



Firm Brochure
(Part 2A of Form ADV)

February 26, 2019

Neighborly Investments LLC
135 West 41st Street, 3rd Floor
New York, NY 10036

This Brochure provides information about the qualifications and business practices of Neighborly Investments LLC ("Neighborly" or the "Firm"). If you have any questions about the contents of this Brochure, please contact Mr. Diostenes Medina, Chief Compliance Officer at: 617-304-9046, or by email at: diostenes@neighborly.investments. The information in this Brochure has not been approved or verified by the Securities & Exchange Commission ("SEC"), or by any state securities authority.

Additional information about Neighborly is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by using a unique identifying number, known as the CRD number. The CRD number for Neighborly is 290141.

Item 2: Material Changes

In this Item, the Firm is required to discuss any material changes that have been made to the brochure since the last annual amendment.

Since our last ADV filing dated August 7, 2018, The Firm has the following material changes to report:

- Effective January 25, 2019, Christine Todd resigned from her position of President and is no longer with the Firm.
- Michael Faloon has been named President of the Firm effective January 25, 2019.
- Effective February 1, 2019, the Firm's principal office and place of business has been relocated from 501 Boylston Street 10th Floor Boston, MA 02116 to 135 West 41st Street 3rd Floor, New York, NY 10036.

Item 3: Table of Contents

Item 2: Material Changes	1
Item 3: Table of Contents	1
Item 4: Advisory Business	3
Firm Description	3
Principal Owner	3
Item 5: Fees and Compensation	4
Description	4
Item 6: Performance-Based Fees and Side-By-Side Management	4
Item 7: Types of Clients	4
Description	4
Account Minimums	4
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	5
Methods of Analysis, Sources of Information, and Investment Strategies	5
Risk of Loss	5
Item 9: Disciplinary Information	8

Legal and Disciplinary	8
Item 10: Other Financial Industry Activities and Affiliations	8
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	9
Item 12: Brokerage Practices	9
Selecting Brokerage Firms	9
Use of Affiliated Brokerage	10
Fair Allocation Policy	10
Soft Dollars	11
Directed Brokerage	11
Item 13: Review of Accounts	12
Item 14: Client Referrals and Other Compensation	12
Item 15: Custody	12
Item 16: Investment Discretion	12
Item 17: Voting Client Securities	13
Item 18: Financial Information	13

Item 4: Advisory Business

Firm Description

Neighborly Investments LLC (“Neighborly” or the “Firm”) is a Delaware Limited Liability Company with its Principal Office and Place of Business in New York, NY. The Firm was formed in August of 2017 and commenced business operations in November of 2017.

Neighborly provides investment advice exclusively for separately managed accounts investing in municipal securities. Advisory services are provided on both a discretionary and non-discretionary basis. As of December 31, 2018, the Firm manages \$73,972,557 on a discretionary basis.

Advice is custom-tailored to the individual needs of clients. Clients may also impose restrictions on Impact/ESG, duration, maturity, credit rating, sector, or state.

Sustainable Strategies

Neighborly’s sustainable federally tax-exempt municipal bond strategies which are designed for investors who are interested in emphasizing impact investment outcomes and/or environmental, social and governance (ESG) performance. The Firm offers tax efficient sustainable strategies that can be customized tailored to each client’s individual needs. The Firm attempts to achieve the objective of each strategy by selectively investing in those eligible issuers average ESG profiles and/or bonds that fund essential environmental, social or economic development projects, also known as impact investing.

The Firm is well positioned to offer tailored advice that leverages its parent company’s ¹ state-of-the-art technology. The Firm believes this technology is the key driver to reduced fees, deal discovery, analysis, and placement.

Principal Owner

Neighborly is a wholly owned subsidiary of Neighborly Corporation, a venture-backed, privately held company founded in Kansas City, Missouri in April of 2012 with the mission of modernizing public finance. In 2014, Neighborly Corporation moved its headquarters and the majority of its staff to San Francisco, California.

Neighborly Corporation is a technology company focused exclusively on the municipal finance industry; municipal bonds are the Firm’s highest and only priority. Our mission is to provide direct online access to invest in municipal bonds, helping individuals invest locally where they live, work, study, and play. In addition, to our online bond origination and distribution platform, Neighborly is developing other municipal data and municipal bond issuance products that we will make available to

¹ The Firm is a wholly-owned affiliate of Neighborly Corporation. For more information in Neighborly Corporation, please see the section entitled “Principal Owners” on page 2.

the market. Neighborly Corporation is structured between Public Finance, Syndicate & Brokerage Operations, Markets & Interest Rates, and Engineering, Data & Design.

Item 5: Fees and Compensation

Description

Neighborly assesses a flat fee of 15 basis points annually for management of client accounts. Fees are deducted on a quarterly or monthly in accordance with the terms of the investment advisory agreement. The Firm retains full discretion to negotiate fees in consideration of asset levels, service requirements, and any other factors that Neighborly deems relevant. Client fee schedules are detailed in the advisory agreement. Below is an illustrative example of the calculation of the annualized 15 basis point flat fee or 3.75 basis points deducted or billed on a quarterly basis:

Client Assets	Quarterly Fee Deduction	Annualized Fee
\$25 million	\$9,375	\$37,500
\$50 million	\$18,750	\$75,000
\$75 million	\$28,125	\$112,500
\$100 million	\$37,500	\$150,000

At its discretion, the Firm may negotiate its fee with clients based on account size, client relationship history and other factors to be considered by Neighborly on a case-by-case basis. As a courtesy to Firm's employees, Neighborly may manage employees' account(s) free of charge.

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

Neighborly does not have any performance arrangements, which can create conflicts of interest concerning the management and trading of client accounts.

Item 7: Types of Clients

Description

Neighborly provides its services to individuals, high net worth individuals, foundations, community banks, institutions such as, but not limited to, corporations, ERISA plans and not-for-profit organizations.

Account Minimums

The minimum account size is \$25 million, however, the Firm reserves the right to open accounts with less than the minimum account size, and this will be determined

by Neighborly on a case-by-case basis. The Firm's criteria for accepting accounts below the \$25 million minimum account size is based on various criterias including but not limited to existing client relationship, potential for additional future account contributions and combined household assets.

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

Methods of Analysis, Sources of Information, and Investment Strategies

Methods of Analysis

Our investment philosophy focuses on safety of principal, reliable income, and tailored sustainable strategies for our clients. Neighborly adds value through a value-oriented, bottom-up analysis of each bond placed in client portfolios. Neighborly's research team works closely with Neighborly Corporation's engineering team to generate proprietary credit and Impact/ESG frameworks to generate internal and sustainability ratings. To a lesser extent, Neighborly will also add value by deploying top-down analysis on duration targets and sector weightings, to guide client portfolios. Top-down analysis, will be directed by an investment committee, composed of Neighborly investment professionals, that will meet on a monthly basis to review outlook and formulate strategy. The committee analyzes macroeconomic criteria based on yield curve and credit analysis, current interest rate levels, sector spreads, supply dynamics and option valuations. Rules and targets are adjusted accordingly in our portfolio management and trading system for implementation.

Sources of Information

The Firm leverages the experience of its professional staff and the resources of its parent affiliate, Neighborly Corporation, to create proprietary analytical modeling. Models are created by a cross-functional team of investment professionals, data scientists, and data engineers who rely on large sets of public data sources and private third party data vendors to generate insights into the impact and credit profile of each bond purchased.

Risk of Loss

As with all securities, investing in municipal bonds entails risk. Investors in municipal bonds face a number of risks, including, but not limited to:

- **ESG risk**

Neighborly seeks to provide client accounts with sustainable federally-tax exempt municipal bonds designed for clients who are interested in emphasizing environmental, social and governance (ESG) performance. As such, Neighborly incorporates ESG criteria in its securities selection process, which the Firm believes can improve credit assessments. However, there is no guarantee that integrating ESG criteria in its selection process will provide improved risk-adjusted returns over any specific time period. Additionally, investment strategies that exclude securities based solely on ESG criteria may not provide better risk-adjusted returns than those

strategies that do not have such restrictions. There is also no assurance that the securities selected will deliver the desired environmental, social or economic impact as predicted at time of purchase.

- **Call risk**

Call risk refers to the potential for an issuer to repay a bond before its maturity date, something that an issuer may do if interest rates decline, much as a homeowner might refinance a mortgage from lower interest rates. Bond calls are less likely when interest rates are stable or moving higher. Many municipal bonds are “callable”, so investors who want to hold a municipal bond to maturity should research a bond’s call provisions before making a purchase.

- **Credit risk**

This is the risk that a bond issuer may experience financial problems that make it difficult or impossible to pay interest and principal in full-the failure to pay interest or principal is referred to as “default”. Credit ratings are available for many municipal bonds and seek to estimate the relative credit risk of a bond as compared with other bonds, although a high rating does not reflect a prediction that the bond has no chance of defaulting.

- **State Risk**

Accounts with state specific municipal bond customizations will be more sensitive to the events that affect the state’s economy and stability. Portfolios with a higher concentration of bonds to a state in a portfolio may have higher credit risk exposure, especially if the percentage of assets dedicated to the state is invested in fewer issues.

- **Tax liability**

The risk that the distributions of municipal securities become taxable to the investor due to noncompliant conduct by the municipal bond issuer or changes to the federal and state laws. These actions would likely negatively impact the prices of the securities.

- **Interest Rate risk**

Bonds have a fixed face value, known as “par” value. If bonds are held to maturity, the investor will receive the face value amount back, plus interest that may be set at a fixed or floating rate. The bond’s market value may be more or less than the par value. U.S. interest rates have been low for some time- if they move higher, investors who hold a low fixed-rate municipal bond and try to sell it before it matures could lose money due to the lower market value of the bond.

- **Inflation risk**

Inflation is a general upward movement in prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. It also can lead to higher interest rates and, in turn, lower market value for existing bonds.

- **Liquidity risk**
This refers to the risk that investors won't find an active market for the municipal bond, potentially preventing them from buying or selling when they want and obtaining a certain price for the bond. Many investors buy municipal bonds to hold them rather than to trade them, so the market for a particular bond may not be especially liquid and quoted prices for the same bond may differ.
- **Event Risk**
The possibility that an unforeseen event will negatively affect a company or industry, and thus, increase the volatility of a bond
- **Issuer Risk**
Prices of securities may decline for a number of reasons which directly relate to the issuer. These reasons include management performance, financial leverage and reduced demand for the issuer's goods or services.
- **Municipal Bond Risk**
Investments in municipal bonds are affected by the municipal market as a whole, and the various factors in the specific cities, states or regions in which the strategy invests. Issues such as legislative changes, litigation, business, political conditions, and fiscal challenges relating to a particular municipal project, municipality, state or territory, can impact the value of municipal bonds. These matters may also impact the ability of the issuer to make payments. In addition, the amount of public information available about municipal bonds is generally less than for corporate equities or bonds. Moreover, supply and demand imbalances in the municipal bond market can cause deterioration in liquidity and a lack of price transparency.
- **Valuation Risk**
The lack of an active trading market and/or volatile market conditions can make it difficult to obtain an accurate price for a fixed income security. There are uncertainties associated with pricing a security without a reliable market quotation, and the resulting value may be very different than the value of what the security would have been if market quotations had been available.
- **Other Factors**
 - **Tax implications**
Consider consulting a tax professional to discuss the bond's tax implications, including the possibility that your bond may be subject to the federal alternative minimum tax, or may be taxable as state and local income.
 - **Broker compensation**
Most brokers are compensated through a markup over the cost of the bond to the firm. This markup is usually not disclosed on your confirmation or statement. If a commission is charged, it will be reported on your confirmation.

Item 9: Disciplinary Information

Legal and Disciplinary

Neither Neighborly nor any of its employees and supervised persons have been involved in legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Item 10: Other Financial Industry Activities and Affiliations

The Firm's affiliate, Neighborly Securities is a registered broker-dealer, and Member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

A number of arrangements exist between Neighborly and Neighborly Securities. The following activities are central to Neighborly's business model:

- Neighborly anticipates the purchase of municipal bonds underwritten by Neighborly Securities acting as the senior manager on negotiated deals.
- Neighborly anticipates purchasing municipal bonds where Neighborly Securities is the co-manager or part of the selling group for negotiated deals. Neighborly may elect to purchase through Neighborly Securities or another member of the syndicate due to relationship management considerations.
- Neighborly anticipates the purchase of municipal bonds competitively underwritten by Neighborly Securities.

The Firm has policies and procedures in place to ensure that transactions between Neighborly and Neighborly Securities are made in accordance with applicable rules and regulations while also mitigating the potential conflicts of interest caused by such transactions. The policies and procedures in place include but are not limited to:

- The Firm's Chief Compliance Officer ("CCO") shall oversee relationships and transactions undertaken by the Firm that may present actual or potential conflicts of interests between managed accounts for which the Firm provides investment advisory services and the Firm's affiliated broker-dealer, Neighborly Securities;
- The CCO shall oversee investments made by the Firm on behalf of clients, on the one hand, and Neighborly Securities, on the other hand ("Affiliated Transactions");
- The Firm shall determine whether any Affiliated Transactions or any other principal transaction is in the best interests of clients and, where appropriate, obtain client consent to any Affiliated Transactions or principal transactions prior to the execution of such Affiliated Transaction;

- The Firm's CCO shall ensure that such Affiliated Transactions and/or other principal transactions are compliant with Section 206(3) of the Investment Advisers Act of 1940², as amended, and any applicable rules and guidelines promulgated thereunder; and

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

Neighborly has adopted a Code of Ethics (the "Code") for all employees. It sets forth the highest standards of ethical conduct and fiduciary duties owed to our clients. The Code includes, among other things, policies and procedures relating to personal trading. All employees must acknowledge the terms of the Code, as a stand-alone document at least annually.

The Code is designed to ensure that the personal securities transactions, activities and interests of Neighborly's employees 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 in their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based on the determination that these would materially not interfere with the best interests of Neighborly's clients.

As a general rule, Neighborly prohibits employees from investing in securities that would be eligible for client portfolios. However, an important exception is made in that Neighborly access persons, supervised persons, and employees (personnel) may open Neighborly advisory accounts. Advisory accounts of Neighborly personnel are subject to the same fair allocation policy as all other advisory accounts. This means investment opportunities (purchases and sales) are offered fairly and equitably across all eligible accounts; including personnel that maintain advisory accounts. Please see "Item 12" under the subsection entitled "Allocation Policy".

The Code requires quarterly transaction reports, and a list of all investment accounts and holdings on an annual basis. Employee trading is monitored regularly. A copy of Neighborly's Code is available to any client or prospective client upon request.

Item 12: Brokerage Practices

Selecting Brokerage Firms

In most arrangements, Neighborly has the authority to make all determinations about which securities are to be bought or sold, the amounts of the securities to be bought or sold, the broker-dealer to be used and commissions, dealer spreads and other fees to be paid. In executing trades on behalf of clients, the Firm seeks best execution under the circumstances of each trade.

² Section 206(3) permits for principal transactions between an investment adviser and its clients as long as certain disclosure and consent requirements are met.

When executing municipal bond transactions, Neighborly takes into consideration best price and execution quality under the circumstances. In light of the characteristics of the fixed income market, best execution is not evaluated on a transaction-by-transaction basis, but on an overall basis over an extended period of time. It should be emphasized that the ability to select among multiple dealers is generally extremely limited in cases where there is a limited supply of municipal bonds with specified maturity characteristics (e.g., a certain quality, maturity, duration and/or particular state of issue).

Use of Affiliated Brokerage

Neighborly may also utilize its affiliate, Neighborly Securities, to execute securities transactions. Neighborly will not receive any spread, mark-up, mark-down or commission in connection with the execution of any transaction. Neighborly believes there are significant advantages for its clients in using Neighborly Securities as an executing broker, which may include a greater ability to purchase and allocate institutionalized blocks of municipal bonds to Neighborly separate accounts, and the potential for price improvements on securities transactions for the benefit of clients.

When selling securities for Neighborly accounts, Neighborly is similarly able to aggregate all or a portion of the block at Neighborly Securities prior to selling them to a dealer. This practice also has the potential to minimize the opportunity for third party errors, increase overall speed and efficiency, and result in price improvements.

Due to both perceived and real conflicts of interests between Neighborly and Neighborly Securities, Neighborly has established policies and procedures to mitigate and manage these risks. Please carefully review “Item 10: Other Financial Industry Activities and Affiliations” for additional disclosures.

Fair Allocation Policy

In recognition of the fragmentation of the municipal market, allocation policy is a rules-based fair allocation process. Given the limited block size of purchases in the municipal market, and the need to maintain minimum lot size to ensure best execution for future individual client transactions, allocations of purchases are prioritized according to client criteria such as:

- Percentage cash position;
- Positive impact match between purpose of bond financing and client criteria, as measured by Neighborly’s proprietary multi-factor Impact Analytics Model;
- State of residence;
- Duration management;
- Quality constraints;
- Sector concentration;

- Nominal cash position

For each allocation, clients are re-prioritized, allowing new priorities to emerge as new bonds are purchased.

For selection of bonds to be sold in the course of active management, Neighborly will attempt to sell entire holding/CUSIP across all portfolios in one block. Criteria for bond sales include, but are not limited to issues that Neighborly considers to have:

- Diminished/negative impact;
- Declining credit fundamentals;
- “Rich” pricing/unattractive relative value (according to Neighborly’s assessment)

Exceptions to block trading for sales include, but are not limited to:

- Client-directed sales and/or liquidity needs;
- Mispricing (i.e., Neighborly’s assessment of “rich” trading levels) associated with odd lot offerings.

In the case of premium pricing for odd lots, Neighborly intends to “piece out” the entire block of bonds, though may be limited by the market’s ability to absorb the sales at premium pricing levels.

Client sales are prioritized according to:

- The least positive impact match between client and purpose of bond issuance;
- Cash balance;
- Resident state;
- Duration management;
- Quality constraints;
- Sector concentration;
- Nominal cash position

Any portfolio beneficially owned or controlled by Neighborly Investments or an employee of the Firm will be subject to Neighborly’s Fair Allocation Policy. The portfolio names/references of employee-owned portfolios will be anonymized on the Firm’s portfolio management and reporting systems.

Soft Dollars

Neighborly does not engage in soft dollar business activities.

Directed Brokerage

The Firm does not allow clients to direct transactions to a specific broker for execution.

Item 13: Review of Accounts

All accounts are continually monitored for compliance with rules, targets (e.g., yield curve positioning, sector exposures, weightings), and tolerances set by clients. The portfolio management team is responsible for reviewing client accounts and addressing issues promptly. Compliance also reviews client accounts, independent of the portfolio management team. Client accounts are reconciled at least monthly with custodial account records.

Item 14: Client Referrals and Other Compensation

The Firm does not currently provide compensation to any third-party solicitors for client referrals.

Item 15: Custody

Neighborly does not maintain physical custody of client assets. Client assets shall be held in the custody of a custodian meeting the requirements of a “qualified custodian” under Rule 206(4)-2 of the Investment Advisers Act of 1940. The client is responsible for selecting a qualified custodian.

The Firm is deemed to have “constructive custody” under regulatory guidelines as a result of our authority from certain clients to directly debit client advisory fees from their custodian accounts consistent with industry practices and regulatory guidelines.

The qualified custodian selected shall send account statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by Neighborly. Clients who do not receive at least quarterly statements from their custodians should promptly contact Neighborly or their custodian directly.

Item 16: Investment Discretion

Neighborly’s clients retain us on a discretionary basis to determine and execute portfolio transactions consistent with their specified investment objectives. Generally speaking, portfolio transactions are executed without prior consultation with the client. To confirm this discretion, upon commencement of our relationship clients will sign a discretionary Investment Management Agreement with Neighborly.

Discretionary authority allows us to determine, without specific consent:

- 1) the types of assets/securities bought and sold in an account;
- 2) the quantities of assets/securities bought or sold in an account; and

- 3) the broker/dealers used to buy or sell assets/securities in an account.
- Neighborly may also accept non-discretionary accounts on a case-by-case basis.

Item 17: Voting Client Securities

Proxy Votes

The Firm will accept authority to vote proxies on behalf of its clients. Broadridge Investor Communication Solutions, Inc. (“Broadridge”) has been engaged as a proxy voting service provider. Generally, votes are cast through the Broadridge ProxyEdge® platform (“ProxyEdge®”) which provides access to proxy voting recommendations and historical voting information.

The Firm avoids conflicts of interest by voting all positions according to the Shareholder Value Template guidelines for shareholder best interest.

As a matter of policy, Neighborly will not reveal or disclose how it has voted (or intends to vote) on a particular proxy matter to third-parties. All employees are prohibited from accepting any remuneration in the solicitation of proxies.

Clients may contact Neighborly to request information about their proxy voting records or to obtain a copy of the Firm’s Proxy Voting Policies and Procedures. Clients may request this information by email sent to diostenes@neighborly.investments or by calling us at 617-304-9046.

Clients may also elect to vote their own proxies by providing written notice to Neighborly during the account opening process or anytime thereafter.

Item 18: Financial Information

Financial Condition

Neighborly does not have any financial impairment that will preclude the Firm from meeting contractual commitments to its clients or other business parties. The Firm has not at any time been the subject of a bankruptcy petition, including in the past ten years.

The provision of balance sheet is not required because Neighborly does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1200 per client six months or more in advance.