

Item 1 – Cover Page

Elefant Advisors LLC

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This Brochure provides information about the qualifications and business practices of Elefant Advisors LLC. If you have any questions about the contents of this Brochure, please contact us at (833) ELE-FANT or by email at Zelma.collazo@elefant.ai. 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.

Elefant Advisors LLC is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

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

February 12, 2019

Item 2 - Material Changes

This disclosure document (“**Brochure**”) dated February 12, 2019 is the first Brochure published by Elephant Advisors LLC. In the future, this item will only discuss specific material changes that are made to the Brochure since its last December update and will provide clients with a summary of such changes.

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Item 4 - Advisory Business

Elefant Advisors LLC (“Elefant Advisors,” the “Firm,” or “we”) is a Delaware limited liability company formed in 2018. The Firm has one client (as described below) that has generated at least \$50 million in assets under management, thereby qualifying the Firm to apply for registration as a mid-sized investment adviser with the SEC. Elefant Advisors is a subadviser to a segregated portfolio (the “Account”) of an unaffiliated hedge fund formed in Delaware as a limited partnership (the “Fund”). The General Partner of the Fund is an unaffiliated limited liability company formed in Delaware (the “General Partner”). The manager of the Fund is an unaffiliated SEC registered investment adviser also formed in Delaware (the “Fund Manager”). Each of the Fund, General Partner and Fund Manager are affiliated among themselves.

The Account is managed pursuant to a subadvisory agreement entered into with the Fund, the General Partner and the Fund Manager (the “Advisory Agreement”). Although the Fund has established other segregated portfolios managed by other subadvisers, Elefant Advisors manages only the assets in the Account.

The Firm is owned by Elefant Inc., a Delaware corporation. Cactus Raazi, the Firm’s Chairman and Chief Executive Officer, is a principal shareholder of Elefant Inc.

As of the date of this Brochure, Elefant Advisors limits its investment advisory business to the investment of client funds in investment grade U.S. dollar denominated corporate bonds pursuant to a propriety algorithmic trading strategy. This strategy involves the short-term (i.e., a few days to a few weeks) trading of such securities, with particular emphasis on electronic trades below \$1 million in size, in an effort to profit from liquidity differentials on electronic trading platforms focused on US institutional clients.

Elefant Advisors has broad discretion to vary and redesign the algorithmic strategy being used for trading at any time based upon its view as to the ability of the strategy to continue to generate favorable returns.

As described below in Item 12 – *Brokerage Practices*, the Firm’s broker-dealer affiliate is the primary broker-dealer employed to effect trades for the Account.

The Firm manages the assets in the Account in accordance with the needs of its client.

Elefant Advisors invests all assets it manages on a fully discretionary basis. As of the date of this Brochure, the Firm has regulatory assets under management of \$81,450,226.41.

Item 5 - Fees and Compensation

The Firm is entitled to a management fee based upon the investment performance of the Account. The fee is paid on a monthly basis by wire transfer upon the client's authorization. The Firm is not paid a fee based on the amount of assets under management. This fee structure has been negotiated with the General Partner of the Fund.

In addition to the management fee payable to the Firm, the Account is responsible for all custodial fees, interest on borrowed funds, settlement charges, brokerage commissions, and similar expenses relating to the maintenance of a custodial account for the Account's assets and to the trading of securities therein. Please see Item 12 – *Brokerage Practices*, for a description of the brokerage practices that are followed by the Firm. Other than the brokerage commissions, which are primarily paid to an affiliate of the Firm, none of such other fees or expenses are paid to the Firm or any affiliate thereof.

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

As noted above, the Firm receives fees based on the performance of the Account. Such incentive fee is paid on what is commonly called a "high water mark" basis, so that no performance-based compensation is paid on any profits until the profits generated exceed any prior losses incurred by the client. The Firm does not presently manage any accounts with any other fee structure, and does not anticipate doing so in the future.

An affiliate of the Firm, Elephant SLP LLC ("Elephant SLP"), is a special limited partner in the Fund and, in such capacity, receives a share of the profits generated in the Account after the Fund receives a preferred return. In the event of a loss in the Account, the first loss goes to Elephant SLP before the other partners in the Fund are allocated any loss. The fact that both the Firm and its affiliate would receive a portion of the profits generated in the Account may create an incentive for the Firm to engage in trading carrying a higher degree of risk in order to maximize the fees and profits received by it and its affiliate.

Item 7 - Types of Clients

The Firm only provides investment advice to the Account. The Firm may manage accounts of other types of clients in the future.

Item 8 - Methods of Analysis, Investment

Strategies and Risk of Loss

The Firm has developed a computer-driven investment algorithm which is designed to identify potentially profitable trades in investment grade corporate bonds. The Firm's investment strategy is to respond to trade requests on electronic trading platforms, limited to U.S. investment grade corporate bonds. The Firm's strategy is to respond to trade (buy or sell) requests with prices determined by algorithms, using market data to calculate prices at which the Firm is willing to buy and sell bonds. The average time horizon for such trades is one week, but may be shorter or somewhat longer than that. The Firm manages both long and short assets, borrowing bonds from J.P. Morgan Securities, LLC, the Account custodian ("JPMorgan"), as needed. Risk is managed algorithmically, with the Firm seeking to minimize risk by dynamically hedging the bonds of an issuer with other bonds of the same issuer. The Firm's strategy does not take meaningful directional risk in the marketplace, seeking to eliminate exposure to broad moves in market prices.

Use of this strategy, like any investment strategy, involves the risk of loss that investors must be prepared to bear. Specifically, the fact that a particular strategy has been profitable in the past does not guarantee that it will continue to be profitable in the future or that it will not result in losses, and many once profitable strategies can and do go through extended unprofitable periods. The Firm continuously reviews and refines its algorithms in an effort to assure their application to current market conditions so as to enhance profitability and potentially control risk. The Firm seeks to hedge (i.e., minimize, with the goal of zero exposure) portfolio risks, including, but not limited to, directional market risk, curve risk, sector risk, single-issuer default risk, and liquidity risk. Each of these risks is dynamically hedged through the price response mechanism on electronic trading platforms, which offer over 30,000 trading opportunities in U.S. investment grade bonds every business day. Liquidity of the Firm's portfolio is monitored by defining a security universe, which is limited to the most liquid investment grade bonds in the marketplace.

The trading strategy used by the Firm employs a high degree of leverage. While using borrowed funds in this manner may result in greater profits relative to the equity in the Account, it can also amplify losses and can therefore expose the client to a greater risk of loss.

The trading strategy used by the Firm also involves frequent trading, high turnover and short holding periods. While this may be helpful in controlling risk, there are drawbacks to that approach as well. Transaction costs from frequent trading can significantly limit profits or result in losses. In addition, short holding periods may result in the client missing out on any profits that might have been earned if positions had been held for longer periods.

The trading algorithms were developed and tested through trading simulations using actual trade data. This is a process that involves the application of a strategy against actual historical market

data to see how it would have performed if it had been used during various periods and under various market conditions. While this method of testing a particular strategy can be helpful in determining how the strategy may operate in the future, no amount of back-testing can assure that the strategy will continue to be profitable under any or all future market conditions. The securities markets are always changing, and a strategy that would have been profitable in the past under the specific market conditions that then existed may not operate in the same way or be profitable under current or future market conditions.

Item 9 - Disciplinary Information

In this Section of this Brochure, we would disclose any material legal or disciplinary matters that would have a bearing on a prospective client's evaluation of our business or the integrity of our management. Neither Elefant Advisors nor any of its associated persons has been the subject of any material disciplinary events.

Item 10 - Other Financial Industry Activities and Affiliations

The Firm is under common control with Elefant Markets Inc. ("Elefant Markets"), a registered broker-dealer. Elefant Markets is the primary broker-dealer employed to effect trades for the Account. In addition, at times, Elefant Markets may execute securities trades for its brokerage customers by purchasing or selling securities from the Account of the Fund ("Agency Cross Transactions") as more described below in Item 12 – *Brokerage Practices*. Elefant Inc., as the ultimate parent company of both the Firm and Elefant Markets, derives economic benefits from such trading. As a result, the Firm has a conflict of interest in that any effort to control trading costs by negotiating lower commission costs with Elefant Markets, its affiliate, is detrimental to that entity.

However, this conflict is obviated by the fact that the use of Elefant Markets as the executing broker-dealer has been approved by the Account and the commission schedule for trades effected by Elefant Markets has been agreed to in the Advisory Agreement.

Although some associated persons of the Firm are also registered representatives of Elefant Markets, they do not receive any compensation related to trades made for the Account.

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

The Firm has adopted a Code of Ethics which sets forth the standards of conduct expected of its associated persons, and which addresses the conflicts that can arise from personal trading by them. The Code of Ethics requires our associated persons to notify the Firm of the existence of any

securities accounts in which they or members of their households have an interest. The Code of Ethics also requires periodic reporting by such persons through duplicate copies of confirmations and account statements, so that the Firm can monitor such persons' trading to prevent any violations of the Code of Ethics or other conflicts of interest which could result from employee trading. A copy of our Code of Ethics will be provided to clients or prospective clients upon request.

The Firm's associated persons are prohibited from buying, selling or holding securities that are eligible to be bought or sold for a client's account. That is, the Firm's associated persons may not purchase investment grade corporate bonds. They may, however, purchase and sell mutual funds and ETFs that own such bonds.

Item 12 – Brokerage Practices

In selecting broker-dealers for the execution of client transactions, the Firm has a duty to obtain "best execution" of such transactions. Best execution, however, does not necessarily mean that the transaction will be executed for the lowest possible commission or commission-equivalent. There are many factors that enter into the issue of best execution and the selection of broker-dealers, among them the knowledge of the market, experience in trading the particular securities involved, the level of service offered, the reasonableness of the commission or commission-equivalent to be charged, and other factors.

The Firm and the Fund effects transactions for the Account on various electronic trading platforms for fixed-income products, such as MarketAxess, BondPoint and Tradeweb. These platforms utilize a "request-for-quotes" technology that enables U.S. institutional market participants to request and receive simultaneous, competitive and executable bids or offers from multiple global and regional dealers and other liquidity providers. The Firm believes that transactions effected through these platforms provide the most competitive execution pricing generally available.

The Firm may, at times, effect Agency Cross Transactions for the Account provided, however, that the transaction is consistent with the Firm's fiduciary duty to the Fund and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met. The Fund will receive written notification of any Agency Cross Transaction.

An Agency Cross Transaction is a transaction in which an investment adviser, or any person controlled by or under common control with the investment adviser (such as Elephant Markets), acts as broker for both the advisory client and for another person on the other side of the transaction. Since Elephant Markets is also registered as a broker-dealer, the Firm has the ability to effect Agency Cross Transactions and does so by using several trading platforms. Elephant Markets may act as broker for the Fund and an unrelated asset manager that is a customer of Elephant Markets. For example, an asset manager may enter a request for a quote to purchase or sell a bond into the

MarketAxess bi-lateral trading platform, whereby the asset manager sends it RFQ to a specified limited number of brokers. Elephant Markets responds to the RFQ based on its algorithms and the inventory in the Account of the Fund and the asset manager accepts the price offered by Elephant Markets. The transaction is cleared and settled on a DVP basis with both the asset manager and the Fund in Elephant Markets' Facilitation Account maintained at Pershing.

However, not all transactions conducted through the trading platform for the Account are Agency Cross Transactions. For example, an asset manager enters a quote to purchase or sell a bond into the MarketAxess open trading platform, where all participants are anonymous. Elephant Advisors responds to the quote based on the Account's inventory and the asset manager accepts the quote made by Elephant Advisors. The transaction is cleared and settled on a DVP basis at JP Morgan, the Account's prime broker, with MarketAxess acting as the Executing Broker.

The Advisory Agreement provides that all trades executed for the Account are effected through Elephant Markets, a broker-dealer affiliate of the Firm, although the Firm has the discretion to utilize other industry-recognized, commercially-reasonable broker-dealers upon prior notice to the Fund Manager and so long as such trades do not violate the investment guidelines established in the Advisory Agreement. The Firm believes that Elephant Markets provides a competitive quality of service and cost-effectiveness that justifies its selection as the principal broker-dealer for the Account.

Although Elephant Inc., the common parent company of both the Firm and Elephant Markets, benefits from the brokerage commissions paid to Elephant Markets, the commission schedule applicable to Elephant Markets' services has been negotiated with, and agreed to by, the General Partner and Fund Manager. Any other broker-dealers utilized to effect trades for the Account would similarly have to satisfy criteria for levels of service and cost-effectiveness before the Firm would select any such broker-dealer for such trades.

Item 13 - Review of Accounts

The Firm receives daily reports of executions for the Account from the Account's custodian, [J.P. Morgan], or any successor custodian selected by the General Partner or Fund Manager. All such reports, as well as daily P&L reports on the Account's performance, are reviewed on a daily basis by the Firm's Head of Trading and the Chief Compliance Officer. Similar reports also are provided to the Fund by the custodian.

Item 14 - Client Referrals and Other Compensation

Neither the Firm nor any of its affiliates presently have any arrangements with any third-party solicitor to solicit potential clients to open advisory accounts with the Firm. If any such agreement

were entered into, the solicitor would receive a payment from the Firm and/or the affiliate for such referrals, but no client would pay any greater fee as a result of such arrangement.

Item 15 - Custody

The funds and securities owned by the Account are held by J.P. Morgan, as custodian of such assets. Under no circumstances will the Firm have physical custody of any such assets, nor will it be deemed to have custody pursuant to the provisions of Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, the SEC's "Custody Rule."

Item 16 - Investment Discretion

Pursuant to the Advisory Agreement, the Firm has full discretionary authority to manage the investments on behalf of the Account within the terms of the investment guidelines set forth therein. The Firm would expect to have similar authority with respect to all future clients.

Item 17 - Voting Client Securities

The Firm has the authority to vote proxies or give consents relating to any securities held in the Account. However, since the trades effected for the Account are in investment grade corporate bonds, and since bondholders generally have limited voting rights (e.g., bankruptcy, reorganizations or other extraordinary circumstances), the Firm anticipates infrequent need to exercise that authority. When it does need to vote a proxy or give consent, the Firm's agreement with its client is to take such action as it determines in good faith to be in the best interest of its client. More detailed information is available upon request.

Item 18 - Financial Information

In this Item, certain investment advisers are required to provide clients with certain financial information or disclosures about their financial condition which are reasonably likely to impair their ability to meet contractual commitments to clients. The Firm has no such financial condition to disclose. The Firm has not been the subject of a bankruptcy proceeding.