

Sagewater Wealth Management LLC

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FORM ADV Part 2A

BROCHURE

Item 1 – Cover Page

This brochure provides information about the qualifications and business practices of **Sagewater Wealth Management LLC** (“Sagewater”). If you have any questions about the contents of this brochure, please contact us at 310-574-2866 or email sagewaterwealth@gmail.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.

Sagewater Wealth Management LLC 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 Sagewater Wealth Management LLC also is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number known as a CRD number. Our firm’s CRD number is 332662.

Item 2 – Material Changes

This amendment to Part 2A of Form ADV for Sagewater Wealth Management LLC contains NO material changes since the firm’s initial filing dated August 19, 2024:

Currently, our brochure may be requested by contacting us by email at sagewaterwealth@gmail.com.

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Item 4 – Advisory Business

Sagewater Wealth Management LLC is a fee-based investment adviser that offers investment management services. Our firm is organized as a limited liability company under the laws of California. **Sagewater Wealth Management LLC** was founded in 2024 by Peng Zhang. Peng Zhang and Cheyun Xia currently have 67% and 33% member interest in the firm, respectively.

As used in this brochure, the words “we”, “our”, “us” and “Sagewater” refer to **Sagewater Wealth Management LLC** and the words “you”, “your” and “client” refer to you as either a client or prospective client of our firm.

Separately Managed Accounts

Sagewater provides discretionary portfolio management services to clients using separately managed accounts. Sagewater manages client accounts using a single common investment strategy and usually does not tailor its advisory services to the individual needs of clients. Prior to establishing a client relationship, Sagewater evaluates whether this strategy meets the

investment goals for each prospective client. Sagewater has the ability to offer separate investment strategies to certain clients based on their specific objectives, the size of the account, tax considerations, or other unique circumstances specific to the client. Clients may impose restrictions on investing in certain securities or types of securities. However, Sagewater's primary focus is to manage a single investment strategy focused on the principles of value investing in common stocks. We disclose to all clients the existence of any and all material conflicts of interest in writing regarding the investment adviser, its representatives, or any of its employees before entering or renewing an advisory agreement.

We are value investors who see stocks as economic interests in actual companies. We believe that investing in a select number of financially durable, well-run businesses at the right price is the key to outpacing inflation and building real wealth over the long term. We focus on select, handpicked companies and may build a large position in a holding in which we are especially confident. This permits us to focus on our best ideas and allows each stock's performance to potentially have a meaningful impact on returns. We define risk as a permanent loss of capital, not short-term stock price volatility. We see market declines as providing opportunities to invest in high-quality businesses at bargain prices for the long term. In summary, we seek long-term high return with low risks by concentrating on a few great businesses that we think can grow over time and seek to invest in them at a discount (margin of safety) to what we estimate they are worth.

Sagewater does not participate in any wrap fee programs.

As of December 24, 2024, Sagewater managed approximately \$2,660,000 on a discretionary basis and \$0 on a non-discretionary basis.

Item 5 – Fees and Compensation

Sagewater Wealth Management LLC offers two distinct investment strategies with different fee structures: Growth Investment Management and Income Investment Management.

1. Growth Investment Management Strategy

- **Management Fees:** The Growth Investment Management Strategy charges an annual management fee of 1% of assets under management (AUM). This fee is prorated and deducted quarterly, with 0.25% of AUM being deducted at mid-quarter.
- **Performance Fees:** A performance fee of 15% is charged on the annual returns that exceed a 6% hurdle rate after the deduction of the management fee. This fee is calculated

and charged at the end of the year. The performance fee is subject to a High-Water Mark (HWM), meaning that the fee is only charged if the year-end net asset value exceeds the highest previous net asset value. Once a performance fee is charged, the net asset value at the end of that period becomes the new high-water mark, and performance fees will only be charged on returns that exceed this new level.

2. Income Investment Management Strategy

- **Management Fees:** The Income Investment Management Strategy also charges an annual management fee of 1% of AUM. Similar to the Growth strategy, this fee is prorated and deducted quarterly, with 0.25% of AUM being deducted at mid-quarter.
- **Performance Fees:** A performance fee of 15% is charged on the annual returns that exceed a 3% hurdle rate after the deduction of the management fee. This fee is calculated and charged at the end of the year. The performance fee is subject to a High-Water Mark (HWM), meaning that the fee is only charged if the year-end net asset value exceeds the highest previous net asset value. Once a performance fee is charged, the net asset value at the end of that period becomes the new high-water mark, and performance fees will only be charged on returns that exceed this new level.

General Terms for Both Strategies

In certain circumstances, fees, account minimums, and their applications to family circumstances may be negotiable. We may waive our advisory fees for employee-related accounts, family members, and certain other accounts, at our discretion.

By signing an advisory agreement, you have given written authorization for our advisory fee to be deducted from your account. Sagewater uses Interactive brokers, LLC (IB) as custodian for client assets. IB may deduct our fee directly from your account and remit payment directly to our firm on a quarterly/annual basis, following the end of the quarter/year for which services were rendered. The fee will be calculated on a pro-rata basis in the event that the first or last quarter/year during which the agreement is in effect is less than a complete calendar quarter/year or in those instances where there is a significant principal addition or withdrawal. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

Sagewater is a “fee only” investment advisor, and other than its advisory fee described above, neither the firm nor its employees receive or accept any direct or indirect compensation related to investments that are purchased or sold for Client Accounts. This means that Clients will not be sold products or services that create additional fees or compensation to benefit Sagewater

or its employees or its affiliates other than those described in this Brochure and on the Site. However, in addition to advisory fees, Clients may also pay other fees or expenses to third parties. The issuer of some of the securities or products we purchase for Clients, such as ETFs or other similar financial products, may charge product fees that affect Clients. Sagewater does not charge these fees to Clients and does not benefit directly or indirectly from any such fees.

Refund Policy

Sagewater has no formal refund policy because advisory fees payable are assessed in arrears.

Termination Policy

A client agreement may be canceled at any time, by either party, for any reason, upon receipt of written notice. Upon termination, all prepaid, unearned fees will be returned within thirty days. All asset management agreements are entered into for a twelve-month period, and automatically renewed every twelve months unless termination action is taken.

Unless a client has received the firm's disclosure brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees.

Other Compensation

Sagewater does not receive any compensation other than its advisory fees, as described above.

Item 6 – Performance-Based Fees And Side-by-Side Management

Sagewater may receive performance-based compensation for qualified clients as described in Item 5. Performance-based compensation may create an incentive for the adviser to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation.

Since we endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address any conflicts that may arise with a Performance-Based Fee arrangement:

1. We disclose to clients the existence of all material conflicts of interest;
2. We collect, maintain, and document accurate, complete, and relevant client background information, including the client's financial goals, objectives, and risk tolerance;
3. Our management conducts regular reviews of each client account to verify that the investment goals and objectives are aligned with our investment strategies;

4. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients and equitable treatment of all clients, regardless of the fee arrangement.

Performance-Based Fees will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations. The fees will not be offered to any client residing in a state in which such fees are prohibited. Qualified clients will not be charged management fees in addition to performance-based fees.

We have no intention of treating or investing our Performance-Based Fee clients any differently than we do our Asset-Based Fee clients.

Item 7 – Types of Clients

Sagewater provides discretionary investment management services to individuals, high-net-worth individuals, qualified retirement plans, trusts, and small businesses. We try to attract clients with a long-term view and with capital appreciation as the main goal.

Sagewater generally requires a minimum investment of \$100,000. Sagewater may, in its sole discretion, raise or lower the minimum requirement with respect to certain clients.

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

Investment Perspective

At Sagewater, we embrace a value-driven investment approach. Simply put, value investing involves purchasing assets for less than their intrinsic worth. Our main objective is to safeguard capital over the long term while striving to achieve above-average returns throughout a full market cycle. We invest across a range of market capitalizations, always on the lookout for high-quality companies trading at attractive valuations.

Our research begins with a carefully curated watch list that includes current holdings, previous investments, and potential new opportunities. We engage in thorough research, keeping a close eye on company developments, industry trends, and broader economic factors. By examining a business from every angle, we aim to uncover insights that others might overlook. We rely on independent sources to pinpoint the key drivers affecting each industry or company.

Sagewater crafts independent, long-term financial forecasts and assesses potential risks. This disciplined yet flexible methodology allows us to weigh certain valuation metrics more heavily depending on the industry—transaction multiples might matter more for small banks, while discounted cash flows are crucial for consumer goods companies. We typically seek to acquire businesses at a significant discount to our calculated intrinsic value.

Investment Approach

Sagewater is committed to consistently doing the right thing, with a strong emphasis on integrity and accuracy. We do not engage in short selling or margin trading. Our focus remains within our area of expertise, as we closely monitor specific industries and companies.

We only commit capital to businesses we thoroughly understand. We concentrate our investments on companies with strong competitive advantages, robust business models, ethical and capable management, and a solid corporate culture. Our approach is to think like a business owner; when we buy a stock, we consider it as though we are purchasing the entire company and retaining its management team. This mindset helps us focus on factors that affect the long-term value of the business rather than short-term price movements.

Sagewater does not attempt to time the market and prefers to stay fully invested. Cash and equivalents are usually residuals of our investment process, rather than a strategic choice. Occasionally, we might hold larger cash positions if we believe it is prudent while we wait for better opportunities. However, these cash holdings are not intended as a defensive strategy but rather as a temporary measure while we search for compelling investments.

Selling Guidelines

Our commitment to monitoring doesn't end with the purchase. We continuously evaluate our holdings, and we will divest when a stock reaches what we believe to be its full value, when its valuation becomes unattractive, or when our original reasons for investing no longer apply. Additionally, we may sell if there is a significant shift in the competitive environment, a major change in company fundamentals, a reassessment of management's effectiveness, or if we identify more attractive investment opportunities elsewhere.

Investment Risks

Investing in the financial markets inherently involves risks, and clients should be prepared for the possibility of losses.

While Sagewater strives to meet its goal of long-term capital growth, we cannot guarantee this outcome. The assets managed by Sagewater are subject to risks, including potential devaluation

or loss. It is important for investors to understand that various factors can impact the value of their portfolios, such as changes in a company's financial health, market volatility, currency fluctuations, trading halts, economic data releases, and natural disasters.

At any given time, the performance of Sagewater's value-oriented strategy may differ—positively or negatively—from other investment styles. The value investing approach carries the risk that the market might not recognize a stock's true value for an extended period, or that a stock perceived as undervalued might, in fact, be fairly priced. The liquidity of a security may impact the ability to execute trades at the desired time, price, or allocation. Even when we purchase with a margin of safety, it cannot completely shield investors from stock price volatility, errors in our analysis, deteriorating fundamentals, or external market forces. The general trend in stock prices may decline, and investing in equities is inherently volatile and subject to market fluctuations.

Sagewater's portfolios often contain a limited number of securities. A significant movement in one holding can substantially influence the overall portfolio's performance. Our focus is on long-term capital growth rather than minimizing short-term volatility. As such, clients should anticipate higher-than-average volatility in their accounts compared to an index fund or a more diversified portfolio.

Securities Recommendation

Sagewater's recommendations are not confined to any specific type of security. Our advisory services cover a broad spectrum of securities and investment vehicles, allowing us to tailor strategies to meet our clients' diverse needs.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

Financial Industry Activities

Sagewater is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. Furthermore, none of Sagewater's management or supervised persons is registered as representatives of, or has an application pending to register as representatives of, a broker-dealer.

Financial Industry Affiliations

Sagewater is not a registered futures commission merchant, commodity pool operator, or commodity trading advisor, and does not have an application pending to register as such. Furthermore, none of Sagewater's management or supervised persons is registered as, or has applications pending to register as, an associated person of any such entity.

Other Material Relationships

Sagewater does not have any arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser, futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships other than those already disclosed herein.

Other Investment Advisers

Sagewater does not have any arrangements that are material to its advisory business or its clients with other investment advisers.

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

Sagewater 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 of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, and personal securities trading procedures, among other things. All supervised persons at Sagewater must acknowledge the terms of the Code of Ethics annually or as amended. A copy of the Code of Ethics will be provided to clients and prospective clients upon request.

Participation or Interest in Client Transactions

Sagewater may recommend interests in the Fund to certain current and/or prospective investment advisory clients. Sagewater does not receive compensation for such referrals. However, Sagewater does benefit from investments in the Fund through the collection of advisory fees, as described herein. Each client will be appropriately advised of the conflicts of interest of such an investment.

Proprietary Trading

At times, Sagewater may buy or sell securities for its own accounts that it has also recommended to clients. Sagewater will always document any transactions that could be construed as conflicts of interest. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, we will monitor our proprietary and personal trading reports for adherence to our Code of Ethics.

Simultaneous Trading

From time to time, representatives of Sagewater may buy or sell securities for themselves at or around the same time as clients. In any instance where similar securities are being bought or sold, we will uphold our fiduciary duty by always transacting on behalf of our clients before transacting for our own benefit.

Item 12 – Brokerage Practices

Selection and Recommendation

As a Registered Advisory firm, Sagewater has a fiduciary responsibility to seek best execution for clients' transactions. Sagewater generally uses the Trader Workstation ("TWS") platform, offered to investment advisors by Interactive Brokers, LLC, a registered broker-dealer and FINRA member. Sagewater has reviewed the TWS platform and recommends it based on a number of factors. These factors include the financial strength of the broker-dealer, the broker's transaction confirmation and account statement practices, trade clearance and settlement capabilities. Other factors include Sagewater's experience with TWS, the broker's reputation, and the quality of execution services available through TWS, including state-of-the-art Smart order routing and low transaction and custodial costs available through Interactive Brokers.

Sagewater does not engage in any activity that would generate any "soft dollar" benefits. We have no arrangements, oral or in writing, where we are paid cash by, or receive some economic benefit (including commissions, equipment, or non-research services) from a non-client in connection with giving advice to clients. We are not directly or indirectly compensated by any person for client referrals.

Directed Brokerage

Sagewater recommends that clients utilize a broker to execute transactions. This arrangement is designed to maximize efficiency and be cost-effective for our clients. By requiring clients to use our specific custodians, we seek to achieve the most favorable execution of client transactions.

Order Aggregation

Sagewater may, at times, aggregate sale and purchase orders of securities for advisory accounts with similar orders to obtain the best pricing averages and minimize trading costs. This practice is reasonably likely to result in administrative convenience or an overall economic benefit to Sagewater. Clients also benefit relatively from better purchase or sale execution prices, lower commission expenses, or beneficial timing of transactions, or a combination of these and other factors. Our policies and procedures mandate aggregating multiple orders. Aggregate orders will be allocated to client accounts in a systematic, non-preferential manner.

Item 13 – Review of Accounts

Periodic Reviews

We will review client accounts on a quarterly basis. The reviews are monitored by Peng Zhang and consist of determining whether your investment goals and objectives are aligned with our investment strategies. If it is determined that a potential conflict between the investment strategy and the client's investment goals could arise, we will immediately contact the client to explain our opinion and collectively determine the proper steps to take.

Intermittent Review Factors

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in your financial status. The clients are responsible for keeping us informed of any changes in their financial situation, goals, or investment objectives that could impact the services or recommendations provided by us. Our reviews are designed to ensure the services provided to the clients are consistent with their stated investment needs and objectives.

Additional reviews may be conducted based on various circumstances, including, but not limited to:

- At your request,
- Contributions and withdrawals,
- Year-end tax planning,
- Changes in your risk/return objectives.

Client Reports

1. Separately Managed Accounts

Sagewater does not prepare separate written client reports. Clients will receive a report at least quarterly from the custodian, detailing account performance. Clients can also elect to receive electronic monthly statements and can access their accounts online at any time in between reporting periods. We provide a quarterly letter in addition to the report from the custodian.

Our letter typically contains the performance in the period but may or may not contain brief commentary on our individual positions and/or past investments.

Item 14 – Client Referrals and Other Compensation

Sagewater does not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its clients.

Sagewater is not compensated, directly or indirectly, for client referrals.

Item 15 – Custody

Sagewater Wealth Management LLC does not offer or manage pooled investment vehicles, and therefore does not have custody of assets related to any such vehicles.

While we do not maintain custody of client assets directly, certain aspects of our services may involve arrangements where we are deemed to have custody under regulatory definitions (e.g., the ability to deduct advisory fees directly from client accounts). In such cases, client assets are held by an independent, qualified custodian, typically a broker-dealer or bank, and clients receive regular account statements directly from the custodian.

We encourage clients to carefully review these statements and to promptly report any discrepancies. Our firm does not have the ability to transfer or withdraw client funds without client authorization, except for the deduction of fees as described in the advisory agreement.

Item 16 – Investment Discretion

With regard to separately managed accounts, Sagewater usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Sagewater observes the investment policies, limitations, and restrictions of the clients for which it advises.

Item 17 – Voting Client Securities

With regard to separately managed accounts, Sagewater does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Sagewater may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Sagewater does not require or solicit prepayment of more than \$500 in advisory fees per client, six months or more in advance.

Sagewater has discretionary authority to manage client assets. Sagewater also has the ability to deduct advisory fees payable to it. Sagewater has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

Sagewater has not been the subject of a bankruptcy petition at any time during the past ten (10) years.

Item 19 – Requirements for State-Registered Advisers

A. Executive Officers and Management

Sagewater's principal officers are Peng Zhang and Cheyun Xia. Education and business background can be found on the Form ADV Part 2B brochure supplement.

B. Other Business Activity

Sagewater is not engaged in any other business other than providing investment advisory services.

C. Performance-Based Compensation

Sagewater receives performance-based compensation, as described in Item 5.

Performance-based compensation may create an incentive for Sagewater to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. Additionally, Sagewater may receive more compensation due to the inclusion of unrealized appreciation as well as realized gains in the client's account.

D. Disciplinary History

D.1. Arbitration Claims

Neither Sagewater nor its management personnel has been found liable in any arbitration claim alleging damages in excess of \$2,500 involving an investment or investment-related business or activity, fraud, false statements or omissions, theft, embezzlement, or other wrongful taking of property, bribery, forgery, counterfeiting, extortion, or dishonest, unfair, or unethical practices.

D.2. Civil, Self-Regulatory Organization (SRO), or Administrative Proceeding

Neither Sagewater nor its management personnel has been found liable in any civil, self-regulatory organization, or administrative proceeding involving an investment or investment-related business or activity, fraud, false statements or omissions, theft, embezzlement, or other wrongful taking of property, bribery, forgery, counterfeiting, extortion, or dishonest, unfair, or unethical practices.

E. Additional Relationships with Issuers of Securities

Registered investment advisers are required to disclose all material facts regarding any relationship with an issuer of securities. Neither Sagewater nor its management has relationships with securities issuers.