



**Part 2 of Form ADV-Brochure**

**CRD# 284581**

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**June 14, 2019**

This brochure provides information about the qualifications and business practices of Emerge Capital Management Inc. If you have questions about the contents of this brochure, please contact Lisa Lake Langley at (716)-970-4512 or [llangley@emergecm.com](mailto:llangley@emergecm.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 Emerge Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Emerge Capital Management Inc. is an investment adviser registered with the SEC.

The registration of any 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.

## **Item 2     Material Changes**

The most recent previous update of this brochure was March 29, 2019. The material changes in this update reflect the growth in our investment management services, among other things, through increase in our assets under management as of June 13, 2019.

Currently, our brochure may be requested by contacting Lisa Lake Langley, President & CEO, at (716) 970-4512 or [llangley@emergecm.com](mailto:llangley@emergecm.com). Our brochure is also available on our web site [www.emergecm.com](http://www.emergecm.com) also free of charge. Additional information about Emerge is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Emerge who are registered, or are required to be registered, as investment adviser representatives of the firm.

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#### **Item 4     Advisory Business**

Emerge Capital Management is an investment advisory firm which provides investment management services for clients and distribution, investment management and consulting services for other registered investment advisors. We began providing services in January 2016.

Emerge provides a platform of emerging manager strategies for use by individuals and other investment advisors. Emerge also provides these firms with consulting services to assist them in the launch process of their strategies.

Emerge pursues consulting assignments and sales directly with foundations, endowments and corporate pension plans. For these plans, Emerge provides the services required, such as asset allocation, performance reporting, ongoing oversight and administration.

Emerge accepts direct accounts for discretionary management with sub-advisors on a limited basis.

The firm's principal owners are Lisa Lake Langley and Charles Spiring. Ms. Langley is our CEO, sole director and Chief Compliance Officer.

##### **Investment Advisory Services**

Emerge provides investment advisory services to institutional clients and other investment advisors. The program of services depends on the needs and preferences of each client. These services involve continuous and regular account supervision and review.

- a. Administrative Services- Emerge handles administration of the platforms emerging manager distribution clients where we are able to place their investment strategies. In this case, model portfolios are designed by the sub-advisor who then informs Emerge. Emerge implements stock selections based on price and available assets in the account, and ensures timely application of any mandate changes to all accounts for all platforms.
- b. Portfolio Management for institutional clients or businesses- Based on the institutions investment objectives and asset allocation needs, Emerge will make recommendations of suitable investment managers (sub-advisors) to match their objectives. Emerge will function as a "manager of managers" utilizing sub-advisors. These strategies will be subject to any security restrictions the client/institution may have. Further guidelines imposed by the institutions/clients may affect the composition and performance of individual portfolios. As such, investment portfolios with the same asset allocation and investment objective may differ. Investment guidelines and restrictions will be received in writing.
- c. Performance Evaluation and Monitoring- Selection of other advisors (sub-advisors)- Emerge will monitor the performance of sub-advisors and make recommendations based on their style, performance history, risk metrics/risk management in consideration of the investment goals stated. The custodian of the account will provide monthly/quarterly statements. The firm will maintain account performance with its portfolio management system.
- d. Discretionary authority- The discretion of the stock selection will be delegated to each underlying investment manager selected based on the client's specific investment

objectives. As of June 13, 2019, we provided continuous management services for \$119,628,513.23 in client assets on a discretionary basis.

- e. Emerge Manager of Managers Platform (“EMP”)- Emerge will provide portfolio management services to clients using model asset allocation portfolios which we will tailor to meet the unique needs of particular clients. We manage these advisory accounts on a discretionary basis only. We maintain an investment policy statement for each institutional client, which documents and specific requirements and security restrictions. On a quarterly basis, we provide clients with a detailed performance statement.
- f. Distribution Services- Emerge contacts other professional advisors/investors, corporations, foundations, endowments on behalf of investment managers who hire Emerge. Emerge performs due diligence on distribution clients, including their investment performance, discipline and methodology.
- g. Educational Seminars/ Workshops- Emerge provides training to advisors to learn more about the investment strategies we represent. We only provide marketing materials which have been pre-approved by each investment manager. Emerge also helps advisors become more familiar with offering discretionary investment management services and how these services are differentiated from as example, mutual funds.
- h. Consulting- Emerge provides consulting to smaller corporations, pension funds or non-profit groups. This includes helping the organization determine an appropriate asset mix and how to move forward with an implementation plan. Also how to examine the type of reporting needed for them to manage the performance and service of each investment manager selected.

## **Item 5 Fees and Compensation:**

Emerge earns compensation from distribution fees (paid monthly on an annualized rate) and from investment management revenue as a percentage of the investment management fee earned by the sub-advisor. For some distribution clients, Emerge will be a solicitor. For other distribution clients, Emerge will be a solicitor and an administrator of their strategies on other separate account platforms, and also possibly on the Emerge platform. This revenue also compensates Emerge for training and workshops to share knowledge about the managers Emerge is distributing for.

Emerging managers may also hire Emerge for consulting services to help them develop a go-to-market strategy; marketing collateral and or website modifications or development with a website developer.

As a manager of managers for the Emerge platform, Emerge will notify custodians of billing schedules authorized by its institutional clients. Fees are generally charged quarterly in advance. Emerge will contract with sub-advisors and collect client fees through custodians with client consent and then pay investment managers. This platform is currently in development. Emerge will charge enough to compensate for development of program. This is generally 10-20 bps more than the sub-advisory fee. All charges will be fully disclosed to investors.

As a portfolio manager, Emerge earns an investment management fee if the institutional account participates in the Emerge platform of investment managers. The investment management fee is generally 1.0% or less, depending on the number of mandates involved and complexity in performance reporting.

Emerge may provide corporations and pension plans and non-profits with consulting and asset allocation services. The fees for this service will range from .25%-1% depending on size and depth of requirement.

Emerge Platform Standard Discretionary Investment Advisory fees:

Depending on client and account size will range from .50% to 1.00%, plus custody and trading.

In certain circumstance, fees may be negotiable based on account-size and total number of accounts.

A client agreement, other than distribution and administration clients, may generally be cancelled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Clients may make a request for a refund in such termination notice. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, and ETFs. These fees and expenses are described in each Fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee.

The client may grant the firm the authority to receive quarterly payments directly from the client's account held by an independent custodian. Accordingly, the client will provide, in writing, limited authorization to withdraw the contractually agreed upon fees from the account. The custodian of the account is advised in writing of the limitation on the firm's access to the account. The custodian will also send to the client a statement, at least quarterly, indicating all the amounts disbursed from the account including the amount of advisory fees paid directly to the firm.

The Emerge Investment Advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the Emerge platform fee and the fees charged by any sub-advisors.

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

The Emerge platform does not charge performance based fees.

Emerge also does not distribute for any investment managers who charge a performance based fee at this time.

**Item 7      *Types of Clients***

Emerge has the types of institutional clients listed below. The minimum account size for all accounts will range from \$50,000 to \$100,000 depending on the investment manager mandate:

- a) Emerging Investment Managers we provide distribution and administration services.
- b) Emerging Investment Managers we provide consulting services.
- c) Institutional/professional investors who invest in the Emerge platform of emerging manager mandates.
- d) Institutional pension clients, retirement plans, foundations, endowments
- e) Other registered investment advisors, such as family offices.
- f) A small group of private clients consisting of family and non-solicited closely associated persons. Emerge is not marketing in the private client segment.



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

Emerge is focused on the due diligence of the investment managers the firm agrees to contract with for distribution services. This is the first component of risk management. Emerge will provide a rigorous analysis of how the investment manager achieves its performance relative to the composition for the type of strategy.

Emerge will also analyze the infrastructure of the underlying investment managers. We want to be sure they have the operational capacity to manage the growth and also to maintain their investment discipline.

Emerge will assess each investment manager's compliance standing and their past regulatory record. Emerge is building a reputation for only being associated with exceptional investment managers and this will continue to be the case.

For direct institutional clients, Emerge will document their investment objectives and investment policy requirements. All accounts will be reviewed monthly, with detailed quarterly reviews documented.

Emerge is responsible for making sure all distribution clients receive current performance and updated information about the investment managers we provide training, marketing and platform access for. Emerge will schedule and participate in regular webcasts featuring investment managers. Emerge will hold workshops and training venues to help increase the knowledge of the investment managers we support.

For the Emerge platform, Emerge will adhere to all regulatory requirements for account supervision and maintenance. All accounts will be approved at set-up and reviewed monthly and quarterly for asset allocation. Emerge will not be doing the stock selection or bond selection. Emerge will be maintaining the mandates of sub-advisors on the Emerge platform who also may be distribution clients.

We provide model portfolio construction services primarily to financial services providers whereby we will construct model portfolios based on stated investment goals and objectives. These models will predominately utilize sub-advisors, who use both individual securities and ETFs. The ETFs may be used to provide diversification and a global reach for the portfolios.

**Model Portfolio Risk/ Sub-Advisor Risk-** The Emerge model portfolios will be based on the utilization of sub-advisors and certain minimum accounts size restrictions may limit the use of certain sub-advisors. Emerge is not involved in model portfolio design but does make security selection and implementation in the underlying accounts. In addition, Emerge is performing ongoing monitoring on each investment manager on their roster and continuous and regular review of the underlying accounts, and this analysis is documented quarterly.

**Use of Third Party Software and data-** Emerge uses Morningstar Direct for research an analysis of our selected sub-advisors for the Emerge platform. We depend on the ability of third party software and data providers to deliver and support accurate and reliable products. Our ability to provide investment services to clients could be adversely affected if we are unable to make timely or effectively replace software or data that becomes unavailable or fails to operate

effectively for any reason.

**Equity Market Risk-** Overall stock market risks may affect the value of investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets. Risks of investing in equity securities also include: the possibility of volatility creating inter-month changes that lead to a decline in market value; risks from investing in assets, especially ETFs that may lack sufficient liquidity; and subject to liquidation under times of market stress.

**Management Risk-** Our judgements about the attractiveness, value and potential appreciation of a particular model portfolios and implementation of them may be incorrect and there is not guarantee that a model portfolio of sub-advisors will perform as anticipated. Risks from management of your portfolio also include: incorrectly interpreting risk; incorrectly allocating assets to mitigate risk, and incorrectly interpreting the correlation between various sub-advisors and asset classes.

**Fixed Income Market Risk-** to the extent a model portfolio contains fixed income investments, their values are based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of fixed income securities generally increases.

**Credit Risk-**To the extent a model portfolio contains fixed income investments, there is a risk that issuers and counterparties will not make payments on the securities they issue. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security which may adversely affect the performance of the portfolio and your investments.

Investing in securities involves risk of loss that clients should be prepared to bare. Such risks include market risk, interest rate risk, and currency risk among others. In addition, frequent trading of securities can affect investment performance particularly through increased brokerage and other transactions. Risk cannot be eliminated from the investment process, however Emerge will ensure we adhere to any client specific restrictions and asset allocation requirements. We will keep the professional advisor informed of investment manager security changes and important updates they can share with their clients.

## **Item 9      Disciplinary Information**

Emerge has no information applicable to this Item. Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of EmERGE or the integrity of EmERGE's management.

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

The President & CEO, Lisa Lake Langley, is active in the non-profit association the Money Management Institute and EmERGE Capital Management is a member of the association.

Emerge is also a member of the Buffalo Niagara Chapter of the Chamber of Commerce.

We may recommend that clients on our Emerging Managers Platform select sub-advisers who are also distribution clients of EmERGE. In connection with this selection, we disclose this fact to our clients. We also disclose to them information about the sub-adviser, including its investment strategies and performance record. We also review with the client how these strategies fit within its investment policy and plans. We do not receive any additional compensation for referring the sub-adviser to this client and the client does not pay any additional fees for doing so. As a result, we do not believe this presents a conflict of interest.

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

Emerge 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.

It is our expressed policy that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account and therefore, preventing such employees from benefitting from transactions placed on behalf of advisory accounts.

Any of our officers or employees will not buy or sell securities for their personal portfolios where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of ours shall prefer his or her own interest to that of an advisory client. Any individual not in observance of these practices may be subject to termination.

We emphasize the unrestricted right all advisory clients have to select and choose any broker or dealer of their choice.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition of insider trading, restrictions on the acceptance of significant gifts, personal securities trading procedures, compliance with Federal Securities laws, and reporting of code violations, among other things. All supervised persons at EmERGE must acknowledge the terms of the Code of Ethics annually, or as amended.

The firm, related persons or related entities may buy or sell investment securities recommended to the firm's clients. No related persons may buy a security that is under consideration for purchase or sale. Records will be maintained of all securities bought or sold by the firm, related persons, or related entities. Such records will be available for inspection upon request.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the firm 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the firm's clients. In addition, the Code requires pre-clearance of some transactions, and restricts trading in close proximity to client trading activity as noted above. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between the firm and its clients.

To request a copy of the Company's Code of Ethics contact:

Lisa Lake Langley at (716) 970-4512 or [llangley@emergem.com](mailto:llangley@emergem.com);  
325 Delaware Avenue, Suite 204, Buffalo, NY 14202.

It is Emerge's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. The firm will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.

**Privacy Policy** – Emerge Investment Management is committed to protecting the confidentiality and security of your private information. This notice is provided to help you understand how we safeguard your privacy.

In order to properly service accounts, we must obtain some nonpublic personal information. The types of information we may need to obtain fall into the following categories:

- Information that we receive verbally and/or on applications or other forms; such as, names, addresses, phone numbers, social security numbers, and investment objectives; and
- Information about transactions with Emerge and Emerge sub-advisors.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law.

Access to your personal information is restricted to those employees that need to know that information to provide services to you. We maintain physical, electronic, and procedural safeguards to comply with federal standards to protect your personal information.

## Item 12 Brokerage Practices

Where Emerge provides investment management, distribution, administrative and consulting services for other investment advisers, broker selection will be made by the investment adviser according to the respective arrangements with its clients.

For discretionary accounts, the firm has authority to determine the type and amount of securities to be bought and sold, the broker-dealer to be used and the commission rates to be paid without obtaining specific client consent. This authority shall be established upon execution by the client of the power of attorney outlined in the advisory agreement.

Although the firm maintains discretion on these accounts, the firm must adhere to the client's investment objectives including any investment restrictions and/or asset allocation guidelines.

The firm's clients are free to choose their own custodians and may choose to direct transactions for their advisory accounts to a specific broker(s). However, the firm may recommend certain broker-dealers. The value of products, research and services of any recommended firm will be taken into consideration in making the recommendation.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we may recommend the use of one of several broker dealers, provided that such recommendation is consistent with our fiduciary duty to the client. Our clients must evaluate these brokers before opening an account. The factors considered by us when making this recommendation include the reasonableness of their compensation, the broker's ability to provide professional services, our experience with the broker, the broker's reputation and the broker's financial strength. Clients are not under any obligation to effect trades through any recommended broker.

Where the use of specific brokers is requested by a client, the client will be required to make such appointment on a form which will become an attachment to the investment advisory agreement. Adviser may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. A disparity in commission charges may exist between the commissions charged to clients who direct Adviser to use a particular broker-dealer and other clients who do not direct Adviser to use a particular broker-dealer.

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner. It is the policy of the firm to aggregate client transactions where possible. Emerge prohibits any allocation of trades in a manner that the firm's proprietary accounts, affiliated accounts, or any particular clients receive more favorable treatment than other client accounts. Clients that meet suitability requirements and have available cash should be included in the block. If the trader is unable to fill the entire block order, then the partially filled block will be allocated in a manner in which no client or group of clients receive a more favorable treatment than other client account. (e.g., a partial purchase would be allocated to the accounts with the most available cash or pro-rata).

### **Item 13      Review of Accounts**

The nature and frequency of account reviews may vary from client to client and will depend on the client preferences, needs and circumstances. Accounts are reviewed by the Emerge Operations Manager. Clients instruct advisors to adhere to asset allocation guidelines and to purchase equities and/or fixed income that are appropriate for the account. Daily reviews will be performed ongoing as accounts are implemented and updated. Accounts will also be modified as required as Emerge receives information, which contains one of the following elements:

- Information which would affect the holdings;
- when additional funds for investment are received;
- when new investment opportunities arise; and
- when funds are withdrawn.
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Emerge performs daily reviews of all prior day transactions. Trade review is supervised by the Chief Compliance Officer. Every account will be reviewed monthly. Quarterly reviews will more closely examine variances to models and asset allocation standing.

All clients will receive a confirmation of every trade (unless the client has consented to the suppression of confirms, as clients frequently do in wrap programs), and quarterly statements which outline the clients' current position, security cost basis, and current market value. Clients will receive monthly account statements only if a qualifying activity occurs. The custodian will be responsible for sending periodic statements to the client. At a minimum, statements will be sent quarterly. The custodian will be responsible for sending the client and the firm confirmations of purchase and sale transactions in client's account.

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

The firm may enter into agreements with non-related individuals or organizations who may receive compensation for soliciting clients for the firm. These agreements are governed by Rule 206(4)-3 of the Investment Advisers Act of 1940. All clients procured by solicitors will be given full disclosure describing the terms and fee arrangements between the firm and the solicitor.

Emerge will ensure anyone who receives compensation is authorized to do with any of our distribution partners. Emerge will maintain standards of confidentiality and protect client information from unauthorized parties. Emerge will maintain high standards on trading practices and review all accounts of those who receive compensation and establish pre-trade authorization for all employees, agents of Emerge who have access to trading information of the securities of the investment managers we support.

Emerge will hold at a minimum annual compliance meetings and ensure adherence to all policies and procedures and maintain evidence thereof. Emerge also distributes as a solicitor, and in those cases, Emerge provides all marketing contacts with the appropriate solicitation disclosures.

#### **Item 15 Custody**

Emerge does not accept custody of client funds. The custodian of the account will hold all customer assets. Clients will select their own custodian.

All clients will receive a confirmation of every trade and quarterly statements which outline the clients' current position, security cost basis, and current market value. Clients will receive monthly account statements only if a qualifying activity occurs. The custodian will be responsible for sending periodic statements to the client. At a minimum, statements will be sent quarterly. The custodian will be responsible for sending the client and the firm confirmations of purchase and sale transactions in client's account. We urge that any account statement received by the client from Emerge be compared to the account statements received by the client from their qualified custodian.

## **Item 16 Investment Discretion**

Emerge usually receives discretionary authority from the client at the outset of an advisory relationship. Discretion may be used in the selection of securities or subadvisors. In some cases, Emerge exercises discretion within agreed upon procedures as defined by the sub-advisor in stock selections within the mandate based on price and available assets in the account and ensures timely application of any mandate changes to all accounts for all platforms. In cases, where clients are investing on the Emerge platform, Emerge will apply the sub-advisors mandate to the client account/s. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives/ investment policy statement for the particular client account.

When selecting securities and determining amounts, Emerge observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Emerge in writing.

## **Item 17: Voting Client Securities**

As a matter of firm policy and practice, Emerge does not generally retain authority and does not vote proxies on behalf of advisory clients.

Sub-advisors retain the responsibility for receiving and voting proxies for any and all securities maintained in accounts managed by Emerge, unless a client expressly requests to do so. This would be indicated on the original account application. All proxy notices are forwarded directly to the sub-advisors unless expressly requested by a client, has been indicated on the client's custodial account application.

A copy of the Emerge's Proxy Voting Policies and Procedures may be obtained by emailing your request to [Llangley@emergecm.com](mailto:Llangley@emergecm.com).

## **Item 18 Financial Information**

Registered investment advisers are required in some cases to provide certain financial information and or disclosures about financial condition. For example, if the firm requires prepayment of fees six months or more in advance, has custody of client funds, or has a condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients, it must provide financial information and make disclosures. The firm has no financial or operational conditions which trigger such additional reporting.