



**Firm Brochure
Form ADV Part 2A**

Newport Investment Management, LLC

A Wholly Owned Subsidiary of Newport Capital Partners Holding, LLC

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The following constitutes Newport Investment Management's annual brochure and provides information about the qualifications and business practices of the Firm. If you have any questions about the contents of this brochure, please contact us at (312) 724-7032 and/or derrick@newportcapitalptrs.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.

Newport Investment Management 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 can determine to hire or retain an adviser.

Additional information about Newport Investment Management is also available on the SEC's website at www.advisorinfo.gov.

Item 2 - Material Changes

No material changes.

Currently, our Brochure may be requested by our office at 312.724.7034 or Anne@NewportCapitalPtrs.com.

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Item 4 - Advisory Business

Newport Investment Management, LLC (“Newport”) is a Chicago based real estate investment manager focused on acquiring, operating, financing and selling multiple property types on behalf of its investors.

Newport’s primary business focus is closed-end comingled funds and separate accounts. As such, its targeted approach to investing leads to restrictions articulated in Fund offering documents.

Newport does not participate in wrap fee programs.

As of December 31, 2017, Newport managed approximately \$231.6 million in discretionary assets and approximately \$ 17.9 million of non-discretionary assets.

On behalf of its clients, Newport currently manages:

- Newport Capital Partners Fund I, a closed end real estate fund targeting convenience/necessity based retail properties in major Midwestern metro areas (the “Newport Fund I”). The Fund has acquired six investments since inception, and has completed its investment period. The Fund sold its first investment in October, 2016. The Fund has raised \$43.1 million of Limited Partner capital and as of December 31, 2017 had Gross Asset Value of \$89.0 million.
- Newport Capital Partners Fund II, a closed end real estate fund targeting convenience/necessity based retail properties in major metro areas in the central United States (the “Newport Fund II”). Through December 31, 2017, the Fund had acquired six investments since inception. The Fund has raised \$54.0 million of Limited Partner capital and as of December 31, 2017 had Gross Asset Value of \$107.0 million.
- DV Urban Realty Partners Fund I, LP, a closed-end opportunistic real estate fund initially launched by DV Realty Advisors. In 2012, the Limited Partners terminated DV Realty and requested that Newport become the General Partner of this investment vehicle on a fixed fee basis (the “DV Fund”). The DV Fund is in its liquidation stage. The DV Fund Gross Asset Value as of December 31, 2017 was approximately \$3.4 million.
- Newport also manages one independent real estate investment with an approximate Gross Asset Value of \$32.2 million.
- In July 2014 Newport was awarded a \$50 million Joint Venture Commitment by the NYSCRF / Artemis Emerging Manager Program. Mach I JV is a Joint Venture focused on grocery anchored retail properties located within high population density submarkets in Chicago and Minneapolis. The Fund acquired one investment in July 2016. The Gross Asset Value as of December 31, 2017 was \$17.9 million.

Newport was formed in March 2010 and is wholly owned by Newport Capital Partners Holding, LLC (NCPH). NCPH is 100% owned by Mr. Derrick E. McGavic.

Item 5 - Fees and Compensation

Newport is typically compensated via:

- Percentage of equity committed 50 - 150 bps
- Fixed Fee Variable
- Acquisition Fee 0 – 100 bps
- Disposition Fee 0 – 100 bps
- Financing Fee 0 – 100 bps

All fees are fully disclosed in Investment Advisory Agreements. Fees are negotiable.

Fees are billed to clients as an allocated expense to the real estate investment or to the respective Fund.

There are no custodian fees.

Affiliates of Newport may earn property level fees (i.e., property management, leasing commissions, and construction management) provided that they do not exceed “market” rates.

Fees are typically paid quarterly, in advance. If an advisory contract is terminated before the end of the billing period, the client is due a refund based on the pro-rata number of days Newport was the investment manager.

Neither Newport, nor any supervised persons, accepts compensation for the sale of securities or other investment products.

Item 6 - Performance Based Fees

Newport has the potential to earn performance based fees from Newport Fund I. Following is the cash flow waterfall:

1. All investors receive 100% of cash flow pari pasu to a 10% IRR;
2. From a 10% IRR to 13% IRR:
 - (a) 20% of profits to the “General Partner Investor.”
 - (b) 80% to all Limited Partners.
3. Above a 13% IRR:
 - (a) 25% of profits to the General Partner Investor
 - (b) 75% to all Limited Partners.

Payments 2(a) and 3(a) are the performance based fees. Performance based fees are split 50% with the General Partner Investors and 50% to Newport.

Newport has the potential to earn performance based fees from Newport Fund II. Following is the cash flow waterfall:

1. All investors receive 100% of cash flow pari pasu to a 9% IRR;

2. From a 9% IRR to 12% IRR:
 - (a) 10% of profits to Newport Capital Partners Holding
 - (b) 10% of profits to Special LP
 - (b) 80% to all Limited Partners.
3. Above a 12% IRR:
 - a) 12.5% of profits to the Newport Capital Partners Holding
 - b) 12.5% of profits to Special LP
 - c) 75% to all Limited Partners.

Payments 2(a)(b) and 3(a)(b) are the performance based fees. Newport receives Performance Fees 2(a) and 3(a). Special LP Investors include Newport team members.

Newport clients also include accounts with and without incentives fees.

Since incentive fees are typically longer term payouts (up to 10 years), Newport avoids conflicts of interest by awarding shares of incentive fees ("Points") annually over the life of the investment vehicle, with a 3 year vesting schedule to all employees, regardless of their client assignment.

Item 7 - Types of Clients

Newport's clients include pension plans, endowments, foundations, family offices and high net worth investors.

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

Methods of analysis for real estate typically utilize Discounted Cash Flow Analysis, Site Population / Economic demographics.

As most of its investments are leveraged, the potential risk of loss is 100% of allocated equity.

Newport primarily executes a "Value-Add" strategy to real estate investments along with the "Core-Plus" Mach I JV real estate strategy.

Risks include:

- Leasing/re-leasing vacant space;
- Construction Costs associated with capital projects;
- Unanticipated tenant bankruptcies;
- Capital market fluctuations which occur during refinancing or sales

Item 9 - Disciplinary Information

Newport has no criminal or civil action pending or in the past 10 years.

Newport has not been involved in any administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency or any foregoing financial regulatory authority.

Newport has not been involved with a Self-Regulatory (SRO) proceeding.

Item 10 - Other Financial Industry Activities and Affiliations

Newport is not registered, nor has application pending to register, as a broker-dealer, a registered representative of a broker dealer, futures commission merchant, commodity pool operator, or a commodity trading advisor.

An affiliate of Newport, NCP Asset Management, LLC, is an Illinois Real Estate Broker.

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

Newport will provide a copy of its Code of Ethics to any client or prospective client upon request.

Newport does not allow buying or selling on behalf of client account investments in which the Firm or any related person has a material financial interest.

Newport, and related persons, may co-invest with clients on specific transactions. Such co-investments are fully disclosed to clients and designed to align the interests of Newport with its clients.

Newport and related persons are prohibited from buying or selling an investment which is in close proximity, or would be economically impacted, at the same time it recommends buying or selling to a client.

Item 12 - Brokerage Practices

Newport does not select or recommend broker dealers for client transactions.

Newport does engage licensed real estate brokers to sell assets, place mortgage financing and lease space.

Prior to selecting a real estate broker, Newport solicits an RFP from at least three (3) agents. Based upon the RFP, Newport selects the team that is most capable when taking into account the type of the assignment, property type, and fee schedule.

Newport does not receive client referrals from broker dealers.

Item 13 - Review of Accounts

Newport meets, in person or via tele-conference, with its clients no less than quarterly to review client accounts. This is typically handled by the Firm's Managing Principal and/or the head of Asset Management.

If market conditions trigger the need for additional capital, a change in strategy (sale / refinance) or merit discussion regarding investment strategy, a client review will occur.

Newport provides written quarterly financial reports with a narrative update. Newport also provides a written yearly strategic plan with semi-annual updates and audited Financial Statements for its Funds.

Item 14 - Client Referrals

Newport does not accept for fee client referrals.

Item 15 - Custody

Newport does maintain / manage bank accounts used by Property and Fund investments. As part of the annual audit such banks statements are verified by independent auditors.

Item 16 - Investment Discretion

Newport does accept discretionary authority as allowed under individual investment advisory agreements. Typically limitations are imposed via Fund investment strategy as Limited Partner Advisory Committees.

Item 17 - Voting Client Securities

Newport does not, nor will it, accept authority to vote client securities.

Item 18 - Financial Information

Newport Investment Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of bankruptcy proceeding.



Brochure Supplement - Part 2B of Form ADV

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Anne C Arnold

This Brochure Supplement provides information on our personnel listed above and supplements the Brochure. You should have also received a copy of the Brochure.

Additional information about our personnel is available on the SEC's website at www.advisorinfo.gov.

Brochure Supplement prepared on March 29, 2018

Derrick McGavic

Mr. McGavic is the Firm's Managing Principal. He serves on the Firm's Management and Investment Committees.

Mr. McGavic has over 28 years of institutional and private real estate experience. Prior to founding the Firm, Mr. McGavic was a Managing Director with RREEF where he ran five separate co-mingled funds and two separate accounts with total AUM in excess of \$3.5 billion. Mr. McGavic was a member of the RREEF Value-Add / Venture Capital Investment Committee and the RREEF Structured Debt / Mezzanine Fund Investment Committee. Mr. McGavic also led major initiatives involving RREEF's Structured Debt Group and Client Relations.

Prior to joining RREEF in 2000, Mr. McGavic was with JE Roberts Companies and LaSalle Partners (twice each) in acquisitions, portfolio management, M&A, loan workouts and asset management. Over his career Mr. McGavic has executed more than \$4.5 billion of real estate transactions.

Mr. McGavic is a member of PREA, participating in the Valuations and Reporting Affinity Group, ICSC and serves on Oregon State University School of Business Advisory Board.

Mr. McGavic is a former Officer of Marines.

Education

M.S. from the University of Southern California, a B.S. in Business and a B.S. in Naval Engineering from Oregon State University

Anne Arnold

Ms. Arnold is a Principal of the Firm and leads asset management and operations.

Ms. Arnold has over seventeen years of commercial real estate experience. Prior to joining Newport Capital Partners, she was an Executive Vice President at IRC Retail Centers. Ms. Arnold's primary responsibilities included debt capital markets initiatives, joint venture portfolio management, asset management, forecasting and valuation of the real estate. She is a member of the International Council of Shopping Centers and is a licensed real estate broker in Illinois. Ms. Arnold began her career as a commercial real estate appraiser for Arthur Andersen before working in mortgage portfolio management for Prudential Financial and in asset management at Morgan Stanley.

Education

Ms. Arnold holds a BS in Finance with a concentration in real estate from the University of Illinois, Urbana-Champaign.