

# **MCNAB PENSION**

## **McNab Pension LLC**

### **Form ADV Part 2 Brochure**

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This brochure provides information about the qualifications and business practices of McNab Pension LLC. If you have any questions about the contents of this brochure, please contact us at [info@mcnabpension.com](mailto:info@mcnabpension.com). 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.

Any reference to McNab Pension LLC as a registered investment adviser does not imply a certain level of skill or training.

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

**Item 2 – Material Changes**

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This is the initial filing and as such there have been no material changes Form ADV Part 2A.

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## **Item 4 – Advisory Business**

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### ***Overview of the Business***

McNab Pension LLC (“McNab LLC”) is a New York based trading and investment firm formed as a subsidiary of McNab Pension LLP (“McNab LLP”) on 12 October 2018 and incorporated in the State of Delaware, USA. The sole owner and shareholder of McNab Pension LLC is McNab Pension LLP whose Partners are Jason McNab and Edward Lee. Together, these entities will be referred to as “McNab Pension” or “the Firm” in this Brochure.

McNab LLP is a United Kingdom limited liability partnership and investment adviser incorporated under the Laws of England and Wales on 27 June 2017 and is authorized and regulated by the U.K Financial Conduct Authority (“FCA”) under Firm Reference Number 784030. See Item 10 for additional information regarding McNab LLP.

### ***Type of Advisory Service***

Investment and trading activities of McNab Pension’s strategy is conducted pursuant to the agreement between McNab LLC and McNab LLP. The agreement authorizes McNab LLC to conduct investment activities such as portfolio management, risk management, research and trading from its offices in New York City, on behalf of McNab LLP.

McNab Pension provides discretionary investment advisory services to high net worth individuals and institutional clients through certain private funds and pooled-investment vehicles (hereby referred to as “Funds” or “accounts”) in accordance with the investment objectives in the respective client agreements.

The Firm’s focus is to achieve long term capital appreciation through long short equity-based investing in the context of an event or catalyst. The Firm will seek to invest in listed securities that it deems are trading at an attractive valuation. The strategy is global in nature but focuses on developed markets. Whilst the strategy typically invests in individual listed securities and listed index futures it can also invest in equity linked futures and contracts for differences. Further information on the investment objectives and strategy are described in Item 8 of this Brochure.

The Funds are managed in accordance with the terms of the agreement in place between the Firm and its clients or funds. The agreements typically contain investment parameters within which the Firm operates. On occasion, some clients may request that a specific security or product type is not traded, however typically the Firm has full discretion over investment decisions within the parameters laid out in the client’s agreement.

### ***Wrap Fee Programs***

As of the date this Brochure was published, McNab Pension does not participate in wrap fee programs.

### ***Assets Under Management***

## McNab Pension LLC – Brochure

As of the date this Brochure was published the Firm managed approximately \$630 million in client assets on a discretionary basis. McNab Pension does not manage client assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

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Investors in the funds managed by McNab Pension pay an annual management fee which is typically paid quarterly. The management fee is either a fixed amount agreed with a client or can be calculated as a percentage of the assets under management (AUM) as at an agreed calculation date.

McNab Pension also charges performance-based fees on performance accrued above the relevant high-water mark or benchmark. These fees are typically accrued monthly and paid annually. The high-water mark and benchmark is in place to ensure performance-based fees are only accrued on the increase in assets taking into account any subscriptions/additions or redemptions/withdrawals.

The fees are charged as per the client agreements which are in place with investors and are not payable in advance. McNab Pension therefore deduct fees from client's assets or invoice clients directly for fees incurred depending on the agreement in place.

Typically, clients will not incur other fees related to the McNab Pension's ongoing business costs unless explicitly stated in the agreement. However, all clients will bear the cost of brokerage and other transaction costs (interest expense, stock borrowing costs, ticket fees and others) associated with investments made on behalf of their accounts. Further details regarding the brokerage and transaction costs discussed above can be found in this Brochure in Item 12 – Brokerage Practices.

McNab Pension nor any of our Supervised Persons do not receive compensation for the sale of interests in the Funds or accounts.

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

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McNab Pension manages several funds which can have differing performance-based fee rates and high-water marks which affect the fees received. This causes a conflict of interest where the Firm may be incentivised to favour the investment fund with the most beneficial performance-based fee rate. To manage this conflict, the Firm has implemented an allocation policy to ensure that all trades are fairly allocated to investment funds based on a pre-trade allocation rate. This rate is calculated based on Assets Under Management (“AUM”) in each Investment Fund. Furthermore, records are kept of the allocation rates applied to each specific trade highlighting any reasons for deviation from this e.g. one client may be restricted from holding a certain security, market or offering.

Item 5A contains further information on the performance-based fees that are levied on clients.

## **Item 7 – Types of Clients**

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The Investment Funds are only available to persons who are “qualified purchasers” under the Investment Company Act of 1940, as amended (the “Investment Company Act”) and/or “accredited investor” as defined under Regulation D of the Securities Act of 1933, as amended, (the “1933 Act”). The fees of the Investment Funds are typically non-negotiable.

McNab Pension currently serves directly or indirectly as manager, advisor, or subadvisor to foreign private investment funds, and as a trading advisor to several foreign private investment funds. The clients of the funds and accounts are typically high net worth individuals or institutional clients who appoint McNab Pension as investment adviser for a segregated account or invest in the McNab Long Only Pension Fund Limited, a pooled investment fund.



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

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### ***Methods of Analysis and Investment Strategies***

In implementing its investment strategies, the Firm will seek to invest in listed securities, typically in the context of an event or catalyst, that it deems are trading at an attractive valuation or discount. The Firm carries out fundamental, quantitative and qualitative research on a company by company basis with the aim of identifying those securities which are trading at an attractive valuation or discount. The Firm's stock selection process is based on analysing this data and information and then capitalising on the difference between the current market value of a security and the likely future market value of a security. The Firm's investment strategy is speculative in nature and there are no assurances that the Firm will achieve its objectives. Indeed, a client may lose all or a substantial amount of their investment.

### ***Material Risks***

#### Identification of investment opportunities

The success of the strategy employed requires the investment team to identify securities which are trading at an attractive valuation or discount. The analysis of these securities relies upon the Firm's robust research processes and the proprietary dataset it has developed to aid in the analysis of investment opportunities. Whilst the analysis conducted may point to a favourable opportunity, the outcome of such an investment is still uncertain and may lead to a negative return.

#### Competition; availability of investments

Certain markets in which the Fund may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Investment Manager will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of firms organised to make such investments, which may result in increased competition to the Fund in obtaining suitable investments.

#### Execution of orders

In the process of opening and closing market positions the Firm relies upon the execution of orders in various financial instruments by third parties and their software. The Firm's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, systems failures, human error attributable to the Fund, its brokers or other service providers. In such event, the Fund may not fully execute the desired trade and may incur a loss or opportunity cost in correcting the execution. Trading through an electronic or order routing system is also subject to risks associated with system or component failure. In this event, it is possible that for a certain period of time, it might not be possible to submit new orders, execute existing orders or modify or cancel orders that were previously entered.

#### Limited diversification

In the normal course of making investments the Firm may, but is not obligated to, diversify its investments. However, the Fund's portfolios could become significantly concentrated, for example; in any one issuer, industry, sector, strategy, country or geographic region, and such concentration of risk may increase any losses suffered by the Fund. In addition, it is possible that the Investment Manager may select investments that are concentrated in a limited number or type of financial instruments. This limited diversity could expose the Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

#### General Economic and Market Conditions

The strategy is also exposed to the effects of general economic and market conditions such as interest rates, the availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to the taxation of the Fund's investments), trade barriers, currency exchange controls and national and international political circumstances. The Fund's performance may also be adversely affected by market fluctuations resulting from certain risks which are unprecedented in nature or magnitude and therefore not amenable to existing risk management techniques which are based on modelling past events and assigning probabilities to the recurrence of those events. Whilst the Firm monitors risk and takes steps to reduce exposures this is not always sufficient and can result in negative performance.

#### Currency exposure

The funds and accounts are valued in US dollars however the investments of these assets may be in securities denominated in "foreign" currencies or in financial instruments whose prices are determined with reference to such foreign currencies. Therefore, the value of the funds and accounts may be favourably or unfavourably impacted by fluctuations in exchange rates when converting back into the base, USD currency.

McNab Pension monitors these currency exposures on a daily basis to ensure that the exposure is within tolerances set by the Firm's governing body. When exposures drift outside of this tolerance the Firm will typically reduce the exposure by executing an FX trade to convert excess cash back into the base USD currency (or vice versa). Alternatively, McNab Pension may utilise forward foreign exchange contracts to hedge against foreign currency exposures. This method is more complicated in nature and therefore carries more risk, therefore the Firm generally prefers to execute spot cash FX transactions to manage exposures instead.

#### Hedging transactions

The Firm may use a variety of financial instruments for hedging and risk management purposes. Entering into hedging transactions seeking to reduce risk may result in poorer overall performance than if the Firm had not engaged in such hedging transaction.

Dependence on key personnel

The Fund's performance is largely dependent on the talents and efforts of certain highly skilled individuals. The Fund's continued ability to effectively manage its portfolio depends on the ability of these individuals and therefore the ability to retain and attract new professionals to the Firm is key for the management of the strategy. The sudden loss of some or all of these individuals could result in material and adverse performance.

**Item 9 – Disciplinary Information**

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There have been no legal or disciplinary events that are material to a client's or prospective client's evaluation of McNab Pension or the integrity of management as at the date of this Brochure.

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

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McNab Pension LLP is the sole member of McNab Pension LLC. McNab LLP is a United Kingdom limited liability partnership and investment adviser registered with the U.K. Financial Conduct Authority, which provides investment advisory services similar to certain of the services provided by McNab LLC. McNab LLC is authorised to conduct portfolio management, research and risk management in line with investment objective and strategy as communicated by McNab LLP.

McNab LLP's strategy focuses on achieving long term capital appreciation through long short equity-based investing in the context of an event or catalyst. McNab LLC assists with the implementation of this strategy through conducting portfolio management, risk management, research and trading on behalf of McNab LLP. Resources may be shared from McNab LLP to McNab LLC such as IT infrastructure and operational resources.

There are no further activities or affiliations of the Firms or their management.

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

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### ***Code of Ethics***

McNab Pension's Code of Ethics ("Code") confirms the Firm's commitment to the highest ideals of fairness, integrity and openness. This commitment is demonstrated through the measures taken to prevent and manage conflicts of interest, prohibit insider trading and market manipulation, ensure the confidentiality of client information, scrutinising personal investments and other activities of employees and members and the policies governing the acceptance of gifts and the provision of political donations. All employees are required to certify at least annually that they have read and understand the Code and abide by the principals and rules set out by the Firm.

McNab Pension does not invest in securities in which the Firm or its employees have a material financial interest. The Firm manages its conflicts through its conflicts of interest policy and matrix which are updated and reviewed at least annually.

The Firm strictly monitors the securities held or proposed to be invested in by its employees and members. Currently, all personal transactions are banned in order to prevent any conflicts.

A copy of the Firm's Code of Ethics is available to clients or prospective clients upon request at [info@mcnabpension.com](mailto:info@mcnabpension.com).

## Item 12 – Brokerage Practices

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The Firm allocates transactions to brokers for execution on markets/exchanges at commission rates which the Firm believes to be competitive, fair and in the best interests of its clients. When deciding whether to execute a trade using DMA (Direct Market Access) or via placing an order with a broker the Firm takes into account various criteria such as:

- Objective of the order
- Likelihood of execution and settlement
- Size
- Costs
- Price
- Speed
- Nature of the order, among others

To enable the Firm to efficiently and effectively direct orders, the Firm maintains an approved list of brokers and counterparties (the “Approved Broker List”) which are reviewed quarterly. The factors to be considered in selecting and approving brokers-dealers that may be used to execute trades for Client/Fund accounts include but are not limited to:

- reputation,
- financial strength and stability;
- quality of execution;
- overall costs of a trade;
- error correction capabilities;
- availability and costs of securities to borrow in relation to short sales;
- block trading and block positioning capabilities;
- willingness to execute difficult transactions;
- willingness and ability to commit capital;
- access to underwritten offerings and secondary markets; or
- market intelligence regarding trading activity.

Brokers are paid using commission on trades executed. Typically, this is expressed in basis points of the gross trade consideration.

As the Firm operates a single strategy, orders are aggregated at the point of order submission. Once the trade fill for the day has been confirmed the Firm’s allocation policy ensures that all trades are fairly and equally allocated to investment funds based on a pre-trade allocation rate. This rate is calculated based on Assets Under Management (“AUM”) in each Fund. Furthermore, records are kept of the allocation rates applied to each specific trade highlighting any reasons for deviation from this e.g. one client may be restricted from holding a certain security, market or participating in an offering.

The Firm does not have, or intend to have, any soft dollar arrangements.

### **Item 13 – Review of Accounts**

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McNab Pension frequently reviews accounts to ensure they conform with investment objectives and risk parameters. Daily, the Investment Manager and CIO review the current portfolio, internal fundamental research and data analysis on investments to ensure this matches the objectives and risk tolerances of our clients.

The CIO and Investment Manager also receive a daily portfolio report, exposure reporting and risk analysis. The governing body of the Firm meets at least quarterly to review accounts, portfolio, risk reporting.

On a monthly or quarterly basis clients will generally receive an analysis of the performance of the fund, changes in the portfolio and risk reporting. They will also receive a written review of the period. This review includes detailed discussion around market trends, a review of the portfolio, risk management and performance.



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

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McNab Pension do not provide investment advice to any person or firm outside of current clients. The Firm does not directly or indirectly compensate any person who is not supervised person for client referrals.

### **Item 15 – Custody**

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Whilst the Firm does not hold client assets, the Firm can appoint custodians to custody client assets. For accounts where McNab Pension appoints an administrator, the administrator will produce and distribute a valuation statement of the client's assets.

## **Item 16 – Investment Discretion**

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McNab Pension has full discretion regarding investments which is granted when clients sign the subscription documents or the Investment Management Agreement. In some cases, these agreements may impose restrictions upon the Firm based on the sizing of positions in the portfolio. In the case that a proposed transaction would breach these restrictions, the Firm will discuss this with the client before executing the trade.

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

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McNab Pension is generally responsible for determining how to vote all proxies with respect to securities held in client accounts. The Firm's policy is to vote in accordance with the best interest of the client. The Firm believes that company management is generally best suited to make the decisions that are essential to the ongoing operation of the company. Therefore, the Firm will generally vote proxies in line with company management. However, under circumstances when the Firm believes that company management's proposal will not maximize value for the Clients/Funds, the Firm will vote against company management.

Clients who wish to obtain a copy of McNab Pension's proxy voting history can contact [info@mcnabpension.com](mailto:info@mcnabpension.com).

**Item 18 – Financial Information**

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There are no conditions that impair McNab Pension's ability to meet its contractual and fiduciary commitments to its clients, the Firm nor any employees have been subject of a bankruptcy proceeding in the past 10 years and the Firm does not require of solicit prepayment of fees.

**Item 19 – Requirements for State-Registered Advisers**

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The Firm is registered with the U.S. Securities and Exchange Commission and not with any state regulatory agencies; therefore, this item is not applicable.