

**Item 1 – Cover Page**

# STONECASTLE ASSET MANAGEMENT LLC

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March 31, 2024

## Form ADV Part 2A BROCHURE

This Brochure provides information about the qualifications and business practices of StoneCastle Asset Management LLC (“StoneCastle” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at **212-354-6500**. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

StoneCastle 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 StoneCastle also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Form ADV Part 2A (“Brochure”) dated March 31, 2024, replaces our prior brochure, dated March 31, 2023. There were no material changes made to this Brochure since the last annual update on March 31, 2023.

At any time, you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at [adviserinfo.sec.gov](https://adviserinfo.sec.gov). You may also request a copy of this Disclosure Brochure, by contacting our Chief Compliance Officer, Rachel Schatten (“CCO”) at (212) 354-6500 or [rschatten@stonecastle.com](mailto:rschatten@stonecastle.com). The Brochure is available free of charge.

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## **Item 4 – Advisory Business**

StoneCastle Asset Management LLC was formed in November 2012 and is a wholly-owned subsidiary of StoneCastle Advisory Services, LLC. StoneCastle Advisory Services, LLC is a wholly-owned subsidiary of StoneCastle Partners, LLC.

StoneCastle may offer advice on fixed income securities (including, without limitation, trust preferred securities, subordinated debt securities and structured finance securities) issued by financial institutions (including, without limitation, banks, thrifts, credit unions or similar financial institutions or holding companies thereof) or special purpose vehicles or corporations, and to a lesser extent, equity securities.

StoneCastle will tailor its advisory services according to the individual needs and requests of clients. Additionally, clients may impose restrictions on investing in certain securities or types of securities. All such features and restrictions would be set forth in a client's written advisory agreement with StoneCastle.

StoneCastle does not participate in wrap fee programs.

As of December 31, 2023, StoneCastle had discretionary assets under management of approximately \$0.

As of December 31, 2023, StoneCastle had \$7,500,000 non-discretionary assets under management.

## **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by StoneCastle is established in a client's written agreement with StoneCastle. The fee is paid pursuant to an investment management agreement and is not negotiable.

Investment management services may be terminated in accordance with the terms outlined in each respective investment management agreement.

Whether fees are paid in advance or arrears is negotiated and determined on a case by case basis and is set forth in the related advisory contract.

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

StoneCastle does not accept performance based fees.

## **Item 7 – Types of Clients**

As of December 31, 2023, StoneCastle provided non-discretionary investment management services to an insurance company.

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

### **Analysis**

As part of its focus on fundamental analysis, StoneCastle will select its investments through rigorous initial and ongoing issuer screening and manages its portfolio using a conservative credit discipline, as evidenced by the high underlying credit quality of its investments.

After such detailed analysis of the investment is conducted by StoneCastle, the portfolio manager reviews the merits of the investment (which may include the relative value of the investment, the asset quality, the structural features, and how the investment contributes to the diversification of the investment portfolio for which the investment is being considered).

In conducting due diligence, StoneCastle typically uses and intends to continue to use available public information. StoneCastle uses the following as main sources of information: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. StoneCastle also uses other public data bases (such as those available through FDIC, OCC and the Federal Reserve) to conduct its analysis. Although StoneCastle may use research provided by third parties when available, primary emphasis is placed on proprietary analysis and valuation models conducted and maintained by our investment professionals.

### **Investment Strategies**

The investment strategies used to implement any investment advice given to clients will include long term purchases (securities held at least a year).

## **Risks**

StoneCastle may invest in debt obligations that are unrated and issued by banks that have no corporate rating, equity and hybrid securities issued by private banks, and other thinly traded securities. In such cases, there may not be an active market for these securities and investments will be subject to significant liquidity risk in the event we are required to sell such investments.

StoneCastle is focused on the banking sector. Concentrating investments in a single sector may result in losses due to factors that affect an entire industry. Each particular industry or sector may be affected by unique risks, and the value of investments in a particular industry will differ from the value of the overall stock market. A downturn in the banking sector may have a larger negative impact on the valuation of investments than might otherwise be the case if we were diversified in other sectors of the economy. Fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. At times, the performance of securities issued by companies in the banking sector may lag the performance of securities issued by companies in other sectors of the economy. Therefore, concentrating investments in a single industry exposes an investor to the risk that a single set of events or circumstances will decrease the value of the investor's overall portfolio.

### **Risks related to Cybersecurity**

StoneCastle employs various measures aimed at mitigating cybersecurity risk, including, among others, use of firewalls, system segmentation, system monitoring, and virus scanning. However, there is no guarantee that the efforts of StoneCastle or other service providers will succeed, either entirely or partially as there are limits on StoneCastle's ability to prevent, detect or mitigate cyber events. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes or website access or functionality. Cybersecurity breaches can cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by StoneCastle and other service providers to transact business; violations of applicable privacy and other laws; or additional compliance costs.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Stock markets and bond markets fluctuate substantially over time and are sensitive to political, global and domestic economic events. Performance of any investment is not guaranteed. As a result, there is a risk of loss on the assets we manage that will be out of our control. We cannot guarantee any level of performance or that you will not experience a loss of your account assets.

StoneCastle operations could be adversely affected by events outside of our control, such as natural disasters or public health epidemics. StoneCastle may incur expenses, delays, or interruption of critical business functions relating to such events outside of our control, which could have a material adverse impact on our business including, but not limited to, the financial conditions or prospects of investments and the sourcing of new opportunities. Such material adverse impact could, in turn, adversely affect StoneCastle.

## **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 StoneCastle or the integrity of StoneCastle management. StoneCastle has no information to disclose applicable to this item that would impact the evaluation by a client, investor or prospective client or investor, of its advisory business or the integrity of its management.

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

StoneCastle is part of a group of affiliated companies owned by StoneCastle Partners, LLC that engage in the financial services business. In certain situations, StoneCastle may have business arrangements with its related companies that are material to StoneCastle's advisory business or to its clients. StoneCastle shares certain officers, supervised persons and physical location with the other StoneCastle affiliates. These arrangements may cause StoneCastle or a related person's interests to diverge from the best interests of a client.

StoneCastle's compliance department and legal department oversee its conflict-resolution system. This system emphasizes the principle of fair and equitable allocation of appropriate opportunities to StoneCastle's clients over time.

StoneCastle refers to advisory affiliates and any person or company that is under common control with StoneCastle as “related persons.”

StoneCastle is a related person of the following entities:

- StoneCastle Partners, LLC
- StoneCastle Advisory Services, LLC
- StoneCastle Advisors, LLC
- StoneCastle Investment Management, LLC
- StoneCastle Loan Management, LLC
- StoneCastle Trust Co.
- StoneCastle Ventures, LLC

StoneCastle has entered into a staffing agreement (the “Staffing Agreement”) with its parent company, StoneCastle Partners, LLC and several of its affiliates. Under the Staffing Agreement, StoneCastle Partners provides experienced investment professionals to StoneCastle and provides access to their senior investment personnel. StoneCastle capitalizes on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of StoneCastle Partners’ investment professionals.

#### **Related Broker Dealer**

StoneCastle is a related person of the following broker dealer:

- StoneCastle Securities, LLC

StoneCastle Securities, LLC (“StoneCastle Securities”), a FINRA registered broker-dealer and an affiliate of StoneCastle, may, as part of the selling syndicate of the securities of a fund for which StoneCastle acts as investment advisor, receive compensation from such fund client.

The following officers of StoneCastle are registered representatives of StoneCastle Securities: Joshua Siegel and Rachel Schatten.



Neither StoneCastle, nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

StoneCastle's Code of Ethics described in Item 11 below addresses these potential conflicts of interest.

## **Item 11 – Code of Ethics**

All employees subject to the Staffing Agreement between the Firm and StoneCastle Partners, must abide by the Firm's Code of Ethics.

StoneCastle has adopted a Code of Ethics for all supervised persons 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 business entertainment items, and personal securities trading procedures, among other things. Each officer, director and employee at StoneCastle must acknowledge the terms of the Code of Ethics at least annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of access persons of StoneCastle 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.

To supervise compliance with its Code of Ethics, StoneCastle requires that its access persons provide copies of their personal securities holdings and transaction reports to the Firm's CCO for review. Transactions are reported to the CCO in accordance with the reporting requirements outlined in the Code of Ethics and personal trading is continually monitored in order to reasonably prevent conflicts of interest between StoneCastle and its clients. Any individual not in observance of the above may be subject to disciplinary action.

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

Clients and prospective clients may request a complete copy of StoneCastle's Code of Ethics by contacting StoneCastle, at the address or telephone number on the cover page.

## **Conflicts of Interest**

StoneCastle is subject to certain conflicts of interest in management. The portfolio manager may also make decisions for other investment vehicles managed by StoneCastle affiliates. These conflicts will arise primarily from the involvement of StoneCastle and its affiliates in other activities that may conflict with StoneCastle activities. StoneCastle and its affiliates engage in a broad spectrum of activities. In the ordinary course of their business activities, they may engage in activities where their interests or the interests of their clients may conflict with StoneCastle interests. Other present and future activities of StoneCastle and its affiliates may give rise to additional conflicts of interest which may have a negative impact on StoneCastle and its clients.

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 StoneCastle or its affiliates, 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 the account pays StoneCastle or its affiliates a performance-based fee or the portfolio manager, StoneCastle or an affiliate has an ownership or other economic interest in the account. To address these conflicts of interest associated with the allocation of trading and investment opportunities, StoneCastle and its affiliates have adopted an investment allocation policy and trade allocation procedures that govern the allocation of portfolio transactions and investment opportunities across multiple advisory accounts, including affiliated accounts. StoneCastle and its affiliates allocate across accounts fairly and equitably over time based upon its policies and procedures.

As a result of StoneCastle's allocation policies, it may not be able to invest in all opportunities that are appropriate and this may have the effect of reducing potential earnings. Although StoneCastle has agreed that it will allocate opportunities among its clients pursuant to its written policies and procedures, there is no assurance that these policies and procedures will work as intended.

As outlined in StoneCastle's Code of Ethics, the interests of client accounts will at all times be placed first and all employee personal securities transactions will be conducted in such a manner as to avoid any actual or potential conflicts of interest.

StoneCastle will provide a copy of its Code of Ethics to clients or prospective clients upon request. Contact information appears on the cover page of this Brochure.

## **Item 12 – Brokerage Practices**

### **Selection of Broker-Dealers**

Because most of the assets that we hold are illiquid, StoneCastle generally acquires and disposes of investments in privately negotiated transactions, and may use brokers in the course of business. StoneCastle does not expect to execute transactions or source opportunities through any particular broker or dealer.

The written agreement between StoneCastle and its client will determine if StoneCastle has the authority to determine, without obtaining specific client consent, securities to be bought and sold, including the type, amount and price of the securities, the specific brokers used for the trades and the commission rates paid.

As an investment adviser, StoneCastle has a fiduciary relationship to its client. One of the specific duties that flow from this relationship is a duty to seek the best price and execution of client securities transactions when the adviser is in a position to direct brokerage transactions. It is StoneCastle's policy to always seek best execution for client securities transactions. While we generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available.

When StoneCastle is directing the purchase of a security for a client and such purchase is going to be made from a broker (as opposed to directly from an institutional investor), StoneCastle may or may not pay a commission or a "mark up" to the selling broker. The amount of the mark-up is not disclosed to investors. The factors that StoneCastle considers in purchasing a security from a broker are the availability of the security (if any) from other sources and the price.

### **Aggregation and Allocation of Orders**

StoneCastle has policies in place regarding its aggregation and allocation procedures. StoneCastle may combine orders on behalf of an account with orders for other accounts for which it or it has trading authority, or in which it has an economic interest. When it does, StoneCastle will allocate the securities across accounts, considering account size, diversification, cash availability, and other factors, including, where appropriate, the value of having a round lot in the portfolio. StoneCastle believes combining orders in this way will be advantageous to all participants over time. However, the average price could be less advantageous to an account than if an account had been the only account effecting the transaction or had completed its transaction before the other participants.

When a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if StoneCastle believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **Soft Dollars / Directed Brokerage**

StoneCastle does not participate in any soft dollars or directed brokerage arrangements.

### **Item 13 – Review of Accounts**

#### **Reviews**

StoneCastle's investments are evaluated and reviewed on an ongoing basis by the portfolio manager.

Day-to-day management is the responsibility of StoneCastle's portfolio manager. There are generally no specific events that automatically trigger reviews of the portfolio on a basis other than periodically.

#### **Reporting**

Regular reports may be provided to clients on such periodic dates, and with such content, as is negotiated on a case by case basis and contained in the client's written agreement with StoneCastle.

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

On a case-by-case basis, StoneCastle may provide compensation for a client referral. Such compensation may take the form of a one-time fee or may take the form of a portion of StoneCastle's fees on the account.

Currently, StoneCastle does not have any compensation arrangements in place for client referrals.

### **Item 15 – Custody**

StoneCastle does not maintain physical possession of client cash and/or securities.

## **Item 16 – Investment Discretion**

The limitations on StoneCastle’s 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, will be set forth in the applicable management agreement that is negotiated with each client.

## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

Proxy voting is not applicable to StoneCastle given the type of securities we transact in on behalf of our investments.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about StoneCastle’s financial condition. StoneCastle has no financial condition that impairs its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy petition.

StoneCastle does not require prepayment of advisory fees; therefore the Firm is not required to provide an audited financial statement.

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

Not Applicable.