy. Incentive Fees are generally paid to 1839 Asset Management within 30 days after the end of each calendar year. Incentive Fees are structured in accordance with Section 205(a) of the Investment Advisers Act of 1940 and the rules and regulations promulgated thereunder. Fees, in general, may vary and in some cases may be negotiable and may be payable more or less frequently depending upon the Client and the arrangement.

### **B. Client Payment of Fees**

Generally, 1839 Asset Management does not require prepayment of fees unless otherwise permitted under the Investment Management Agreement.

1839 Asset Management requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

1839 Asset Management will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.



Upon termination of any account, any unearned, prepaid fees will be promptly refunded and any earned, unpaid fees will be immediately due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### **C. Expenses Charged to Clients**

1839 Asset Management's clients may pay, in addition to Base Fees and Incentive Fees, such other expenses as are agreed between 1839 Asset Management and the client in the Investment Management Agreement. Such expenses may include, without limitation, fees, costs, and expenses relating to the acquisition and disposition of assets, investment-related expenses, indebtedness expenses, taxes, fees and other governmental charges, auditing and tax preparation expenses, custodial expenses, professional fees, data service fees, fees and expenses of accountants and counsel, litigation and indemnity costs, and other extraordinary expenses.

Although 1839 Asset Management does not generally use the services of broker-dealers for the purpose of executing investments on behalf of its clients, in the event that it chooses to use a broker-dealer for limited purposes relating to an investment on behalf of a client, such client will incur brokerage and other transactional costs.

Supervised persons of 1839 may receive consulting and/or similar one-time fees from third parties. Conflicts of interest may arise relating to client investments in third parties who have paid such consulting fees.

### **D. External Compensation for the Sale of Securities to Clients**

1839 Asset Management advisory professionals are compensated primarily through a salary and bonus structure. 1839 Asset Management is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

Although 1839 Asset Management is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products, the firm or its affiliates may be paid management fees and performance-based fees. Such performance-based fees create an economic incentive for the investment manager to take additional risks and allocate more time and resources in the management of a client portfolio that may be in conflict with the client's current investment objectives and tolerance for risk. Please refer to Item 6 for more information on performance-based fees.

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

1839 Asset Management may appoint sub-managers who charge incentive performance fees. Clients are advised that performance-based fees involve a sharing of any portfolio gains between the client and the investment manager. Although the fund does not charge a performance-based fee, some or all of the sub-managers appointed by 1839 Asset Management may charge performance-based fees. Such performance-based fees create an economic incentive for the investment manager to take additional risks in the management of a client portfolio that may be in conflict with the fund's current investment objectives and investment mandate. No performance-based fees will be assessed until the portfolio, on a cumulative basis from account inception, is in a net gain position. To the extent performance-based fees are charged, they are in addition to the asset-based fees detailed in Item 5 of this Brochure. Clients are also advised that as a result of the standard asset-based fee and the performance-based fee, the sub-manager has an economic incentive to recommend managers who charge a performance-based fee structure.

Performance-based fees may only be offered to clients who meet one of the following criteria:

- A natural person who or a company that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;
- A natural person or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:
  - Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000 at the time the contract is entered into, exclusive of the value of their primary residence; or
  - Is a qualified purchaser as defined in section 2(a)(51)(AA) of the Investment Company Act of 1940 (15U.S.C. 80a-2(51)(A)) at the time the contract is entered into; or
  - A natural person who immediately prior to entering into the contract is:
    - An executive officer, director, trustee, general partner, or person serving in similar capacity of the investment adviser; or
    - An employee of the investment adviser (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

1839 Asset Management may have an incentive to engage in performance-based fee arrangements because the compensation it receives from these clients is more directly tied to the performance of their accounts.

1839 Asset Management addresses such conflicts by ensuring that such performance-based arrangements are done in accordance with the client's respective objectives, including, without limitation, its investment guidelines, yield and rating targets, maturity profiles and desired subordination levels.

The receipt of performance-based compensation creates a potential conflict of interest between 1839 Asset Management's interest to generate revenue for itself and the interests of clients. Specifically, performance-based compensation may create an incentive for 1839 Asset Management to take more risks in the management of performance-based fee accounts to generate higher returns, allocate more time and resources in the management of those clients who are subject to performance-based fee arrangements, and allocate more favorable investment opportunities to performance-based fee accounts.

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

1839 Asset Management, on its own and as sub-advisor, provides investment services for institutional third-party clients. Registrant's client base is expected to include insurance companies and other institutional clients in the near future.

In addition, the firm advises an affiliate private fund. The fund's offering documents detail investment minimums, investor qualifications, and other pertinent data the client should read prior to investing.

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

### A. Methods of Analysis and Investment Strategies

1839 Asset Management's investment process is built on a disciplined philosophy, a team-based investment approach, and a strategic relative value analysis. Through a customized approach, 1839 Asset Management's clients benefit from its focus on optimizing performance, managing risk, and meeting client needs.

#### A.1. In General

1839 Asset Management's target investments focus on three areas of portfolio value: fundamental, relative, and structural.

*Fundamental Value.* Since any investment, particularly a fixed income instrument, represents a series of cash flows owed to the portfolio, 1839 Asset Management looks for assurances that those cash flows are sustainable, both in amount and timing.

*Relative Value.* Relative value is determined through application of 1839 Asset Management's knowledge of trading histories, inter-market spreads, dealer inventories, comparable investments with similar risk profiles and end-user portfolios to find and execute the best pricing relative to a client's expressed yield and risk preferences.

*Structural Value.* Structural value encompasses a series of risk mitigants or return enhancements that can make an underlying transaction more or less suitable to a client's portfolio objectives. Structural elements include, but are not limited to, subordination, guarantees, off-take agreements, collateral, cash flow diversions, reserve accounts, lock boxes, trustees, covenants, and limited recourse financing.

1839 Asset Management works with its clients to develop diversified investment plans to optimize risk-return across multiple parameters such as risk-based capital, income requirements, yield curve positioning, liquidity requirements, risk tolerance and accounting goals (though 1839 Asset Management does not provide tax or accounting advice). The investment plans may be solely for 1839 Asset Management core strategies, or in the case where 1839 Asset Management is providing consulting services, the investment plans may be for a clients' entire portfolio or a sub-set thereof away from 1839 Asset Management core strategies.

#### A.2. Risk of Loss

All investments involve a degree of risk including, without limitation, loss of investment and illiquidity that clients should be prepared to bear. Clients should consider the following risk factors before entering into an Investment Management Agreement and authorizing discretionary authority.

*Limited Operating History:* Registrant was formed in December 2013 and has a limited operating history. When evaluating Registrant as an investment advisor, please consider that past performance is not an indication or a guarantee of future results. Further, Registrant cannot predict whether its intended operations will meet the stated objectives.

*Conflicts of Interest:* Since Registrant proposes to invest on behalf of multiple clients, there are conflicts associated with allocating investment opportunities.

*Credit Risk:* The failure of a lessee to make lease payments or risk that the issuer of a security will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the value of the investment to decline. Counterparties with debt securities rated below investment-grade (or unrated) are especially susceptible to this risk. 1839 Asset Management looks to source investments that can provide various credit and structural enhancements to attempt to mitigate credit exposure to any single company or asset class.

*Sector Risk:* The value of investments focused in a particular industry or market sector will be highly sensitive to financial, economic, political and other developments affecting that industry or market sector, and conditions that negatively impact that industry or market sector will have a greater impact as compared to an account that does not have its holdings similarly concentrated.

*Interest Rate Risk:* The value of fixed income securities usually rise and fall in response to changes in interest rates. Declining interest rates generally increase the value of existing instruments, and rising interest rates generally decrease the value of existing instruments. Changes in value usually will not affect the amount of interest income, but will affect the value of the investment. Interest rate risk is generally greater for investments with longer maturities. Certain fixed income securities pay interest at variable or floating rates. Variable rate securities reset at specified intervals, while floating rate securities reset whenever there is a change in a specified index rate. The market prices of these securities may fluctuate significantly when interest rates change.

*Structural Risk:* The impairment of the value of collateral or other assets underlying an asset-backed security, such as that resulting from non-payment of loans, may result in a reduction in the value of such security and losses. Early payoffs in the loans underlying such securities may result in receiving less income than originally anticipated.

*Foreign Investing Risk:* Investment in assets and equipment outside of the United States and investing in instruments of non-U.S. companies involves special risks and considerations not typically associated with investing within the United States. Laws in other countries may not provide the same rights and remedies for asset and equipment financiers and it may be difficult to recover collateral in a foreign market in the event of a default. The values of non-U.S. securities may be more volatile than those of U.S. securities. The values of non-U.S. securities are subject to economic and political developments in their respective countries and regions, or where the securities are traded. Values may also be affected by restrictions on receiving the investment proceeds from a non-U.S. country.

*Emerging Market Risk:* The risks of foreign investments are generally greater in countries whose markets are still developing than they are in more developed markets. Emerging market countries typically have economic and political systems that are less fully developed, and can be expected to be less stable than those of more developed countries. Investments in emerging markets may be considered speculative. 1839 Asset Management will make investments in non-

USD investments and where the assets are located outside the US, if in accordance with a client's investment guidelines. 1839 Asset Management typically focuses on investments in the UK, Western Europe, Australia, and other developed economies, and expects to have limited investment activity in emerging markets. 1839 Asset Management may periodically buy or sell forwards, futures, options or other instruments to hedge non-USD exposure, as long as consistent with the client investment guidelines.

*Liquidity Risk:* Substantially all structured credit investments are private placements under Rule 144A or otherwise and have transfer restrictions and are substantially less liquid than many other securities. Asset-based and equipment lease investments will be expected to have a highly limited (if any) secondary market.

### **A.3. Material Risks of Investment Instruments**

#### **A.3.a. Direct Commercial Real Estate Loans**

1839 Asset Management, through one or more sub-advisors, invests in direct commercial real estate loans. The small to mid-tier commercial real estate loan market is both inefficient and fragmented creating quality loan opportunities that can be captured through 1839 Asset Management and its sub-advisors' dynamic underwriting and origination processes. Relationships, expertise, and knowledge allow 1839 Asset Management and its sub-advisors to source, underwrite, and structure loan opportunities with favorable yields and acceptable risk. 1839 Asset Management and its sub-advisor(s) focus on making loans secured by well-positioned properties with appropriate risk-return profiles.

The primary components of 1839 Asset Management or its sub-advisors approaches to investing in commercial real estate loans are:

- focus on commercial mortgage loan opportunities in the range of \$100k to \$5mm with maturities of up to 5 years;
- apply filtering criteria and underwriting analysis to find quality risk-adjusted yields;
- construct a loan portfolio that is diversified by borrower, collateral type, geographic location, and maturity dates; and
- generate attractive risk adjusted returns with downside protection that are uncorrelated to other asset classes.

Investing in commercial real estate loans is subject to cyclicalities and other uncertainties. There can be no assurance as to these investments' performance in a weaker market or weakened economy. The cyclicalities and leverage associated with real estate related investments have historically resulted in periods of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. The commercial real estate loans originated or acquired on behalf of clients (either directly or through 1839 Asset Management's sub-advisors) are expected to be secured by or otherwise relate to properties of varying types, geographic locations, owners, tenants and other factors which could make such investments susceptible to particular types of risks relating to such factors, including local economy, real estate market conditions, special hazards and competition. The value of commercial real estate depends significantly on the amount of income it generates

which can be affected by many factors including but not limited to tenant mix, success of tenant businesses, property location and condition, competition from comparable types of properties and real estate tax rates and other operating expenses. Additionally, adverse changes in the real estate market increase the probability of loan default, as the equity in the property declines. Loans may become non-performing for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged, the mortgaged property is poorly managed or because the mortgaged property has a high vacancy rate or is in need of renovation. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring as described below.

In the event of any default under a real estate loan held on behalf of a client, the client will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the real estate loan, which could have a material adverse effect on the client's returns. It is possible that 1839 Asset Management may find it necessary or desirable to foreclose on some, if not many, of its real estate loans. The foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against a lender, including, without limitation, numerous lender liability claims and defenses, even when such assertions have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower's position. In some states, foreclosure actions can sometimes take several years or more to litigate.

#### **A.3.b. Derivatives**

1839 Asset Management may periodically buy or sell forwards, futures, options or other derivative instruments as long as they are consistent with the client investment guidelines, and, for insurance company clients, consistent with such clients' filed derivative use plans.

#### **A.3.c. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

#### **A.3.d. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential



private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, the firm will be unable to monitor or verify the accuracy of such performance information.

#### **A.3.e. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.3.f. Non-Traded Real Estate Investment Trusts ("REITs")**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers which are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (1) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (2) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships which do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they are often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded

REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor, however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

#### **A.3.g. Asset-Backed Securities**

Like mortgages-backed securities, the collateral underlying asset-backed securities are subject to prepayment, which may reduce the overall return to holders of asset-backed securities. Asset-backed securities present certain additional and unique risks. Primarily, these securities do not always have the benefit of a security interest in collateral comparable to the security interests associated with mortgage-backed securities. Credit card receivables are in general unsecured. Debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set-off certain amounts owed on the credit cards, thereby reducing the balance due.

Generally, automobile receivables are secured by automobiles. Most issuers of automobile receivables permit the loan servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and the technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in the underlying automobiles. As a result, the risk that recovery on repossessed collateral might be unavailable or inadequate to support payments on asset-backed securities is greater for asset-backed securities than for mortgage-backed securities. In addition, because asset-backed securities are relatively new, the market experience in these securities is limited and the market's ability to sustain liquidity through all phases of an interest rate or economic cycle has not been tested.

### **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's investment mandate.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither 1839 Asset Management nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither 1839 Asset Management nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. 1839 Fund I LLC**

1839 Asset Management is the manager and investment adviser to 1839 Fund I, LLC, an affiliate private fund. Please be advised of the potential conflict of interest in that the firm has an economic incentive to recommend an investment in its affiliate fund. The fund's operating documents contain a thorough discussion of the fund, its strategy, investment objective, risks, lack of operating history, management, conflicts of interest, and related factors.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

1839 Asset Management does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, 1839 Asset Management has adopted policies and procedures designed to detect and prevent insider trading. In addition, 1839 Asset Management has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of 1839 Asset Management's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of 1839 Asset Management. 1839 Asset Management will send clients a copy of its Code of Ethics upon written request.

1839 Asset Management has policies and procedures in place to ensure that the interests of its clients are given preference over those of 1839 Asset Management, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

1839 Asset Management is the manager of the 1839 Fund LLC and therefore has an economic incentive to place trades for its proprietary fund versus other advisory clients. 1839 Asset Management acknowledges this conflict of interest and addresses it by having allocation procedures that are designed to treat clients fairly where an investment opportunity may be appropriate for multiple clients. In addition, the firm has a Code of Ethics policy to ensure its advisory clients' interests are placed first and foremost. Although 1839 Asset Management does not enter into cross trades among advisory clients, it reserves the option to do so where both parties are served best by entering into the cross trade. In such cases, 1839 Asset Management will obtain written consent from both parties prior to effecting the transaction (in the case of its proprietary fund the consent shall be obtained from its investors) acknowledging the conflicts involved in the cross trade.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

1839 Asset Management, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or

- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which 1839 Asset Management specifically prohibits. 1839 Asset Management has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow 1839 Asset Management's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

1839 Asset Management, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other 1839 Asset Management clients. 1839 Asset Management will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of 1839 Asset Management to place the clients' interests above those of 1839 Asset Management and its employees.

The General Partner, 1839 Asset Management, the Fund, operators, and their principals and affiliates (collectively, the "Related Parties") may serve as advisers or managers to other accounts and conduct investment activities for their own accounts. Such other entities, clients, or accounts may have investment objectives or may implement investment strategies similar to those of the Fund. The Related Parties may also have investments in certain of the entities managed by any of the Related Parties. In addition, certain of the Related Parties receive certain fees described herein regardless of the success of the Fund and its investments.

As a result of the foregoing, the members and principals and affiliates of the Related Parties may have conflicts of interest in allocating their time and activity between the Fund and other clients, in allocating investments among the Fund and other clients, and in effecting transactions for the Fund and other clients, including ones in which the Related Party may have a greater financial interest. In addition, there is no assurance that the Managing Member will devote adequate time to

the Fund's operations or that any Related Party will devote adequate time to the Related Party with respect to which it performs services or management. If a Related Party suffers or is distracted by adverse financial or operational developments in connection with its operations unrelated to the Related Party to which it is performing management or other services, it may allocate less time and/or resources to such Related Party's operations. If any of these things occur, the value of the investment may suffer.

The Partnerships or a Related Party may, from time to time, have the opportunity to retain third parties who have prior business relationships with a Related Party to act for the Fund or Related Party as consultants or in some other capacity. If the Fund or Related Party retains any such parties, the Related Parties may experience a conflict between the Related Party's interests and its interest in preserving any ongoing business relationship with that party. This conflict may result in our paying more for these services than would otherwise be the case.

It is possible that certain of the underlying assets may be acquired from affiliates of a Fund. In order to mitigate any potential conflict of interest, the Managing Member will negotiate and approve any such transaction on behalf of such Fund (and any corresponding SPE), procuring all appropriate third-party verifications of value.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

In the absence of specific written instructions in a client's investment management agreement, 1839 Asset Management has discretion in selecting brokers for client transactions. 1839 Asset Management seeks best execution at the best price available for each trade. 1839 Asset Management also takes into consideration several factors, such as:

- the broker's ability to execute the trade
- the size of the trade
- characteristics of the security
- the quality and reliability of brokerage services
- the overall direct net economic results to the account

1839 Asset Management may also consider the availability of the broker to stand ready to execute transactions in the future, and the financial strength and stability of the broker. 1839 Asset Management currently does not participate in soft dollar arrangements. 1839 Asset Management does not receive client referrals from any broker.

1839 Asset Management aggregates orders, when possible in accordance with client guidelines, for the purchase or sale of the same security for all participating accounts. When an order is filled in its entirety, each participating account receives their full allocation at the agreed upon trade execution price. When an order is partially filled, each participating account receives a pro rata allocation, at the agreed upon trade execution price, subject to certain exceptions including de minimis orders. Transaction costs are shared on a pro rata basis for all participating accounts.

SEC Rule 206(3)-2 of the Investment Advisers Act of 1940 allows an investment adviser, under certain circumstances, to engage in inter-account transactions. If one client of an investment adviser is looking to sell a security in its portfolio and another client of the same investment adviser is looking to purchase that security, this rule permits the investment adviser to do a cross trade between the two accounts. The buy/sale must be at fair market value and with no commissions. 1839 Asset Management will only engage in these cross trades when advantageous to both clients and with prior approval from the Chief Compliance Officer.

1839 Asset Management may accept direction from clients regarding which brokers to use. Currently, all client directed brokerage is subject to most favorable execution and best execution.

1839 Asset Management may direct the purchase of securities on behalf of clients, in secondary market transactions, in public offerings directly from an underwriter, or in privately negotiated transactions with an issuer. Securities purchased in public offerings may be resold shortly after acquisition in the immediate aftermarket to take 1839 Asset Management of price appreciation from the public offering price or for other reasons. Short-term trading of securities acquired in public offerings, or otherwise, may result in higher portfolio turnover.



Many of 1839 Asset Management's investments, including substantially all lease and direct real estate loan investments are extremely illiquid and will have no available 3rd party pricing information.

1839 Asset Management may give advice, or take action, with respect to any one client account which may differ from the advice given, or action taken, with respect to another client account. However, 1839 Asset Management, to the extent practical and over a period of time, allocates investment opportunities to each account on a fair and equitable basis relative to other similarly-situated client accounts based on client guidelines and cash availability.

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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by 1839 Asset Management's Managing Member. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than semi-annually. More frequent reviews may also be triggered by a change in the client's investment mandate, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in macro-economic climate.

Fund activity is reviewed on an ongoing basis in accordance with the terms of the fund's offering documents.

### **B. Review of Client Accounts on Non-Periodic Basis**

1839 Asset Management may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment mandate or a material change in how 1839 Asset Management formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

For management of publicly traded securities the client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by 1839 Asset Management.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Please refer to the disclosures in Item 10 regarding the firm's affiliate private fund. 1839 Asset Management may receive economic benefits for an investment in its affiliate fund.

### **B. Advisory Firm Payments for Client Referrals**

1839 Asset Management does not pay for client referrals.

## Item 15: Custody

For its private fund, 1839 Asset Management is subject to an annual GAAP audit. The firm will utilize the public accounting firm FGMK, LLC.

1839 Asset Management has access to appropriate certain insurance company assets for the purpose of entering into a transaction on behalf of such insurance company client with third parties. As such, the firm is subject to a surprise annual audit by an independent certified public accounting firm.

## **Item 16: Investment Discretion**

1839 Asset Management manages accounts on both a discretionary and non-discretionary basis. Other than the parameters set forth in each client's respective Investment Management Agreements, there are no limitations on 1839 Asset Management's investment discretion. This means that each client has authorized 1839 Asset Management in advance to purchase and sell assets in accordance with such client's investment objectives.

## Item 17: Voting Client Securities

1839 Asset Management does not take discretion with respect to voting proxies on behalf of its clients. 1839 Asset Management will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of 1839 Asset Management supervised and/or managed assets. In no event will 1839 Asset Management take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, 1839 Asset Management will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. 1839 Asset Management has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. 1839 Asset Management also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, 1839 Asset Management has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where 1839 Asset Management receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

1839 Asset Management does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

1839 Asset Management does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.