

BERNARDI ASSET MANAGEMENT

Form ADV Part 2A: Firm Brochure

Item 1: Cover Page

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This brochure provides information about the qualifications and business practices of Bernardi Asset Management, LLC. If you have questions about the contents of this brochure, please contact us at 312-281-2000. 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 Bernardi Asset Management, LLC is also available on the SEC's website at www.advisorinfo.sec.gov. Registration with the SEC does not imply a certain level of skill or training.

Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated November 21, 2016, we have no material changes to report.

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Item 4 Advisory Business

Bernardi Asset Management, LLC (hereafter "we," "us," "our" and "BAM") provides professional, separate account fixed-income asset management, with a specialization in municipal bonds. Portfolios can be managed for taxable or tax-free accounts. We were formed in 2000 as a subsidiary of Bernardi Securities, Inc. (BSI), a registered broker-dealer which was formed in 1984.

Types of Services We Offer

We provide separate account fixed-income portfolio management. Portfolios are tailored to the individual needs of clients through extensive discussions with each client and their advisor(s). Various portfolio research and management documents are required and serve as the basis for portfolio investments. Clients may impose certain investment restrictions.

We generally offer investment advice on corporate debt securities; commercial paper; certificates of deposit; municipal securities; mutual fund shares; United States government securities; and money market funds.

ASSET ALLOCATION PROGRAM

In the Asset Allocation Program the client's account is invested according to one of the program's proprietary model "Portfolios." For clients interested in the Asset Allocation Program, our Representative will obtain information regarding the client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account that will be managed through the Asset Allocation Program, and any reasonable investment restrictions the client wishes to impose (all referred to as the "Suitability Information").

If the Representative determines the Asset Allocation Program is suitable for the account, he or she will explain the types of investments used, the overall program investment objectives, the advisory fees and other costs and expenses the client should expect to incur, and the potential risks of the program, among other matters. The client must sign an Advisory Agreement to establish an account with us to participate in the Proprietary Program, and enter into a custodial and brokerage arrangement, as described below.

Current Proprietary Program Portfolios

We currently have developed the following model Portfolios in the Asset Allocation Program:

- Growth Objective
- Balanced Objective
- Income Objective

In general, the models consist of varying proportions of fixed income, equity, and alternative investments, consisting of mutual funds, money market funds, municipal securities, and direct obligations issued or guaranteed by the U.S. Treasury, government agencies, or government sponsored enterprises; and if appropriate, "sweep" arrangements where cash balances are transferred into money market funds or money market deposit accounts for cash management purposes, which may be advised by or maintained with the account's qualified custodian ("Custodian").

The Strategy

For the accounts that designate one of the allocation models, we begin with a fixed income portfolio designed in accordance with what we believe are fundamental, long-term financial principles generally intended to control risk and maximize cash flow over a complete market cycle. Finally, we tactically adjust portfolio allocations of equity and alternative investments based upon our assessment of the US economic environment and general levels of market risk. Once the client's account has been invested to reflect the designated Portfolio, it will be managed in accordance with that portfolio's goals.

The Portfolios

- The Growth Objective - The objective of this strategy is to maximize capital appreciation. The portfolio will be heavily weighted in equity investments complimented with investments in fixed income and alternative asset classes. The growth objective model is suitable for investors with a higher risk tolerance with an investment objective of capital appreciation who have little to no need for investment income.
- Balanced Objective - The objective of this strategy is a blend of capital appreciation and income generation. The portfolio will contain a balanced allocation to fixed income and equity securities complimented by investments in alternative asset classes. The balanced objective model is suitable for investors with an average tolerance for risk with an investment objective of capital appreciation and income.
- Income Objective - The objective of this strategy is income generation and capital preservation. The portfolio is heavily weighted in fixed income securities complimented by investments in equity and alternative investment asset classes. The income objective model is suitable for investors with a low risk tolerance and an investment objective of income and capital preservation.

Asset Allocation Committee

The Firm's Asset Allocation Committee is responsible for developing and managing the portfolios and selecting the securities that will be used for each asset class. There is no set minimum or maximum number of positions that will be held for an account or specific frequency that account positions will be traded.

Discretion Over Account Investments

In the Advisory Agreement, the client grants us full authority and discretion to engage in the Strategy to manage the account guided by the Portfolio designated for the account. We will have the authority and discretion to buy, sell, exchange, redeem, or otherwise effect transactions for the client's account, to allocate and reallocate the account and account investments consistent with the designated Portfolio, as and to the extent we deem appropriate, in our sole discretion, without prior notice or consent of client.

We may add to, remove, or otherwise change the mutual fund families (or funds of a particular fund family), or other investments or types of investments that comprise a Portfolio or in which we invest the client's account, without prior notice or consent of the client. We retain the discretion to revise the Asset Allocation Program, change the Strategy, change the investment objective, investment allocation, or other characteristics of a Portfolio, and add or close a Portfolio, without prior notice or consent of the client.

Assets Under Management (as of 12/31/2016)

Discretionary: \$100,249,181

Non-Discretionary: \$25,367,975

Item 5 Fees & Compensation

Fees are calculated based upon the market value of the portfolio at the close of a calendar quarter. For new accounts, prorated quarterly fees are calculated based upon the market value at the time management commences. The minimum length of a management term is six months.

Fee Schedule

| | |
|---------------------------------|-------|
| First \$2 million | 0.40% |
| Amounts between \$2-5 million | 0.35% |
| Amounts between \$5-10 million | 0.30% |
| Amounts between \$10-15 million | 0.25% |
| Amounts above \$15 million | 0.20% |

Fees are negotiable, under certain circumstances, including but not limited to:

- Long Term Relationships
- Large Account Relationships
- Charitable and Civic Organizations

Asset Allocation Program

Program participants will incur a flat 0.40% annual asset-based fee. Fees are calculated based upon the market value of the portfolio at the close of a calendar quarter. For new accounts, prorated quarterly fees are calculated based upon the market value at the time management commences.

Collection

Fees are payable quarterly in advance and are generally deducted from client accounts. Clients can elect to pay fees from outside funds if they desire. The fee will be computed and billed at the beginning of each quarter by applying one quarter of the applicable annual rate to the market value of the portfolio on the last trading day of the preceding quarter.

Other Fees

Other fees that may be applicable include:

Processing fee for bonds: \$12 per trade
Processing fee for stock, ETF, mutual funds: \$16 per trade
Retirement account custodian fee: \$75 per year
Wire transfer fee: \$20 per occurrence
Paper Statement/Confirm fee: \$0.75 per occurrence
(waived with electronic delivery)
Money Market management fee: Varies due to fund selected by client

Please refer to item 12: Brokerage Practices.

Payment timing

Since fees are paid quarterly in advance, any unearned fees will be refunded on a prorated basis if management is terminated before the end of a payment cycle. However, if a client terminates our management of the portfolio prior to six months, all billed and unbilled management fees will be deducted from the managed portfolio to cover the initial six-month period. After the initial six months, management may be terminated by us or the client with at least thirty (30) days written notice. Payment will be refunded by check or transfer to the managed portfolio(s).

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

We do not charge performance-based fees.

Item 7 Types of Clients

We manage portfolios for a variety of clients such as Individuals, Banks, Pension & Profit Sharing Plans, Trusts & Estates, Corporations & Other Business Entities.

Minimum Account Size
\$1,000,000

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

Fixed Income accounts managed by us are typically structured in a laddered maturity strategy. Generally, as bonds mature, the proceeds are reinvested in new investments that extend the ladder out over the life of the portfolio.

Methods of analysis include fundamental and technical analysis; yield and current credit metric analysis are also employed. Analysis of the capital and interest rate markets are regularly performed. Our main sources of information for such analysis come from financial newspapers and magazines; research materials prepared by others; corporate rating services; annual reports, prospectuses and filings with the SEC; and audited financial statements of municipalities.

Portfolios are generally managed in one of two specific styles: Total Income Portfolio and Value Added. Generally, Total Income Portfolios seek to generate income through long-term "buy and hold" positions. Value Added Portfolios seek to generate income through long-term positions, and also seek to supplement portfolio return by swapping portfolio holdings for new investments when sensible opportunities arise.

Fixed Income investing includes material risks that investors must be prepared to bear. These risks include market rate decline, interest rate fluctuation, reinvestment risk, sector concentration, and issuer default.

Item 9 Disciplinary Information

BAM has no disciplinary information to report about itself or its management persons.

Item 10 Other Financial Industry Activities and Affiliations

Registered Representatives

The following BAM employees are also Registered Representatives of BSI:

Ronald Bernardi
Matthew Bernardi
Thomas Bernardi, CFA
Daniel Data, CFA
Rick Gerali
Jeffrey Irish
Luciano Lamberti
Michelle Landis

Rodney Mannion
Marty Shobert
John Tranas
Daniel Zenisek

Material Relationships

We have a material relationship with BSI, our sole owner and a registered municipal securities broker/dealer. We use BSI as the broker-dealer for all of the securities transactions effected on behalf of our client accounts. This relationship could have the potential to create a conflict of interest pertaining to a client's purchase of securities owned by BSI. All client purchases of securities owned by BSI are executed at BSI's cost and only with the written consent of the client, thus mitigating the potential conflict of interest. In addition, we provide the client with full disclosure concerning our affiliation with BSI and request authorization in advance of a trade execution.

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

BAM has adopted a comprehensive Code of Ethics for all portfolio managers and employees which addresses Standards of Business, Prohibition Against Insider Trading, Personal Securities Transactions, Gifts and Entertainment, and Customer Privacy. A copy of this Code will be provided upon request.

Our sole owner, BSI, will be utilized by us to effect securities transactions for client accounts. BSI will act in either principal or agent capacity in such transactions. Written disclosure of the capacity in which BSI is acting (i.e., either as principal or agent) will be provided to the client and consent, prior to the completion of the transaction, will be obtained from such clients for all principal trades.

BAM, our portfolio managers and employees, may from time-to-time purchase or sell the same securities for our own accounts that are recommended for purchase for client accounts. In order to ensure that client interests take precedence over the personal securities trading interests of others within our control, transactions for client accounts will receive preference in terms of execution and price over transactions effected at or about the same time for the personal accounts of BAM, our portfolio managers, or employees. Further, we require each portfolio manager and employee to report on a periodic basis their personal securities transactions to our compliance officer to ensure that client accounts are not disadvantaged by the personal securities transactions of such persons.

From time-to-time, BAM will offer securities to clients that are owned by BSI, if consistent with client investment parameters. This represents a potential conflict of interest. This conflict is mitigated by offering these investments to BAM clients at BSI's cost plus a transaction fee. In addition, the client will be provided with full disclosure at the time of the trade and will be required to provide written authorization in advance of the trade execution.

In situations where securities are owned by BSI and sold to both a BAM client and a person related to BSI, the BAM client will receive an execution at BSI's cost. This will be equal to or better than the execution price received by the person related to BSI. In addition, the client will be provided with full disclosure at the time of the trade and will be required to provide written authorization in advance of the trade execution.

Item 12 Brokerage Practices

For all of our clients, we direct brokerage to BSI as the executing broker dealer for transactions in client accounts. Due to the unique nature of fixed income products, we utilize BSI to obtain the appropriate fixed income products at competitive prices. This relationship has a potential conflict of interest in that BSI may not provide the best execution. However, this potential conflict is mitigated as BAM's trading procedures require multiple bids to be received from multiple dealers prior to accepting BSI's bid price. In situations where BSI does not provide the best bid, BAM will trade with the broker providing the best bid.

BAM clients may engage BSI's clearing broker dealer, Pershing LLC, as custodian or prime broker for their investments. Clients must qualify to participate in prime brokerage transactions Through Pershing, LLC. To qualify, clients must maintain a minimum portfolio value of \$150,000 or more and sign the appropriate prime brokerage paperwork with the custodian.

Clients may also wish to establish a securities account with one or more clearing brokers or custody banks that we have a business relationship with at the time of the engagement. BAM will also consider other, client directed, custody relationships based upon the capabilities of the requested custodian.

BSI sets the transaction fee rates charged to clients. It is anticipated that the fees charged to our clients will be discounted from those of major full-service brokerage firms. However, these fees will not be as low as those charged by discount brokerage firms.

We do not receive research, soft dollar compensation, or any other services from Pershing LLC, or any of the custody banks or brokerage firms described above.

We may aggregate client orders to achieve the most favorable execution. In addition, BAM may block multiple client accounts together that qualify for prime brokerage trading activity. In such cases, participating clients will receive the average execution price and their pro rata share of transaction costs.

Item 13 Review of Accounts

All accounts are reviewed on a quarterly basis, at a minimum. Portfolios are reviewed for accuracy, conformance to client parameters, and performance relative to appropriate benchmarks. Trigger factors that influence a review include: credit upgrades and downgrades, significant market events as viewed by the portfolio manager, buying and selling opportunities, maturity of fixed-income assets, increased cash balance, and outperformance or underperformance versus a comparative benchmark. Reviews are performed by one of three Portfolio Managers assisted by Investment Specialists and support staff.

Clients, generally, receive from us a portfolio appraisal and performance report at the end of each calendar quarter, or upon request. This report details the portfolio holdings, fixed income statistics, projected income, and performance returns. In addition to the quarterly reports provided, clients also receive statements and trade confirmations as provided by the account's custodian.

Item 14 Client Referrals and Other Compensation

BAM has a referral agreement with BSI. In this agreement, a portion of our management fee is remitted to BSI as compensation for their management and administrative services.

We also have a referral agreement with Alley Company LLC. In this agreement with Alley, a portion of our management fee, from accounts introduced by Alley Company LLC, is remitted to Alley Company LLC, as compensation for the referral. These agreements in no way increase the fee charged to our clients.

We do not accept anything of economic benefit from unrelated parties for providing investment advice or other services to our clients. We do not accept or provide prizes or sales awards to any of our employees or representatives.

Item 15 Custody

BAM does not act as custodian of client funds. Clients will receive account statements and trade confirmations directly from the custodian of their assets. These documents are the only documents that should be relied upon for tax filing and portfolio valuation purposes, and are solely the responsibility of the custodian. Clients are urged to compare the portfolio appraisal and performance report sent by BAM with the reports provided by the custodian. Discrepancies should be brought to our attention immediately.

Item 16 Investment Discretion

BAM will accept investment discretion over a client's managed portfolio. This discretion is limited to decisions regarding what assets shall be bought, sold, retained, exchanged, or converted.

We may accept limited restrictions on this discretion pertaining to investment geography, the client's cash balance or specific holdings or a particular client request. Discretion is granted to us by execution of a management agreement.

Item 17 Voting Client Securities

BAM does not accept authorization to vote proxy ballots for securities in client portfolios. Proxy ballots and solicitations are sent to the client by the custodian and are the responsibility of the client to complete. However, we will provide information to the client, as requested, to assist the client with questions concerning a proxy ballot should the client make such a request.

Item 18 Financial Information

Not applicable.

Item 19 Privacy Policy

One of BAM's primary goals is to protect client privacy. To conduct regular business, we may collect nonpublic information from sources such as:

- Information reported by you on applications or other forms provided by us
- Information about your transactions with us, or affiliates, or others
- Information we receive as part of a consumer report

However, BAM does not share or disclose any nonpublic personal information about its current or former clients, except as required by law enforcement organizations. All information will remain confidential.

BAM will internally safeguard client nonpublic personal information by restricting access to only those employees who provide products or services, or those who need access to this information to service client accounts. In addition, we will maintain physical, electronic, and procedural safeguards that meet federal and/or state standards to guard nonpublic personal information.