

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 312-281-2030. 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 amendment, dated September 30, 2017, the following material changes to the form ADV Part 2A have been made:

Item 5 - We have added a new fee schedule for IRA accounts.

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Item 4 Advisory Business

Bernardi Asset Management, LLC (hereafter "we," "us," "our" and "BAM") is an SEC registered investment advisor. BAM was formed in 2000 as a subsidiary of Bernardi Securities, Inc. (BSI), a registered broker-dealer which was formed in 1984.

Types of Services BAM Offers:

FIXED INCOME MANAGEMENT

BAM specializes in professional, separate account fixed-income management, with a specialization in municipal bonds. Portfolios can be managed for taxable and tax-free accounts.

BAM believes our clients' bond portfolios represent the "bedrock" of their overall portfolio with the primary objective of capital preservation. BAM seeks to add value through active management using our market expertise to capitalize on market inefficiencies, while seeking to increase our clients' net after-tax return in a manner consistent with their investment parameters.

BAM utilizes a separate account framework to develop customized client portfolios to meet each client's specific needs. Clients and advisors have the option of investing in BAM's tax-exempt or taxable strategies or creating a customized portfolio. Portfolio parameters are created in consultation with the client and/or their advisor(s). Various portfolio management documents are required and serve as the basis for portfolio investments.

Additionally, for taxable fixed income accounts, BAM offers investment advice on corporate debt securities; certificates of deposit; taxable municipal securities; United States government and agency securities; and money market funds.

BAM manages on a discretionary and non-discretionary basis.

Discretionary clients grant BAM discretion to manage the portfolio based upon investment strategy guidelines. BAM will have the authority and discretion to buy, sell, exchange, redeem, or otherwise effect transactions for the client's account consistent with these guidelines without prior notice to or consent from the client. Non-discretionary clients are contacted before purchase or sale is made and the client must have authorized all transactions before execution. Recommendations are made pursuant to the investment strategy guidelines.

ASSET ALLOCATION PROGRAM

Clients interested in the Asset Allocation Program will have access to one of the proprietary strategies. In general, the strategies consist of varying proportions of fixed income, equity, and alternative investments. Clients will complete a Risk Tolerance Questionnaire to determine which strategy is most appropriate for them. If a client does not wish to complete the Risk Tolerance Questionnaire, the client will select the portfolio strategy.

For the accounts that designate one of the allocation strategies, the fixed income allocation is 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. Exposure to equity and alternative investments provide clients with both passive and active exposure to these markets.

The strategies offered include:

- The Growth Objective - The investment objective of this strategy is to capital appreciation. The growth strategy 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 investment objective of this strategy is a blend of capital appreciation and income generation. The balanced objective strategy is suitable for investors with an average tolerance for risk with an investment objective of capital appreciation and income.
- Income Objective - The investment objective of this strategy is income generation and capital preservation. The income objective strategy 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.

BAM manages client assets under the Asset Allocation Program on a discretionary basis. BAM retains the discretion to revise the Asset Allocation Program of each strategy cited above, the investment allocation, or other characteristics of a Portfolio.

BAM Total Firm Assets under Management (as of 09/30/2018)

Discretionary: \$144,428,763

Non-Discretionary: \$ 31,530,525

Item 5 Fees & Compensation

Fees are calculated based upon the market value and accrued interest of the portfolio at the close of a calendar quarter. For new accounts, prorated quarterly fees are calculated based upon the market value and accrued interest at the time management commences. Account management may be terminated by either the firm or client with at least thirty (30) days written notice. Any unearned fees will be refunded on a prorated basis.

Client Fee:

| | |
|---------------------------------|-------|
| 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% |

IRA Client Fee

| | |
|-----------------------|-----------------------|
| Discretionary IRA | Standard Fee Schedule |
| Non-discretionary IRA | 0.80% |

Asset Allocation Platform

| | |
|------------|-------|
| All Assets | 0.40% |
|------------|-------|

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

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

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 and accrued interest of the portfolio on the last trading day of the preceding quarter.

Other Fees

When Bernardi Asset Management effects securities transactions for a client's account, the firm passes on the fees charged by its clearing broker dealer and/or account custodian, which are subject to change. Bernardi Asset Management does not receive any compensation from custodial firm fees. Bernardi Asset Management does not select custodians.

Fees: (The fees reflected below reflect charges assessed by Pershing LLC, if account assets are held at another firm, fees will be different)

| | |
|--|---------------------------------------|
| Processing fee for bonds: | \$12 per trade |
| Processing fee for Stock, ETF, or Mutual Fund: | \$16 per trade |
| Retirement Account Custodian Fee: | \$75 per year |
| Wire Transfer Fee: | \$20 per occurrence |
| Paper Statement/Confirm Fee: | \$0.75 per occurrence |
| Money Market Management Fee: | Varies due to fund selected by client |

Additional fees/charges may be assessed by outside custodians and clearing firms.

Payment timing

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. Account management may be terminated by either the firm or client with at least thirty (30) days written notice. Any unearned fees will be refunded on a prorated basis.

BAM and your advisor have the ability to receive compensation for the sale of securities products through its affiliated broker dealer. This practice represents a conflict of interest based on compensation received. Clients are urged to read and consider the contents of this brochure and to inquire about the sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees clients pay for services rendered.

Clients have the option of purchasing investment products through other brokers or agents.

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 including Individuals, Banks, Pension & Profit Sharing Plans, Retirement Accounts, Trusts & Estates, and Corporations & Other Business Entities.

Minimum Account Size

\$250,000

Minimum account size is negotiable.

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

Bernardi Asset Management utilizes active management to increase our clients' net after-tax return in a manner consistent with their investment parameters. BAM's primary objective is preservation of capital. Our in-house credit analysis process representing the foundation of our portfolio management process. BAM's highly experienced team of managers and analysts strive to enhance our credit analysis and portfolio management process. As financial and economic markets continue to change, BAM will continue to adapt and refine this process.

BAM reviews various metrics when analyzing individual bonds focusing on deal purpose, deal structure, and underlying credit quality. BAM also reviews specific features of each security including: maturity, call/sinking fund dates, coupon, state issuer data and other metrics. BAM utilizes various information sources to supplement its analysis including: rating agency services, issuer annual reports, prospectuses and other filings, audited financial statements of municipalities, research prepared by third parties and general news sources.

When analyzing financial and economic markets, BAM reviews the current yield curve and current municipal market average yields for similarly rated credits. BAM also reviews economic developments both nationally (Federal Reserve policy, changes to the U.S. tax code, etc.) and globally as it relates to overseas markets and policy issues that could potentially affect U.S. markets.

Fixed income investing includes various risks that investors must be prepared to bear. These risks include: interest rate risk, reinvestment risk, credit risk, and default risk. Our active portfolio management, coupled with our internal credit analysis process, helps us monitor and mitigate these risks as we review individual credits and market dynamics.

Item 9 Disciplinary Information

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

Item 10 Other Financial Industry Activities and Affiliations

Material Relationships

BAM has a material relationship with BSI, our sole owner and a registered broker-dealer. All client purchases/sales are executed through broker-dealers on either an agency or principal basis. These transactions, however, may pose the potential for conflicts between the interests of the adviser and client. BAM has policies and procedures in place to mitigate any potential conflicts. Clients can benefit from both types of transactions depending on the circumstances, by obtaining a more favorable transaction price for the securities being purchased or sold than otherwise available. Regardless of the manner by which the transaction is executed, BAM has a fiduciary responsibility to its clients and executes all securities transactions in accordance with its best execution responsibilities.

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

BAM is a Fiduciary and as such, BAM has adopted a comprehensive Code of Ethics for all portfolio managers and employees that address 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.

BAM will utilize broker-dealer BSI, its sole owner, to effect securities transactions unless specifically instructed otherwise by the client. In that case, the client will designate a specific prime brokerage relationship with another broker-dealer(s) to effect client transactions. BAM will receive no compensation (other than its advisory fee) directly or indirectly for effecting a particular transaction.

When BAM executes transactions through BSI, a written disclosure of the capacity in which BSI is acting (i.e., either agent or principal) will be provided to the client. BAM client written consent, prior to the settlement of the transaction, will be obtained from client in those instances when BSI acts on a principal basis.

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 its clients that are owned by BSI. Such offerings will be made only if they are consistent with client investment parameters and offering price and yield are attractive relative to current market offerings of similar quality and duration securities. This activity will be especially prevalent for non-discretionary BAM client portfolios in order to increase efficiency of portfolio management process for BAM and its client. In all such cases, BAM's fiduciary responsibility continues to exist regardless of the conflict of interest. This conflict is mitigated by offering these investments to BAM clients at BSI cost plus bond processing fee as cited in Item 5. In addition, BAM's policies and procedures require full disclosure of BSI principal capacity at time of offering presentation and client written consent will be required prior to trade settlement date.

Item 12 Brokerage Practices

As previously stated BAM will utilize broker-dealer BSI to effect securities transactions for its client accounts and will use other broker-dealers where a prime brokerage relationship exists. When BSI effects transactions it will act in either an agent or principal capacity. Written disclosure of the capacity in which BSI is acting (i.e. either agent or principal) will be provided to BAM client. Client consent prior to the execution (settlement date) of the transaction will be obtained for all principal transactions. Due to the unique nature of fixed income products, BAM will utilize BSI to access and obtain appropriate fixed income products at competitive prices. The relationship has a potential conflict of interest. BAM has policies and procedures in place which aim to mitigate any conflicts so that it satisfies its obligations per the best execution rule related to all transactions. Furthermore, BAM's trading policies require multiple bids to be received from multiple dealers before selling client fixed income investments. BAM will execute client sales with broker-dealer providing the best bid.

BAM clients have access to 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 are permitted to establish a securities account with one or more clearing brokers or custody banks that BAM has 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. (Minimum account requirements may vary at other custodians.)

We do not have any soft dollar arrangements.

We will aggregate client orders to achieve the most favorable execution when possible. In addition, BAM will block multiple client accounts together that qualify for prime brokerage trading activity when possible. 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 annually. 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 shortly after 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 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. This agreement in no way increases the fee charged to our clients.

We do not accept anything of substantive 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 acknowledges having custody due to the firm's ability to instruct the custodian to deduct advisory fees directly from the clients account. 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.

BAM has custody by allowing clients to request a standing letter of instruction or other similar asset transfer authorization arrangement (hereafter "SLOA"). These instructions allow the client to authorize the custodian to transfer or otherwise disburse assets to a third party upon receipt of notice from the client. The Company is exempt from the surprise examination requirement by following the requirements as defined in the compliance manual.

Item 16 Investment Discretion

BAM will accept investment discretion over a client's managed portfolio. Discretion is granted to us by execution of a management agreement. This discretion is limited to decisions regarding what assets shall be bought, sold, retained, exchanged, or converted.

We do accept limited restrictions on this discretion pertaining to investment geography, the client's cash balance or specific holdings or a particular client request.

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.