

## STERLING MARKETS GROUP LLC

2633 McKinney Ave Suite 130233

Dallas, Texas 75204

(214) 575-3646

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This Brochure provides information about Sterling Markets Group LLC's qualifications and business practices. If you have any questions about the contents of this Brochure, please contact us at (214) 575-3646. 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. 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 Sterling Markets Group LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 1 – Advisory Business**

### **Advisory Services**

#### **1. A. Advisory Firm Description**

Sterling Markets Group LLC (“SMG”) was formed in 2013 and serves as a discretionary investment adviser to high net worth individuals, closely held companies, family offices, and institutional clients. The principal owners are Sterling Markets LLC and Oden Investments LLC

#### **1. B. Types of Advisory Services**

SMG serves as a discretionary investment adviser to high net worth individuals, closely held companies, family offices, and institutional clients.

SMG or an affiliate will generally serve as general partner or managing member to each domestic Private Fund. Services provided by SMG and/or an affiliate of SMG also may include organizing and managing their business affairs; acting as general partner; executing and reconciling trades; coordinating the preparation of financial statements, audit, and tax-related schedules; and drafting, printing and distributing correspondence to Investors.

#### **1. C. Client Investment Objectives/Restrictions**

SMG is authorized to enter into any type of investment transaction that it deems appropriate for each clients’ portfolio, pursuant to the clients’ investment objectives. No restrictions are imposed by clients other than what is stated in the client investment agreement.

#### **1. D. Wrap-Fee Programs**

SMG does not currently participate in, nor is a sponsor of, any wrap fee programs.

## **Item 2 – Fees and Compensation**

### **2. A. Adviser Compensation**

SMG’s fees are described generally below and detailed in the applicable offering documents. Management Fees may be waived or reduced with respect to certain investors in the Private Funds.

#### **Fee Schedule**

In consideration for the provision of investment advisory services, SMG generally receives a management or advisory fee equal to 2.0% annually. SMG, in its discretion, may waive or reduce the management Fee with respect to certain investors.

SMG does not charge an annual incentive allocations

#### **Other Advisory Fee Arrangements**

SMG reserves the right, in its sole discretion, to negotiate and to charge different advisory fees for certain accounts based on the client’s particular needs as well as overall financial condition, goals, risk tolerance, and other factors unique to the client’s particular circumstances.

## **2. B. Direct Billing of Advisory Fees**

Management fees are debited from each client custodial account on a quarterly basis for private funds.

## **2. C. Other Non-Advisory Fees**

Brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Internal fees charges by mutual funds and exchange traded funds are disclosed in the fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to SMG's fee, and SMG shall not receive any portion of these commissions, fees, and costs. The factors used by SMG to select or recommend broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions) are found in Item 8.

## **2. D. Advance Payment of Fees**

As a general matter, estimated advisory fees are payable quarterly in advance and equal to 0.50% (approximately 2.0% annually) of the net asset value of the client's portfolio. At the end of the quarter, the actual advisory fee due for the quarter is calculated based on each of the month end net asset values for that quarter, adjusted for investor contributions and withdrawals. The estimated fee for the subsequent quarter is adjusted for the over or underpayment from the prior quarter.

## **2. E. No Compensation of Sale of Securities or Other Investment Products**

SMG's supervised persons do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 3 – Types of Clients**

SMG serves as an advisor to high net worth individuals, large single family offices, closely held companies, and midsized institutions.

## **Item 4 – Methods of Analysis, Investment Strategies and Risk of Loss**

SMG utilizes a Global Macro approach to its investment services. These investments are global in nature and include, but are not limited to: commodities or commodity related industries, futures contracts, equities, equity related securities, market indices, high yield and distressed credit, corporate and supra national investment grade bonds, as well as value investing (including but not limited to, investments in utilities, agricultural, and water). Certain financial instruments may be thinly traded, illiquid or privately placed.

SMGs' analysis takes into account the economic outlook of the particular instrument, market and country, any potential change in policy of the relevant central bank which may affect that particular instrument.

#### **4. B. Material Risks of Investment Strategies**

SMG can offer no guarantee of investment success. Investment portfolios may be adversely affected by general economic and market conditions such as interest rates, currency fluctuations, availability of credit, inflation rates, regulatory changes, and national and international political circumstances. These factors may affect the level and volatility of security pricing and the liquidity of an investment. SMG's strategies may involve short selling and do not employ limitations on any particular sectors, industries, countries, regions or securities. Trading in the portfolios may affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Generally, investment portfolios may be adversely affected by general economic and market conditions such as interest rates, currency fluctuations, availability of credit, inflation rates, changes in laws, and national and international political circumstances. Regardless of any one company's particular prospects, a declining stock market may produce a decline in prices for all equity securities, which could also result in losses. The typical risks of the investment strategies offered by SMG include, but are not limited to:

Management Style Risk. Performance may be better or worse than the performance of funds that focus on other types of financial instruments or have a broader investment style.

Sector Focus Risk. The portfolios may be heavily invested in certain sectors, which may cause its value to be especially sensitive to factors and economic risks that specifically affect those sectors and may cause the value of the portfolio to fluctuate more widely than a comparative benchmark.

Non-diversified Fund Risk. Because the portfolio may invest a greater portion of its assets in securities of a single issuer or a limited number of issuers than a portfolio with diversification limitations, it may be more susceptible to a single adverse economic or political occurrence affecting one or more of these issuers.

Portfolio Turnover. There also could be risk related to portfolio turnover. High rates of portfolio turnover could lower performance of the portfolio through increased brokerage and other transaction costs and taxes.

Short Sales. SMG may sell securities short. Short selling involves the sale of the security that are not owned and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. Securities sold short are subject to unlimited risk of loss. There is no limit on the price a security may appreciate before the short position is closed.

Options and Other Derivative Instruments. The prices of many derivative instruments are highly volatile. The value of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Also at risk is the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties.

Concentration. Assets may, from time to time, be concentrated in an industry/sector or a group of industries/sectors. By concentrating assets in fewer industries/sectors or a group of industries/sectors, the portfolios are subject economic, political or other conditions risk having

a negative impact on that industry/sector or group of industries/sectors will negatively impact the portfolio to a greater extent than if the assets were invested in a more diversified variety of industries/sectors. Losses due to concentration risk can be substantial.

These factors may affect the level and volatility of security pricing and the liquidity of an investment.

#### **4. C. Material Risks of Securities Used in Investment Strategies**

Strategies may include investments in exchange-listed domestic and foreign securities, securities traded over-the-counter, warrants, corporate debt, commercial paper, mutual fund shares and option contracts on securities. SMG may engage in short-selling as part of its investment strategy.

Equity Investments. Regardless of any one company's particular prospects, a declining stock market may produce a decline in prices for all equity securities, which could also result in losses. Other investment strategy risk factors include:

Market Risk. The prices of and the income generated securities may decline in response to, among other things, investor sentiment, general economic and market conditions, regional or global instability, and currency and interest rate fluctuations.

Credit Risk. Credit risk is the risk that the issuer or guarantor of a debt security or counterparty to the portfolio's transactions will be unable or unwilling to make timely principal and/or interest payments, or otherwise will be unable or unwilling to honor its financial obligations. If the issuer, guarantor, or counterparty fails to pay interest, the portfolio's income may be reduced. If the issuer, guarantor, or counterparty fails to repay principal, the value of that security and value of portfolio may be reduced.

Valuation Risks for Non-Exchange Traded Options. The purchase of non-exchange traded put and call options may result in reduced liquidity and possibly value for the portfolio's investments.

Risks related to Other Equity Securities. In addition to common stocks, the equity securities in a portfolio may include preferred stocks, convertible preferred stocks, convertible bonds, and warrants. Like common stocks, the value of these equity securities may fluctuate in response to many factors, including the activities of the issuer, general market and economic conditions, interest rates, and specific industry changes. Convertible securities entitle the holder to receive interest payments or a dividend preference until the security reaches maturity, is redeemed, or the conversion feature is exercised. As a result of the conversion feature, the interest rate or dividend preference is generally less than if the securities were non-convertible. Warrants entitle the holder to purchase equity securities at specific prices for a certain period of time. The prices do not necessarily move parallel to the prices of the underlying securities and the warrants have no voting rights, receive no dividends, and have no rights with respect to the assets of the issuer.

Clients should carefully consider various risk factors and conflicts of interest, as well as suitability requirements, restrictions on transfer and withdrawal of Interests and various legal, tax and other considerations, all of which are discussed with each client.

Investment in these types of securities involves risk and the loss of capital. These strategies may not be suitable for all investors. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not indicative of future results.

## **Item 5 – 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 SMG or the integrity of SMG's management.

## **Item 6 – Other Financial Industry Activities and Affiliations**

### **6. A. No Registered Representatives**

SMG's management personnel are not registered, nor do any management personnel have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### **6. B. No Other Registrations**

SMG's management personnel are not registered, nor do any management personnel have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or as an associated person of the fore mentioned entities.

### **6. D. Recommendations of Other Investment Advisers**

SMG does not recommend or select other investment advisers for clients.

## **Item 7 – Code of Ethics**

### **7. A. Code of Ethics Document**

SMG has adopted a Code of Ethics pursuant to SEC rule 204A-1. A basic tenet of SMG's Code of Ethics is that the interests of clients are always placed first. The Code of Ethics includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. SMG will provide a copy of its Code of Ethics to any client or prospective client upon request by calling (214) 575-3646 or emailing [compliance@sterling-markets.com](mailto:compliance@sterling-markets.com)

### **7. B. Recommendations of Securities and Material Financial Interests**

As a matter of policy, SMG generally does not engage in principal transactions, cross trading or agency cross transactions. Any exceptions to this policy must be approved in advance by the Chief Compliance Officer or his designee. An affiliate of SMG serves as General Partner to Private Funds managed by Adviser.

In the event SMG determines that a cross transaction would be in the best interest of its clients, SMG will do so in compliance with applicable regulations.

Investments by clients of SMG, in securities of issuers for which a principal of SMG serves as a director, may be subject to certain restrictions on purchase or sale, including restricted list or "black-out" periods imposed by federal or state securities laws or by the policies of such issuers or SMG. In general, such securities will not be purchased or sold for client accounts unless and until a principal (other than the principal serving as a director) determines that no material,

nonpublic information is in the possession of the principal serving as a director. As a result, such securities may, from time to time, be considered illiquid.

Employees of SMG may have access to information regarding publicly-traded companies. In order to avoid the perception of potential conflicts of interest, SMG will maintain restricted lists which will identify companies that neither SMG nor its employees will be allowed to trade, and the time period for which the restrictions will stay in place.

### **7. C. Personal Trading**

SMG has adopted a Code of Ethics intended, among other things, to ensure that personal investing activities by SMG's employees are consistent with SMG's fiduciary duty to its clients. The Code includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. For purposes of its Code, SMG has determined that all employees are Access Persons. All access persons are required to notify SMG's Chief Compliance Officer ("CCO") or his designee in order to pre-clear personal securities transactions in equity securities, private placements and IPOs. All pre-clearance requests must be submitted to the CCO. Access persons must provide quarterly reports of their personal transactions within 30 days of the end of each calendar quarter, which may consist of monthly brokerage statements for all accounts in which they have a beneficial interest, to the CCO. Alternately, access persons may direct their brokers to send copies of all brokerage confirmations relating to all personal securities transactions in which they have a beneficial ownership interest. Access persons must also submit, to SMG's CCO, statements of their personal holdings in reportable securities as well as information about any brokerage accounts in which securities may be held within 10 days after becoming subject to the Code of Ethics and on an annual basis thereafter.

The Code also requires that all covered persons comply with ethical restraints relating to clients and their accounts, including restrictions on gifts and provisions intended to prevent violations of laws prohibiting insider trading. In all cases, if the possibility of a conflict of interest occurs, the client's interest will prevail. It is the policy of the SMG that equal or higher priority will always be given to the client's portfolio orders over the orders of an employee of the SMG. SMG and its respective officers and employees may act and continue to act as investment advisors and managers for others, and may choose to act as investors on their own behalf, notwithstanding that SMG has direct or indirect material interests or relationships which may involve conflicts or potential conflicts with SMG's duty to clients. SMG is required to treat its clients fairly in relation to such conflicts of interest or material interests. SMG has adequate policies and procedures to protect its client interests and disclosing to clients the possibility of such conflicts. Such policies and procedures include, but are not limited to, SMG's Code of Ethics, personal trading policies, trade aggregation and allocation policies, policies governing outside business activities and gifts and entertainment.

If requested, SMG will provide a copy of the Code of Ethics.

### **7. D. Timing of Personal Trading**

Since SMG access persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that SMG or a related person recommends to clients, no access person shall buy or sell a Reportable Security within (1) day before or after any trades in the



security are made for Client accounts. The price paid or received by a Client account for any security should not be affected by a buying or selling interest on the part of an Access Person, or otherwise result in an inappropriate advantage to the Access Person.

## **Item 8 – Brokerage Practices**

### **8. A. Selection of Broker/Dealers**

SMG's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its client's portfolio transactions. Securities transactions for all clients are executed through brokers selected by SMG in its sole discretion and without the consent of the clients. In placing portfolio transactions, SMG will seek to obtain the best execution for the clients, taking into account certain factors when applicable. In applying these factors, SMG recognizes that different broker-dealers may have different execution capabilities with respect to different types of securities. The factors include, but are not limited to:

- overall quality of service; speed of execution;
- ability of the broker/dealer to provide quality service during volatile or unusual market conditions;
- willingness/ability to commit capital by taking positions in order to complete trades;
- ability to handle large trades in securities with limited liquidity;
- reliability in executing trades and keeping records;
- ability to handle high-volume transactions without undue market impact;
- familiarity and knowledge of primary markets;
- ability to engage in after-hours and cross-border trading when required;
- clearance and settlement history;
- ability to accurately prepare confirmations;
- reliability in accounting for and correcting trade errors;
- access to primary markets and quotation sources;
- ability to minimize costs;
- ratio of completed trades to incomplete trades;
- ability to maintain confidentiality/anonymity of client;
- quality of communication between SMG and the broker/dealer;
- ability to handle unique strategies/difficult trades; research capabilities;
- financial standing of broker-dealer; and
- reputation of broker-dealer.

In addition, SMG will consider the competitiveness of commission rates in comparison with other brokers satisfying SMG's other selection criteria. Portfolio securities normally are purchased through brokers on securities' exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the price. SMG will not commit to provide any level of brokerage business to any broker. SMG may utilize the services

of one or more introducing brokers who will execute the Private Funds' brokerage transactions through the prime broker and custodian who will clear the Private Funds' transactions.

#### Research and Other Soft Dollar Benefits

SMG does not trade using "soft dollar" commissions or rebates by brokerage firms of commissions generated by the securities transactions executed through those firms to pay expenses of SMG.

#### Brokerage for Client Referrals

SMG may utilize the capital introduction services of its prime broker(s). SMG benefits from such programs in that it is introduced to prospective investors. SMG does not directly compensate its prime brokers for participation in the capital introduction program or for the investor referrals. However, the prime broker generally receives compensation from SMG resulting from: custodian of assets managed by SMG; securities transactions executed on behalf of SMG; and lending funds and/or securities to SMG, as part of a margin/short sale program.

#### Directed Brokerage

SMG does not accept directed brokerage from its clients. SMG selects brokers on behalf of the Private Funds they manage.

### **8. B. Aggregation of Orders**

SMG may aggregate purchase and sale orders of securities held by clients. If in SMG's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the clients' portfolios based on an evaluation each portfolio will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the portfolio will be affected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at SMG's sole discretion, and the client portfolio may be charged or credited, as the case may be, with the average transaction price.

SMG may, at times, determine that certain securities will be suitable for acquisition. If that occurs, and SMG is not able to acquire the desired aggregate amount of such securities on terms and conditions which SMG deems advisable, SMG will endeavor in good faith to allocate the limited amount of such securities acquired among the client portfolios for which SMG considers them to be suitable. SMG may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative size, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the clients' portfolio.

#### Trade Errors

It is the policy of SMG that the utmost care is taken in making and implementing investment decisions of behalf of client accounts. However, on those occasions when such an error does occur, SMG will reasonably determine how to correct the error. In general, if the trade error results in losses, such losses will not be reimbursed for the client account.

## **Item 9 – Review of Accounts**

### **9. A. Frequency and Nature of Review**

The client accounts managed by SMG are reviewed, generally on a daily basis, by the respective manager.

### **9. B. Factors That May Trigger an Account Review Outside of Regular Review**

Generally, client accounts are reviewed as needed depending on factors such as cash flows in or out the account, changes in client objectives or restrictions or changing market conditions. SMG reviews client accounts on a daily basis in light of emerging trends and developments as well as market volatility.

### **9. C. Content and Frequency of Reports**

SMG generally will furnish each investor with the following written reports:

- Monthly statements that include the unaudited net asset value or capital account balance, any investor activity and the monthly year-to-date performance, as applicable, and;
- Annual audited financial statements.
- Additional reports to certain investors upon request.

## **Item 10 – Client Referrals and Other Compensation**

SMG may pay a marketing fee or commission in connection with the professional marketing of its services, including ongoing payments, at SMG's own expense (except in circumstances involving directed brokerage).

## **Item 11 – Custody**

SMG maintains client assets and securities at independent, qualified custodians. Additionally, it provides audited financial statements to clients within 120 following the fiscal year end.

SMG will not take or maintain physical custody of any client assets and will conduct all business operations in such a way that all client cash and investments will be preserved in the safekeeping of independent qualified custodians. Clients' custodians will generally be banks, trust companies or broker-dealers unaffiliated with SMG. SMG has entered into an agreement with an independent public accountant to provide audited financial statements within 120 following the fiscal year end.

SMG takes steps to assure itself that these qualified custodian provide periodic account statements, no less frequently than quarterly, showing all transactions in the account, including fees paid to SMG.

## **Item 12 – Investment Discretion**

Through its investment advisory agreement with its clients, SMG is granted discretionary authority and is responsible for the placement of the portfolio transactions of all clients and the negotiation of any commissions paid on such transactions and is authorized to make the following determinations in accordance with the client's specified investment objectives without client consultation or consent before a transaction is effected:

- Which securities to buy or sell.
- The total amount of securities to buy or sell.
- The broker or dealer through whom securities are bought or sold.
- The commission rates at which securities transactions for client accounts are affected.
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Investments for client portfolios are managed in accordance with the each clients' investment objectives, strategies and restrictions and are tailored to the individualized needs of the client. Clients should consider whether SMG meets their investment objectives and risk tolerance prior to investing.

SMG assumes discretion over the account upon execution of the advisory agreement.

## **Item 13 – Voting Client Securities**

### **13. A. Voting Policies and Procedures**

Unless otherwise mutually agreed in writing, SMG will not be responsible for responding to proxies that are solicited with respect to annual or special meetings of shareholders of securities held in clients' accounts. Proxy solicitation materials will be forwarded to clients for response and voting.

## **Item 14 – Financial Information**

### **14. A. Advance Payment of Fees**

SMG DOES NOT require or solicit prepayment of fees six months or more in advance.

### **14. B. Financial Condition**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. SMG has no financial commitments that impair its ability to meet contractual commitments and fiduciary commitments to clients.

### **14. C. No Bankruptcy Proceedings**

SMG has not been the subject of a bankruptcy proceeding

Disclosure Brochure (Part 2 of this form ADV)

By signing below, the client(s) do certify that s/he (they) has (have) received and read carefully this disclosure brochure and had the opportunity to ask such questions as may have occurred in reading and/or discussing the services provided and the costs of those services.

Signed: Date: \_\_\_\_\_

Signed: Date: \_\_\_\_\_