

Prism Funds, LLC
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ADV Part 2A, Brochure
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This brochure provides information about the qualifications and business practices of Prism Funds, LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (215) 579-0966 or Richard@prismadvisoryllc.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.

Additional information about Prism Funds, LLC also is available on the SEC’s website at [Error!](#)
Hyperlink reference not valid.

References herein to Prism Funds, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes to this ADV Part 2A Brochure since the previous ADV Annual Amendment filing on March 10, 2018.

ANY QUESTIONS: Prism Funds' Chief Compliance Officer, Richard Simkus, remains available to address any questions that an existing or prospective investor may have regarding this Brochure.

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Item 4 Advisory Business

- A. Prism Funds, LLC (the “Registrant”) is a limited liability company formed in March 2008 in the state of Delaware. The Registrant became registered as an Investment Advisor Firm in September 2008. The Registrant is owned by Richard Simkus and Prism Advisory Group, LLC (“*Prism Advisory*”). Richard Simkus is the Registrant’s Managing Member.

B. ADVISORY SERVICES

The Registrant serves as the General Partner of, and provides discretionary investment management services to Prism Jade Fund, LP and Prism Amber Fund, LP (the “*affiliated private funds*”). The *affiliated private funds* are offered in accordance with the terms and conditions of each *affiliated private funds*’ offering documents. The Registrant **does not** provide investment supervisory services to individual investors. Rather, the Registrant’s investment supervisory services are limited to its management of the *affiliated private funds*.

Private investment funds, including the *affiliated private funds*, involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency. A complete discussion each fund’s risk factors is set forth in each fund’s offering documents, which will be provided to each investor for review and consideration. Unlike liquid investments that an investor may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective investor will be required to complete a Subscription Agreement, where the investor will be required to represent that they are qualified for investment in the fund, and that they understand the various risk factors that are associated with the investment.

The Registrant makes the *affiliated private funds* available to investors exclusively through introductions from an investor’s investment adviser. Each investor or their investment adviser (**not** the Registrant) maintains initial and ongoing responsibility determine whether an investment in the *affiliated private funds* and any of their underlying investment strategies is suitable.

The Registrant **does not** provide financial planning, estate planning, insurance planning, investment supervisory, investment management, investment reporting, or investment implementation services for individuals. Rather, in the event that individuals or institutions desire to implement investment advisory services on a *fee* basis, the Registrant may recommend *Prism Advisory*, an affiliated SEC registered investment adviser firm, to provide investment advisory services and/or financial planning services (*See* Item 10.C.3 below).

Investor Obligations. In performing its services, Registrant shall not be required to verify any information received from an investor or from the investor’s other professionals, and is expressly authorized to rely thereon. Moreover, each investor is advised that it remains their responsibility to promptly notify their investment adviser if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising previous recommendations made by their investment adviser.

Independent Managers. Registrant may allocate a portion of an *affiliated private fund's* investment assets among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the *affiliated private fund's* investment objectives. In such situations, the Independent Manager(s) will have day-to-day responsibility for the active discretionary management of the allocated assets. Registrant will continue to monitor and review account performance and asset allocation for any assets managed by Independent Managers. The Registrant generally considers the following factors when selecting Independent Manager(s): the fund's investment objective(s), and the Independent Manager's management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by Independent Managers are an expense incurred by the *affiliated private funds* and therefore its investors. These fees are in addition to the Registrant's advisory fee set forth in Item 5.

- C. The Registrant only provides investment management services to the *affiliated private funds* and its services are specific to the needs of each of the *affiliated private funds*. The Registrant selects investments for each *affiliated private fund* consistent with each fund's investment objective.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2018, the Registrant had \$34,796,747 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

A. Advisory Services

The Registrant **does not** provide investment advisory services to individual investors. Rather, the Registrant's investment services are limited to its management of the *affiliated private funds*. As the investment adviser to each of the *affiliated private funds*, the Registrant receives a management fee and/or incentive fees. The Registrant's compensation for each of the *affiliated private funds* is calculated as follows:

The Registrant's management fee will be equal to:

- (i) 0.02916 of the Net Asset Value of the Institutional Class C (0.35% *per annum*)
- (ii) 0.04166 of the Net Asset Value of the Founders Class A (0.50% *per annum*)
- (iii) 0.0625 of the Net Asset Value of the Regular Class B (0.75% *per annum*)

- The management fee will be prorated for capital contributions accepted on a day other than the first of a month. No portion of the Registrant's management fee will be refunded in connection with any withdrawals from a Limited Partner's capital account permitted by the Registrant during a month.

Please Note: For further information pertaining to the calculation of the Registrant's management fee and/or any incentive fees please review the *affiliated private funds'* respective subscription documents.

- B. The *affiliated private funds* allow for the Registrant to deduct its fees directly from fund assets in compliance with regulatory procedures. The Registrant deducts fees monthly in

advance, based upon the Net Asset Value of each share class, as described above in Item 5.A, on the last business day of the previous month.

In the event that an *affiliated private fund* does not have sufficient liquid assets to pay the Registrant's fee, the fee shall accrue until such time that the *affiliated private fund* has sufficient liquid assets, at which time the Registrant shall collect the full amount of its fee.

- C. The Registrant **does not** provide investment supervisory services to individual investors. Rather, the Registrant's investment supervisory services are limited to its management of the *affiliated private funds*. Each of the *affiliated private funds* is a "fund of funds" and do not have regular frequent interactions with brokers/dealers who execute trades on behalf of its clients.

However, the Registrant may determine to allocate each of the *affiliated private funds'* assets among separately managed accounts, and those accounts in turn, may use the services of a broker-dealer/custodian to execute transactions. Broker-dealers charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity transactions, and mark-ups and mark-downs are charged for fixed income transactions).

If one of the *affiliated private funds* invests into a private fund not managed by the Registrant, or if one of the private funds enters into a managed account or other arrangement in which an unaffiliated third-party provides investment advisory or other services to the private fund, then an investor in the private fund effectively will incur two levels of advisory fees: (1) the *affiliated private fund's* management fee and performance-based fee or allocation; and (2) any management fee or performance-based fee or allocation paid by the *affiliated private fund* to the unaffiliated third party.

- D. Registrant's annual investment advisory fee shall be prorated and paid monthly, in advance, based upon the Net Asset Value of the given class of stocks, as described above in Item 5.A, on the last business day of the previous month. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future additional assets, dollar amount of assets to be managed, etc.).

The *Investment Advisory Agreement* between the Registrant and the *affiliated private funds* will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Securities Commission Transactions.** Registrant's Principal, Richard Simkus, in his individual capacity, is a registered representative of Frontier Solutions, LLC ("*Frontier Solutions*"), a FINRA member broker-dealer. In the event the client chooses to purchase investment products through *Frontier Solutions*, *Frontier Solutions* will charge brokerage commissions to effect securities transactions, a portion of which commissions *Frontier Solutions* pay to Mr. Simkus. The brokerage commissions charged by *Frontier Solutions* may be higher or lower than those charged by other broker-dealers. If clients purchase

mutual funds on a commission-basis in a brokerage account, *Frontier Solutions*, as well as Mr. Simkus, will also receive Rule 12b-1 fees during the period that the client maintains the investment.

1. **Conflict of Interest:** The recommendation that an investor purchase a commission product from *Frontier Solutions* presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular investor's need. No investor is under any obligation to purchase any commission products from Mr. Simkus. **The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions regarding the above conflict of interest.**
2. Investors may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for their advisory services.

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

Rule 205-3 of the Investment Advisers Act of 1940 permits a registered investment adviser to enter into a performance fee agreement with certain sophisticated clients who have the capacity to bear the potential additional risks of such a fee arrangement. An adviser can rely on Rule 205-3 only if the performance fee agreement is with Qualified Clients. Qualified clients are defined in the Rule as natural persons and companies that have *either* at least \$1,000,000 under management with the Registrant immediately after entering into a performance fee agreement *or* a net worth at the time the agreement is entered into in excess of \$2,100,000 (i.e. a natural person's net worth may include assets held jointly with a spouse). Each *affiliated private fund's* organizational and offering documents describe in detail any applicable performance-based fee or allocation arrangements.

Because Registrant and its representatives manage client accounts that charge both an asset-based fee and/or a performance based fee, this arrangement creates a **conflict of interest**, as Registrant and its representatives have an incentive to favor the *affiliated private funds* over its affiliate's separate accounts where its affiliate is not entitled to receive performance-based fees or allocations. The Registrant and its representatives also have an incentive to offer investments that they believe will be more profitable than others to the *affiliated private funds* in order to earn more compensation. Please see Item 12 (Brokerage Practices) for a discussion regarding how we attempt to mitigate this conflict. We seek to address these conflicts of interest by emphasizing our duty to place the interests of our clients first. In addition, the performance of the *affiliated private funds*

does not directly drive the compensation structure of our representatives, although our representatives have an equity interest in the *affiliated private funds* and will derive benefits from performance-based fees or allocations received by our affiliates. **The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions regarding this conflict of interest.**

Item 7 Types of Clients

The Registrant only provides investment management services to the *affiliated private funds*. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future additional assets, dollar amount of assets to be managed, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially

develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. The Registrant **does not** provide investment supervisory services to individual investors. Rather, the Registrant's investment supervisory services are limited to its management of the *affiliated private funds*. Currently, the Registrant primarily allocates the *affiliated private funds*' assets among various, unaffiliated, mutual funds, private investment funds and separately managed accounts, on a discretionary basis in accordance with the *affiliated private funds*' investment objectives.

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. **Registered Representative of Frontier Solutions, LLC.** As disclosed above in Item 5.E, the Registrant's Principal, Richard Simkus, is also a registered representative of *Frontier Solutions*, a FINRA member broker-dealer. See Item 5.E above for additional information about this relationship and the conflicts of interest this relationship creates.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Other Investment Adviser Firm** The Registrant's Principal, Richard Simkus, is the Managing Member of *Prism Advisory*, an affiliated SEC registered investment adviser. Also, as noted above, *Prism Advisory* holds an ownership interest in the Registrant. The Registrant may refer individuals or institutions to *Prism Advisory* for individualized investment advice. There is no obligation to engage the services of *Prism Advisory*. **The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions regarding the above conflict of interest.**

Licensed Insurance Agents. The Registrant's Principal, Richard Simkus, in his individual capacity, is a licensed insurance agent, and may recommend the purchase of certain insurance-related products on a commission basis.

Conflict of Interest: The recommendation by Richard Simkus to purchase an insurance commission product presents a conflict of interest, as the receipt of commissions provides an incentive to recommend insurance products based on commissions to be received, rather than on a particular investor's need. No one is under any obligation to purchase any insurance commission products from Richard Simkus. Any investors who approach Mr. Simkus for insurance commission products may purchase insurance products through other, non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions regarding the above conflict of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisers that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. As disclosed above, the Registrant has a financial interest in the *affiliated private funds*. The terms and conditions for participation in the *affiliated private funds*, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents.

The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also purchased or sold on behalf of the *affiliated private funds*. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are purchased or sold on behalf of the *affiliated private funds*. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor

the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

The Registrant **does not** provide investment supervisory services to individual investors. Rather, the Registrant's investment supervisory services are limited to its management of the *affiliated private funds*. As a "fund of funds" manager, the Registrant invests client assets primarily in privately offered limited partnership interests, and therefore does not have regular frequent interactions with brokers/dealers who execute trades on behalf of its clients.

The Registrant does not receive client referrals from brokers-dealers, nor does it receive any "soft dollar" benefits. Additionally, the Registrant does not have any directed brokerage practices.

Item 13 Review of Accounts

The Registrant **does not** provide investment supervisory services to individual investors. Rather, the Registrant's investment supervisory services are limited to its management of the *affiliated private funds*. An independent public accountant audits the affiliated private funds annually and audited financial statements are distributed to the individual investors of the *affiliated private funds*.

Item 14 Client Referrals and Other Compensation

- A. The Registrant does not receive any economic benefit from any non-client for providing investment advisory services
- B. Neither the Registrant nor any of its representatives compensates any person other than its supervised persons for client referrals.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each of the *affiliated private funds* debited by the custodian on a monthly basis.

The Registrant is deemed to have custody of its clients' assets by virtue of its role as general partner of the *affiliated private funds*. Assets of the *affiliated private funds* are held in the name of the fund by an independent qualified custodian, or are private, uncertificated securities recorded on the books of the issuer in the name of the respective *affiliated private fund*.

The Registrant discloses at Item 9 of ADV Part 1 that it has custody as a result of its relationship to the affiliated funds. An independent public accountant audits the *affiliated private funds* annually and audited financial statements are distributed to the individual investors of the *affiliated private funds*. The Registrant's Chief Compliance

Officer, Richard Simkus, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

Item 16 Investment Discretion

The Registrant provides investment advisory services to the *affiliated private funds* on a discretionary basis. The Registrant is the General Partner of both of the *affiliated private funds*. The Registrant is provided with the authority to buy, sell, or otherwise effect investment transactions involving the assets in the *affiliated private funds* discretionary account.

Item 17 Voting Client Securities

The Registrant is responsible for voting client proxies on behalf of the *affiliated private funds*. **However**, the *affiliated private funds* shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of the *affiliated private funds*. Although the factors which the Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not to be limited to, include the following: (a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation, etc.) With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Richard Simkus, remains available to address any questions regarding the above disclosures and arrangements.