

**Item 1 – Cover Page**

**RSW Investments, LLC**

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(908) 608-9600

[www.rswinvestments.com](http://www.rswinvestments.com)

**January 14<sup>th</sup>, 2013**

This Brochure provides information about the qualifications and business practices of RSW Investments, LLC (“RSW Investments”, “RSW”, the “Firm”, or the “Company”). If you have any questions about the contents of this Brochure, please contact us at (908) 608-9600 or at [info@rswinvestments.com](mailto:info@rswinvestments.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.

RSW 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 RSW also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for RSW is 134261.

## **Item 2 – Material Changes**

Currently, our Brochure may be requested by contacting Robert Waas, RSW's Founder, at (908) 608-9600 or at [info@rswinvestments.com](mailto:info@rswinvestments.com).

Additional information about RSW is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with RSW who are registered, or are required to be registered, as investment adviser representatives of RSW.

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation.....	3
Item 6 – Performance-Based Fees and Side-By-Side Management .....	4
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 – Disciplinary Information.....	6
Item 10 – Other Financial Industry Activities and Affiliations .....	7
Item 11 – Code of Ethics .....	7
Item 12 – Brokerage Practices.....	7
Item 13 – Review of Accounts.....	11
Item 14 – Client Referrals and Other Compensation .....	12
Item 15 – Custody.....	12
Item 16 – Investment Discretion .....	12
Item 17 – Voting Client Securities .....	13
Item 18 – Financial Information .....	13

## **Item 4 – Advisory Business**

RSW's majority owner is its Founder, Robert S. Waas. RSW has been providing advisory services since February, 2005. As of December 31, 2012, RSW managed approximately \$1.598BB on a discretionary basis.

RSW specializes in the management of municipal bond portfolios, as discussed further below. The vast majority of RSW's clients are referred by a wrap-fee program sponsor or via a third party relationship where RSW has been selected as a sub-adviser. A representative of the applicable Program Sponsor or an independent financial advisor will work with the client to determine the client's investment objectives, risk tolerance, liquidity requirements, investment restrictions and other relevant suitability factors. Based on this information and RSW's investment philosophy and style, the representative or advisor may then recommend placing all or a portion of the client's assets with RSW for management through the Program.

### Portfolio Management Services

RSW's fixed-income investment management philosophy focuses on maximizing clients' after-tax total return while employing prudent and predictable risk through focusing on coupon selection and yield curve targeting. By the use of optimal portfolio positioning, a methodical security selection process and stringent predetermined exit strategies, RSW attempts to maximize portfolio predictability and dependability.

RSW manages municipal fixed income accounts on a discretionary basis only. RSW has created 2 general portfolio strategies (Market Duration Portfolio and Low Duration Portfolio) which are designed to meet a particular investment goal. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income). Once the appropriate portfolio strategy(ies) for a client has been determined by either a client or a client in conjunction with his/her independent financial advisor, RSW continuously manages the client's assets according to the selected strategy(ies). Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

Under certain circumstances, typically for account values in excess of \$5 million (although RSW also provides this service to certain accounts within wrap-fee programs under that minimum), RSW can create a customized investment strategy consistent with the individual investment objectives and risk tolerances of the client. These separate accounts will be managed versus a customized benchmark.

The Market Duration portfolio has the following characteristics:

- It strives to provide the tax-exempt cash flow of a 10-15 year bond while maintaining a level of volatility that is normally associated with shorter maturity investments
- A key determinant in RSW's maturity distribution is the slope of the municipal bond yield curve.
- Investment Objective: Maximize after-tax total rate of return
- Emphasizes high quality (AA Avg.) premium coupon callable municipal bonds with an approximate average maturity of 10-15 years
- Targets an interest rate risk profile similar to that of the Barclays Capital Municipal Bond Index +/- one-half year
- Available Mandates: National, State Preference and State Specific:
  - National - comprised of bonds issued in any state without considering the client's state of residence
  - State Preference Portfolios - target a minimum of 50% state specific issues with the remainder invested in out-of-state securities
  - State Specific Portfolios - constructed for clients who reside in a variety of states.
  - RSW's ability to achieve our desired level of investment in a particular state may be impacted by factors such as: high embedded capital gains, the relative value of the target state, and the availability of new issue and/or secondary supply of bonds.

The Low Duration Portfolio exhibits the same characteristics as the Market Duration Portfolio, with the sole difference being it can only invest in premium coupon callable bonds with stated maturities that cannot exceed 10 years (as opposed to 10-15 years for the Market Duration Portfolio).

RSW can also manage each of these primary strategies in a tax efficient manner for clients. Deeply embedded within our investment philosophy is an ability to convert a rising interest rate environment into an opportunity to harvest tax losses and increase coupon income. As a result of rising interest rates, certain securities are flagged to be sold as their prices drop to predetermined levels. By executing these transactions and realizing a capital loss, an asset is created since the loss may be used to offset capital gains. This advantage may not have existed if a buy and hold strategy was in place.

For all portfolio strategies, RSW will ensure that the following conditions are met and maintained:

1. RSW manages each client's account on the basis of the client's financial situation and investment objectives and any reasonable investment restrictions the client may impose.
2. RSW obtains sufficient client information to be able to provide individualized investment advice to the client. At least annually, RSW (or a representative of a wrap-fee Program Sponsor as described below) will contact the client to determine whether there have been any changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.
3. RSW is reasonably available to consult with the client.
4. Each client retains indicia of ownership of the securities and funds in the account, e.g., the ability to withdraw securities, vote securities, among others.

## **Item 5 – Fees and Compensation**

### Portfolio Management Services

For those accounts participating in a wrap-fee program to which RSW serves as a Portfolio Manager, RSW is compensated based on a percentage of the market value of each account. This amount typically equals 20% to 50% of the total Program Sponsor's fees. The wrap fee collected by the applicable Program Sponsor includes RSW's advisory fee, the Program Sponsor's fee (which may be shared with an independent referring party), the client's portfolio transactions without commission charge (subject to any restrictions), and custodial services for the client's assets. The billing cycle for Model Portfolio Management clients will be dependent on the wrap program sponsor (i.e. forward or in arrears). RSW does not manage wrap-fee accounts in a manner different to other accounts, whether via a sub-advisory relationship or not.

The Program Sponsor may charge certain additional costs. For a complete description of the fee arrangement including billing practices and account termination provisions, clients should review the applicable Schedule H wrap fee brochure provided to the client by the representative of the Program Sponsor.

RSW's annual fee for its portfolio management services for accounts not introduced through a wrap-fee program will be charged as a percentage of assets under management, generally ranging from 0.15% to 0.30%. RSW agrees on an exact percentage with each

client based on both the nature and total dollar value of that account prior to accepting management of the account. In certain circumstances, RSW's fees may be negotiable.

RSW typically requires a minimum account size of \$250,000 for a Market Duration Portfolio, while a minimum account size of \$500,000 is typically required for a Low Duration Portfolio. These minimums can be waived under certain circumstances.

A client agreement may be canceled at any time, by either party, for any reason, upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

While it is not anticipated that mutual funds will be included in the clients' portfolios, money market mutual funds may be used to 'sweep' unused cash balances until they can be appropriately invested. Clients should recognize that all fees paid to RSW for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee.

Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

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

The fee charged is calculated as described above in Item 5 and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (Section 205(a)(1) of the Investment Advisers Act of 1940, as amended).

## **Item 7 – Types of Clients**

RSW specializes in the professional management of separate account municipal bond portfolios for individual investors. RSW may also provide investment advice to trusts, estates, charitable organizations, and other corporations or business entities.

As disclosed under Item 5, RSW requires a minimum account of \$250,000 for a Market Duration portfolio strategy and a minimum of \$500,000 for a Tax-Exempt Low Duration or Taxable Low Duration portfolio strategy. However, under certain circumstances these minimums may be waived.

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

RSW's investment philosophy avoids placing bets on the direction of interest rates. Instead, RSW embraces the concept of enhancing wealth by emphasizing three key disciplines:

- Optimal portfolio positioning
- Predetermined exit strategies
- Methodical security selection

Our research efforts are concentrated on assessing value among high quality bonds by utilizing yield curve, roll down, embedded call option, and horizon analysis. By applying these research techniques, we believe higher stable and consistent returns can be achieved than by lowering our credit quality standards to attain negligible, incremental returns.

RSW utilizes various other tools as sources of information such as Bloomberg and Perform.

While RSW typically follows a long-term investment strategy, on occasion (dependent on the needs of a specific client) RSW may recommend the use of trading (securities sold within 30 days). Because this strategy involves a certain additional degree of risk, it will only be recommended when consistent with the client's stated tolerance for risk.

RSW's security analysis methods include fundamental and technical analysis. The investment strategies used to implement any investment advice given to clients include long term purchases (securities held at least a year), short term purchases (securities sold within a year), and trading (securities sold within 30 days).

Investing in securities involves risk of loss that clients should be prepared to bear.

### **Risks Specific to Fixed Income Management:**

Historically, bonds have indeed provided less volatility and less risk of loss of capital than equity investing. However, there are many factors that may affect the risk and return profile of a fixed-income portfolio. The two most prominent factors are interest-rate movements and the credit-worthiness of the bond issuer. Bonds issued by the U.S. government have significantly less risk of default than those issued by corporations and



municipalities. However, the overall return on government bonds tends to be less than these other types of fixed-income securities.

Asset-backed securities and mortgage-backed securities are created by pooling loans from a variety of sources and issuing bonds that are backed by these loans. Creditworthiness stems from the credit quality of the underlying loans, as opposed to corporate bonds in which creditworthiness is derived from the earning power of the issuing company. The primary risk of these securities is interest-rate risk. Rising interest rates might cause loan principal prepayments to slow, resulting in less available principal to invest at prevailing higher rates. Conversely, rate decreases might accelerate prepayments, leaving more dollars to invest at lower rates. Investment grade refers to fixed-income securities rated BBB or better by Standard & Poor's or Baa or better by Moody's.

Convertible securities and preferred stock combine the fixed-income characteristics of bonds with some of the potential for capital appreciation of equities and, thus, may be subject to greater risk than pure fixed-income instruments. Unlike bonds, preferred stock and some convertible securities do not have a fixed par value at maturity, and in this respect may be considered riskier than bonds. Convertible securities may include convertible bonds, convertible preferred stocks and other fixed-income instruments that have conversion features.

Investments in high-yield bonds and convertible securities are subject to the client's authorization, as set forth in the Investment Management Agreement. Such investments may be subject to greater risks than other fixed-income investments. The lower rating of high-yield bonds (less than investment grade) reflects a greater possibility that the financial condition of the issuer or adverse changes in general economic conditions may impair the ability of the issuer to pay income and principal. Periods of rising interest rates or economic downturns may cause highly leveraged issuers to experience financial stress, and thus markets for their securities may become more volatile. Moreover, to the extent that no established secondary market exists, there may be thin trading of high-yield bonds, which increases the potential for volatility.

## **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 RSW or the integrity of the Firm's management. RSW does not have any disciplinary information applicable to this Item to disclose.

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

Neither RSW nor its management has any affiliations or other financial industry activities.

## **Item 11 – Code of Ethics**

RSW has adopted a Code of Ethics which sets forth high ethical standards of business conduct that RSW requires of its employees, including compliance with applicable federal securities laws. Our Code of Ethics also includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by RSW's covered persons. Among other things, RSW's Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also includes oversight, enforcement, and recordkeeping provisions. A copy of RSW'S Code of Ethics is available to RSW'S advisory clients upon request to the Chief Compliance Officer at RSW'S principal office address.

RSW's Code of Ethics prohibits investment at any time in the same securities that are purchased for client accounts.

## **Item 12 – Brokerage Practices**

RSW will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. In instances where RSW is aware that the same security is offered by more than one broker/dealer at the same price the following apply: The reasonableness of the commissions are based on the broker's ability to provide professional services, competitive rates, research and other services which will help RSW in providing investment management services to clients.

RSW may at times invest client assets in new issue municipal bonds due to favorable pricing opportunities. As such, RSW's broker dealer execution selection will be limited to the broker dealers who are syndicate members of the new issue. While RSW will make every effort to attain best execution on these transactions, the Firm's ability to get multiple quotes will be limited. When secondary municipal bond offerings are utilized in client accounts, RSW as a matter of policy will seek the best execution possible taking into

account current market conditions and other alternative investment opportunities. With respect to sale transactions, under normal market conditions, a competitive bidding process is utilized for those securities deemed to be liquid by RSW Investments. Execution via a negotiated sale is permitted for all other instances. In the event that two or more brokers competitively bid identical price levels, RSW will go back to each and request a re-bid. If all brokers again return identical new bids, then a broker is selected randomly.

RSW does not have any soft dollar relationships.

RSW will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows RSW to execute fixed income trades in a more timely, equitable manner and to reduce overall commission charges to clients. However, as per RSW's Code of Ethics (please refer to disclosure under Item 11), no personal trades will ever be included in any client blocks.

#### **“Investible Cash” and Portfolio Restructurings:**

Below are the methods that will be employed to allocate bonds for both the investment of “investable cash” and portfolio restructurings. Neither one will have preferential treatment over the other in receiving bonds purchased.

Portfolios with “Investable Cash”: Portfolios with the highest level of cash are “flagged” and analyzed to determine whether they will be allotted any new bonds purchased. Additionally, the following risk parameters are also be considered in RSW making allocation decisions:

- State exposure (dependent on National / Preference account type)
- Issuer exposure
- Underlying credit quality
- Yield curve exposure
- Sector exposure
- Annual realized / unrealized gain and loss amounts
- Duration (OAD / MDW)

Each targeted portfolio will receive a full allocation of a “block” or “aggregated” purchase as deemed so by RSW based on either the portfolio's percentage of available cash or the risk parameters above. In the event that a block is too small to accommodate a “full allocation” for all of the selected portfolios', RSW fills client accounts with the highest cash levels and continue allocating bonds until the process is complete.

Portfolios “Flagged” for Restructuring: Additionally, portfolios that are fully invested may be targeted to participate in an exchange of an existing / partial holding(s) for the newly purchased bond. The criteria and order in which portfolios are selected will be determined by their deviation from the desired level within each of the risk parameters mentioned below (i.e. the portfolios with the greatest deviation are targeted first, etc.)

- State exposure (dependent on National / Preference account type)
- Issuer exposure
- Underlying credit quality
- Yield curve exposure
- Sector exposure
- Annual realized / unrealized gain and loss amounts
- Duration (OAD / MDW)

Restructuring trades are entirely dependent on whether RSW can create capacity for a particular bond in accounts where such bond could be a potential fit. Due to market liquidity, RSW cannot always get an acceptable bid (price) on certain existing client holdings, and without an acceptable offer (quote) RSW cannot sell existing client bonds in order to create capacity in client portfolios for the bonds to be purchased. Therefore RSW quite often selects a larger group of portfolios and securities to potentially sell/restructure than it intends to execute. Only when RSW evaluates the bids received can we determine the most appropriate securities to sell. Those portfolios selected will then receive a full allocation of the “block” or “aggregated” purchase consistent with the percentage of cash capacity created and risk parameters mentioned above. In the event that enough bonds do not exist for a portfolio to receive a “full” allocation, that portfolio will simply receive the final allocation of the balance of the bonds that remain to be allocated.

### **Portfolio Inter-positioning:**

RSW may engage in “inter-positioning transactions” (herein referred to as “inter-positioning”) between the accounts of clients advised by the firm in circumstances deemed appropriate. These transactions could occur when a bond is sold on behalf of one client but may be beneficial for another client to own that same bond.

The portfolio manager must reasonably believe that the inter-positioning transaction will not only benefit each client participating in the transaction(s), but it must also enable RSW to achieve best execution in each instance. This requires a good faith judgment at the time the order is placed for execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a “20-20 hindsight” perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

Inter-positioning can provide benefits to both buying and selling client accounts, particularly when the securities to be traded are a smaller portion of a larger block of securities held by other RSW clients. In these instances, the team is dependent on receiving a “market” price for the lot being sold utilizing a competitive bidding process. Frequently, the bid received for smaller “odd lot” amounts is less than larger “round lots”, thus adversely impacting the seller of the odd lot position.

In targeted transactions, RSW may obviate the need for a competitive bidding process after it is determined that the execution is in the best interests of both clients concerned based on the investment objectives and portfolio characteristics of each client account. A “market price” is then determined for the municipal bond transaction by using an independent third party pricing service (J.J. Kenny or IDC Muller) to set the price of the inter-positioning transaction. Closing daily prices are supplied to RSW by the “Wrap Sponsor”, whereby each sponsor subscribes and obtains the evaluations from one of the two pricing services mentioned above. The municipal bonds are then sold and re-purchased at the pricing service’s “offer” evaluation price minus  $\frac{3}{8}$  of one point (\$0.375) dealer bid/ask spread which is determined by RSW to be a fair and reasonable level. The dealer bid/ask spread is designed to approximate actual spreads for bonds of comparable type and ratings to the bonds RSW seeks to effect the transaction. The broker/dealer that is deemed to be the lowest cost provider will be selected to execute these transactions.

Furthermore, RSW will consider the market price movements that have occurred subsequent to the prior nights closing evaluation level. To approximate these changes, RSW will utilize a third party vendor (Municipal Market Data) who releases “flash” estimates of the basis point changes that have occurred in each maturity range of the “AAA” rated tax-exempt market. Lastly, in those instances where a bond is cross-held between different sponsors who are utilizing different pricing services, RSW will generate an evaluation price by calculating a weighted average of each price associated with each lot held across each account participating in the transaction.

In the unusual circumstance when the pricing services are unable to provide an offer-side quote, RSW reserves the right to set the price at which the inter-positioning transaction will be effected in its good faith judgment and by using objective criteria. RSW does not receive any commission or compensation in connection with effecting inter-positioning transactions. RSW believes that inter-positioning may benefit its clients and that such procedures prevent any potential conflicts of interest.

### Portfolio Management Services Through Various Wrap Fee Programs:

For Program clients, RSW requests that it be provided with written authority to determine the securities to be bought or sold and the amounts of securities to be bought or sold in the client's Program account. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

Clients participating in wrap-fee Programs to which RSW acts as a Portfolio Manager also agree to direct brokerage in their Program account(s) through the applicable Program Sponsor. Within the various Programs, RSW has the ability to trade away from the Sponsor, which RSW regularly does to enable it access to a greater bond inventory than is typically held by the Sponsor. While the Program Sponsor typically charges an additional fee for such trade-aways above and beyond the Program fee, as RSW trades solely in fixed income bonds each Program client receives the same execution on trades placed by RSW through brokers other than the Sponsor as the client would if RSW placed all trades through the Sponsor, and no additional trade away fee is levied to the Program client's account as a result.

The client should, however, consider that, depending upon the level of the wrap fee charged by the broker dealer, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

### **Item 13 – Review of Accounts**

While the underlying securities within Portfolio Management client accounts are continuously monitored, these accounts will be formally reviewed at least monthly by Rob Waas, Managing member of RSW Investments, LLC. Various reports and filters are used to highlight deviations from the strategy or desired investment parameters. Reviews focus primarily on the levels of cash, duration, maturity profile, and dollar price of securities. In addition, a comprehensive portfolio attribution analysis is performed for each portfolio that falls outside of a two standard deviation threshold. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political, or economic environment.

RSW performs the same reviews for any accounts managed within a wrap-fee program to which RSW acts as Portfolio Manager.

In addition to the at least quarterly statements and confirmations of transactions that Portfolio Management clients receive from their broker dealer, RSW will provide a quarterly general market commentary.

Clients of accounts managed within a wrap-fee program to which RSW acts as Portfolio Manager are requested to refer to the applicable Program disclosure document for information on the reports they are to receive from the Program Sponsor. Typically, RSW does not provide any reports to wrap-fee Program clients.

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

RSW does not maintain any solicitation relationships. As disclosed throughout this brochure, RSW acts as a Portfolio Manager within various wrap-fee programs sponsored by third-party companies, as well as providing portfolio management services via sub-advisory relationships, also with third-party companies. For such services, RSW receives a portion of the wrap fee or fee for sub-advisory services.

## **Item 15 – Custody**

RSW does not maintain custody of client funds or securities. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. RSW urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

RSW requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold, as well as the broker dealer to be used

and the commission rates to be paid (or markups/markdowns in the case of fixed income investments).

However, as discussed under Item 12, clients participating in wrap-fee Programs to which RSW acts as a Portfolio Manager typically agree to direct brokerage in their Program account(s) through the applicable Program Sponsor. Within the various Programs, RSW has the ability to trade away from the Sponsor, which RSW regularly does to enable it access to a greater bond inventory than is typically held by the Sponsor. While the Program Sponsor typically charges an additional fee for such trade-aways above and beyond the Program fee, as RSW trades solely in fixed income bonds each Program client receives the same execution on trades placed by RSW through brokers other than the Sponsor as the client would if RSW placed all trades through the Sponsor, and no additional trade away fee is levied to the Program client's account as a result.

## **Item 17 – Voting Client Securities**

As a matter of firm policy and due to the predominant use of municipal bonds as investment vehicles for client accounts, RSW does not vote proxies on behalf of clients. Clients are responsible for voting their own proxies (as applicable).

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about RSW's financial condition. RSW 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.



**Robert S. Waas**

**RSW Investments, LLC**

47 Maple Street, Suite 304, Summit, NJ 07901

908-608-9600

January 27, 2012

**This Brochure Supplement provides information about Robert Waas that supplements the RSW Investments, LLC ("RSW") Brochure. You should have received a copy of that Brochure. Please contact Robert Waas, RSW's Managing Member and Chief Compliance Officer, if you did not receive RSW's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Robert Waas is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2- Educational Background and Business Experience**

**Robert S. Waas**, born 1960

### Post-Secondary Education:

- Graduated from St. John's University in 1982 with a B.S. in Accounting.

### Recent Business Background:

- Portfolio Manager of Merrill Lynch Asset Management from 1985 to 1988.
- Senior Portfolio Manager of Colonial Penn Group from 1988 to 1992.
- Portfolio Manager of Van Kampen American Capital from 1992 to 1995.
- Senior Portfolio Manager of Colonial Management from 1995 to 1997.
- Senior Portfolio Manager of Deerfield Capital from 1997 to 2000.
- Managing Director of Prudential Financial from 2000 to 2004.
- Managing Member of RSW Investments, LLC from 2005 to Present.

## **Item 3- 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 each supervised person providing investment advice. No information is applicable to this Item.

## **Item 4- Other Business Activities**

Robert Waas and Robert Coates, one of RSW's Members, each maintain a 50% ownership stake in Bellevale, LLC. Bellevale was established to allow for trading of new-issue municipal securities. In all circumstances, the securities purchased by Bellevale, LLC do not "fit" the investment characteristics of RSW Investments. More information can be furnished upon request.

## **Item 5- Additional Compensation**

As the majority owner of RSW, Mr. Waas receives an economic benefit on the success of RSW, including new clients and additional assets. With the exception of compensation

received as a result of activities described under Item 4 above, Robert Coates receives no other additional compensation.

#### **Item 6 - Supervision**

RSW is a small horizontal organization. As such, we do not conduct our business by appointment at predetermined dates and times. Instead, we converse daily as an investment team about matters that affect our client portfolios. The investment team is comprised of Robert Waas, team leader, Robert Coates and Matthew Werner. All transactions executed by the team members must conform to the agreed upon strategy. Robert S. Waas solicits opinions from the team members but is ultimately responsible for setting investment policies. The investment team discusses the vast majority of the bonds before they are purchased or sold, with Robert Waas, Managing Member, opining on nearly all transactions before they are executed.

If you need to contact another senior member of RSW regarding Robert Waas, Robert Coates can be reached at 445 West Jackson Avenue, Suite 101, Naperville, IL 60540. Phone number 630-357-0815.

**Robert K. Coates**

**RSW Investments, LLC**

47 Maple Street, Suite 304, Summit, NJ 07901

908-608-9600

January 27, 2012

**This Brochure Supplement provides information about Robert Coates that supplements the RSW Investments, LLC ("RSW") Brochure. You should have received a copy of that Brochure. Please contact Robert Waas, RSW's Managing Member and Chief Compliance Officer, if you did not receive RSW's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Robert Coates is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2- Educational Background and Business Experience**

**Robert K. Coates**, born 1970

### *Post-Secondary Education:*

- Graduated from Indiana University in 1992 with a B.S. in Finance.
- Graduated from Kellogg Graduate School of Management at Northwestern University 1992 with an M.B.A. in Finance and Technology.

### *Recent Business Background:*

- Junior Portfolio Manager of Van Kampen American Capital from 1992 to 1996.
- Portfolio Manager of Allstate Insurance Company 1996 to 1998.
- Director of Citigroup Capital Markets 1998 to 2009.
- Senior Portfolio Manager of RSW Investments, LLC from 2009 to Present.

## **Item 3- 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 each supervised person providing investment advice. No information is applicable to this Item.

## **Item 4- Other Business Activities**

Robert Coates and Robert Waas, RSW's Managing Member, each maintain a 50% ownership stake in Bellevale, LLC. Bellevale was established to allow for trading of new-issue municipal securities. In all circumstances, the securities purchased by Bellevale, LLC do not "fit" the investment characteristics of RSW Investments. More information can be furnished upon request. Robert Coates is also a silent investor in a restaurant named "Potter's Place" in Naperville, Illinois.

## **Item 5- Additional Compensation**

As a minority owner of RSW, Mr. Coates receives an economic benefit on the success of RSW, including new clients and additional assets. With the exception of compensation

received as a result of activities described under Item 4 above, Robert Coates receives no other additional compensation.

### **Item 6 - Supervision**

RSW is a small horizontal organization. As such, we do not conduct our business by appointment at predetermined dates and times. Instead, we converse daily as an investment team about matters that affect our client portfolios. The investment team is comprised of Robert Waas, team leader, Robert Coates and Matthew Werner. All transactions executed by the team members must conform to the agreed upon strategy. Robert S. Waas solicits opinions from the team members but is ultimately responsible for setting investment policies. Robert Coates has the latitude to execute buy and sale transactions that are aligned with RSW's investment philosophy, and account mandate guidelines. In practice however, the investment team discusses the vast majority of the bonds before they are purchased or sold, with Robert Waas, Managing Member, opining on nearly all transactions before they are executed.

If you need to contact another senior member of RSW regarding Robert Coates, Robert Waas can be reached at 47 Maple Street, Suite 304, Summit, NJ 07901. Phone number 908-608-9600.

**Matthew T. Werner**

**RSW Investments, LLC**

47 Maple Street, Suite 304, Summit, NJ 07901

908-608-9600

January 27, 2012

**This Brochure Supplement provides information about Matthew Werner that supplements the RSW Investments, LLC (“RSW”) Brochure. You should have received a copy of that Brochure. Please contact Robert Waas, RSW’s Managing Member and Chief Compliance Officer, if you did not receive RSW’s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Matthew Werner is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2- Educational Background and Business Experience**

**Matthew T. Werner**, Born 1979

### *Post-Secondary Education:*

- Graduated from University of Delaware in 2001 with a B.S. in Finance.

### *Recent Business Background:*

- Analyst of Prudential Financial from 2001 to 2005.
- Analyst of RSW Investments from 2005 to 2010.
- Portfolio Manager of RSW Investments, LLC from 2010 to Present.

## **Item 3- 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 each supervised person providing investment advice. No information is applicable to this Item.

## **Item 4- Other Business Activities**

Matthew Werner is a Member of M & M Family Investments, LLC, but does not have authority over, or involvement with, any of the investments decisions made for the LLC. He does not spend a substantial amount of time with this other activity.

## **Item 5- Additional Compensation**

As a minority owner of RSW, Mr. Werner receives an economic benefit on the success of RSW, including new clients and additional assets. With the exception of compensation received as a result of activities described under Item 4 above, Matthew Werner receives no other additional compensation.

## **Item 6 - Supervision**

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investment team about matters that affect our client portfolios. The investment team is comprised of Robert Waas, team leader, Robert Coates and Matthew Werner. All transactions executed by the team members must conform to the agreed upon strategy. Robert S. Waas solicits opinions from the team members but is ultimately responsible for setting investment policies. Matthew Werner has the latitude to execute buy and sale transactions that are aligned with RSW's investment philosophy, and account mandate guidelines. In practice however, the investment team discusses the vast majority of the bonds before they are purchased or sold, with Robert Waas, Managing Member, opining on nearly all transactions before they are executed.

If you need to contact another senior member of RSW regarding Matthew Werner, Robert Waas can be reached at 47 Maple Street, Suite 304, Summit, NJ 07901. Phone number 908-608-9600.