

# Saxon Securities LLC

101 California Street, Suite 2710  
San Francisco, CA 94111  
415-820-5312

[www.saxonsecurities.com](http://www.saxonsecurities.com)

## Form ADV Part 2A Brochure

**March 28, 2019**

This brochure provides information about the qualifications and business practices of Saxon Securities LLC ("Saxon Securities"). If you have any questions about the contents of this brochure, please contact us at 415-820-5312 or [compliance@saxonsecurities.com](mailto:compliance@saxonsecurities.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.

Saxon Securities is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **ITEM 2 - MATERIAL CHANGES**

This Annual Updating Amendment of Saxon Securities' Form ADV Part 2 contains several non-material changes. This brochure has been posted on the SEC's public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 4 - ADVISORY BUSINESS

Saxon Securities was founded in 2010 as a limited liability company under the laws of the State of Delaware and is a privately owned firm.

Saxon Securities provides investment advisory services to institutional clients. Saxon Securities offers advice limited to FDIC and/or NCUA-insured deposits, either Certificates of Deposit ("CDs") or Money Market Deposit Accounts ("MMDAs").

For CDs, investments are tailored using separately managed accounts to each client's liquidity requirements and term preferences; taking into account the client's depository institution exclusions.

For MMDAs, investments are distributed across program FDIC and/or NCUA-insured depository institutions from client funds held with a program custodian.

### Assets Under Management

Saxon Securities manages client assets in discretionary accounts on a continuous and regular basis. As of 12/31/2018, the total amount of assets under our management was: \$100,578,028.

## ITEM 5 - FEES AND COMPENSATION

Saxon Securities charges an advisory fee for investment management services, based on assets under management. The advisory fees are payable on a management fee basis where fees are collected from the client's separately managed account periodically in arrears.

Schedule of fees for MMDAs:

The advisory fee on amounts held in MMDAs is determined on an average monthly basis across the various interest rate tiers of the daily deposit balances held in MMDAs. The compensation and other economic benefits that Saxon Securities receives by offering MMDAs, based on market conditions, interest agreed to be paid by Depository Institutions, and other factors, currently may range from 0.00% to 0.50%, annualized.

Schedule of fees for CDs:

For maturity terms less than 2 years:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$100 million	0.150 %
Above \$100 million To \$500 million	0.125 %
Above \$ 500 million	0.100 %

For maturity terms greater than or equal to 2 years:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$100 million	0.250 %

Above \$100 million To \$500 million	0.225 %
Above \$ 500 million	0.200 %

Fees are based on incremental assets using tiered break-points. Break-points are applied to the aggregate of all accounts in the client relationship.

Some accounts may be under different fee schedules honoring prior agreements. Our standard fee schedules may be negotiable at our discretion based on a number of factors, which include but are not limited to “grandfathered” accounts, complexity of accounts (e.g., custom reporting, etc.), and other special situations.

Clients will be responsible for paying all custodian fees associated with our advisory services. Any brokerage fees, or other transaction costs payable in connection with the execution of transactions shall be incurred by the client; see **Item – 12 Brokerage Practices** for more information on brokerage practices.

Neither Saxon Securities nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Saxon Securities does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **ITEM 7 - TYPES OF CLIENTS**

Saxon Securities provides managed account services and generally imposes a minimum dollar commitment, but such minimum commitment is negotiated on a case by case basis. Saxon Securities may lower such minimum at its discretion. There is no minimum amount required for subsequent deposits.

Saxon Securities provides investment management services to: individuals, investment managers, municipalities, investment companies and corporations or business entities, and non-profit organizations.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Analysis:**

When bank credit analysis is required, Saxon Securities uses the proprietary credit rating system provided by IDC.

### **Investment Strategies:**

Saxon Securities invests solely in FDIC-insured brokered time (certificates of deposit) and/or money market (money market deposit account) at FDIC and/or NCUA-insured depository institutions, with principal and accrued interest of the deposits remaining under the FDIC insurance limit coverage at each institution.

### **Risk of Loss:**

Investing in brokered deposits involves certain minimum risks that clients should be prepared to bear. We will do our very best in the management of the client's assets; however, we cannot guarantee any level of performance or that the client will not experience a loss of account value.

#### **ITEM 9 - DISCIPLINARY INFORMATION**

Saxon Securities does not have any legal, financial or other disciplinary items to report.

#### **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Saxon Securities does not offer any other services or have any affiliates in the financial industry.

#### **ITEM 11 - CODE OF ETHICS**

Saxon Securities has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Saxon Securities must acknowledge the terms of the Code of Ethics annually, or as amended.

Such potential conflicts include those relating to allocation of investment opportunities. For example, it is possible that an investment opportunity may be suitable for more than one account managed by Saxon Securities, but may not be available in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. A conflict arises where the portfolio manager has an incentive to treat an account preferentially because of the strategic nature of the account. To address these conflicts of interest associated with the allocation of trading and investment opportunities, Saxon Securities has adopted an investment allocation policy and trade allocation procedures that govern the allocation of portfolio transactions and investment opportunities across multiple advisory accounts. Saxon Securities allocates across accounts fairly and equitably over time based upon its policies and procedures.

Saxon Securities' Code of Ethics is based upon the following core principles:

1. The interests of clients will be placed ahead of the Firm's or any Supervised Person's own investment interests at all times.
2. Supervised Persons are expected to conduct their personal securities transactions in accordance with the Firm's Personal Trading Policy within the Code of Ethics, which requires that they submit an initial holdings report and regularly report their personal securities holdings thereafter, and notify the Chief Compliance Officer of any outside business activity in which they would like to engage.
3. Supervised Persons are expected to comply with federal and other applicable securities laws.
4. Information concerning the identity of security holdings and financial circumstances of all clients is confidential.
5. Supervised Persons should not accept inappropriate gifts, favours, entertainment, special accommodations or other things of material value that

could influence their decision-making or make them feel beholden to a person or firm.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Saxon Securities 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 for their own accounts.

Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Saxon Securities and its clients.

To supervise compliance with its Code of Ethics, Saxon Securities requires that all employees provide copies of their personal securities holdings and transaction reports to the firm's Chief Compliance Officer for review. Any individual not in observance of the above may be subject to disciplinary action.

As a registered investment adviser, Saxon Securities serves as a fiduciary to its clients. As a fiduciary, Saxon Securities owes its clients an affirmative duty of utmost good faith and full and fair disclosure of all material facts. Saxon Securities must disclose all material facts regarding the Firm, the advisory services rendered, compensation and conflicts of interest.

Failure to comply with the Firm's Code of Ethics may result in disciplinary action, up to and including termination of employment.

### **Conflicts**

Saxon Securities may hold deposits at the same banks that it recommends to its clients. As noted above, Saxon Securities' Code of Ethics requires all personnel to act in the best interests of clients and avoid any conflicts of interest.

Clients and prospective clients may request a complete copy of Saxon Securities' Code of Ethics by contacting [compliance@saxonsecurities.com](mailto:compliance@saxonsecurities.com).

## **ITEM 12 - BROKERAGE PRACTICES**

Should the client require transactions to be performed on an agency basis, where the advisory fee is paid at the time of transaction in the form of a markup, Saxon Securities will use the services of a preferred broker-dealer. Saxon Securities does not receive soft dollars benefits from broker-dealers.

Saxon Securities has an incentive to select a preferred broker-dealer based on our interest in receiving client referrals. Preferred broker-dealers are compensated on a portion of the advisory fees paid by the client, this benefits the client because the overall commission rates you pay are lower than they would be otherwise.

Saxon Securities will not allow clients to direct Saxon Securities to use a specific broker-dealer to execute transactions. Clients must use the broker-dealer that Saxon Securities recommends. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use the preferred broker-dealer, Saxon Securities

believes we may be able to more effectively manage the client's portfolio, achieve favourable execution of client transactions and overall lower the costs to the portfolio.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Managed Account Reviews**

Client accounts are reviewed with regards to their investment policies when opened and periodically reviewed upon client policy changes as required.

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as liquidation or term requirements).

### **Account Reporting**

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, Saxon Securities provides written reports detailing performance in client accounts on a quarterly basis.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

On a case by case basis, Saxon Securities may compensate a solicitor for a client referral. Such compensation may take the form of a one-time fee, or may take the form of a portion of Saxon Securities' fees on the account.

## **ITEM 15 - CUSTODY**

Saxon Securities does not take physical custody of client funds or securities. We will set up quarterly fee deduction ability from the client's account, when authorized by the client.

Saxon Securities will not have custody of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account if all of the following requirements are met:

1. Clients' accounts are held by a qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution).
2. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our management fee.
3. Each billing period, we send clients a statement showing the value of the client's assets upon which we based the fee, the amount of the fee, and how we calculated the fee.
4. We send only the amount of our fee to the custodian.
5. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

## **ITEM 16 - INVESTMENT DISCRETION**

The limitations on Saxon Securities authority to determine, without obtaining specific consent, the securities to be bought or sold, or the amount of the securities to be bought or sold, are set forth in the applicable management agreement that is negotiated with each client.



**ITEM 17 - VOTING CLIENT SECURITIES**

This item is currently not applicable.

**ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Saxon Securities does not require the prepayment of more than \$500 in fees per client, six months or more in advance, and does not have or foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.

## Form ADV Part 2B Brochure Supplement

Ned Lucia, PhD

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**March 28, 2019**

This brochure supplement provides information about Ned Lucia, PhD that supplements the Saxon Securities LLC's brochure. You should have already received a copy of that brochure. Please contact [compliance@saxonsecurities.com](mailto:compliance@saxonsecurities.com) if you did not receive our brochure or if you have any questions about the contents of this supplement.

Additional information about Ned Lucia, PhD also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Ned Lucia, PhD**

### **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Ned Lucia, PhD**, Managing Partner & CEO, b. 1966

#### *Education:*

Mr. Lucia earned his PhD in Mathematics and Masters degree in Mathematics from the University of California, San Diego and his bachelor's degree in Mathematics from the University of California, Santa Barbara. He is a licensed investment professional holding the Series 65 license (A Series 65 tests the candidate's comprehension of financial concepts and qualifies them to give investing advice and charge a fee. Most state securities regulators have set the Series 65 as the minimum requirement to become an investment advisor representative).

#### *Business Background:*

Prior to co-founding Saxon Securities LLC, Mr. Lucia was President and CEO of Structural Investment Management that oversaw \$1.5 billion in assets under management with the majority in cash management for institutions. Before that, he served as Structural's Chief Operating Officer and served on its investment committee. Previously, Mr. Lucia was Vice President, EU Operations at AOL's Advertising.com's European division, a \$140 million business unit. In addition, he was Director of EU Corporate Strategy for Advertising.com. Mr. Lucia also built a research and development team of PhD quantitative analysts to improve the logic of proprietary algorithms as Director of R&D at Advertising.com. Prior to Advertising.com, he held P&L responsibility for Blue Pumpkin Software's professional services group as Senior Director of Professional Services.

### **ITEM 3 - DISCIPLINARY INFORMATION**

Ned Lucia has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Ned Lucia is not engaged in any investment-related business or occupation (other than this advisory firm).

### **ITEM 5 - ADDITIONAL COMPENSATION**

Other than salary, annual bonuses, regular bonuses, Ned Lucia does not receive any economic benefit from any person, company, or organization, in exchange for providing clients advisory services through Saxon Securities LLC.

### **ITEM 6 - SUPERVISION**

Ned Lucia is not supervised by any other individual

### **ITEM 7 - REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Ned Lucia has no additional disclosures.