



**Sagewood Asset Management LLC**

**FORM ADV – PART 2A**

3 Bryant Park  
32<sup>nd</sup> Floor  
New York, NY 10036

Phone 212-231-8777  
Fax 646-609-6296

**January 12, 2017**

This Brochure provides information about the qualifications and business practices of Sagewood Asset Management LLC ("Sagewood"). If you have any question about the contents of this Brochure, please contact us at (212) 231-8777. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Sagewood, including a copy of its Form ADV Part 1, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ***Item 2 - Material Changes***

Sagewood Asset Management LLC (“Sagewood”) has updated its brochure as of January 12, 2017. Sagewood’s last update of the Part 2A brochure was its annual updating amendment on March 7, 2016. A summary of the changes is provided below.

- In ***Item 2 – Advisory Business*** as of 12/31/2016, Sagewood was purchased by Defina Maluki and William J. Belleville Jr. and is no longer a subsidiary of Ziegler Capital Management, LLC (“ZCM”). Mr. Maluki continues to be the Chief Investment Officer and Mr. Belleville will be the Chief Executive Officer of Sagewood. The day-to-day investment operations are not expected to be affected by this transaction. However, compliance, reporting and other non-investment related operations, which had been provided by ZCM or its affiliates, will be assumed by Sagewood.

Sagewood has new contact information:

Sagewood Asset Management LLC  
3 Bryant Park, 32<sup>nd</sup> Floor  
New York, NY 10036  
(212) 231-8770

- In ***Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss*** we added in Cybersecurity Risk because as a company that relies heavily on computers, we, as well as Our Clients and Services Providers, are subject to risks associated with a breach in their cybersecurity.

### ***Item 3 - Table of Contents***

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#### ***Item 4 - Advisory Business***

Sagewood Asset Management LLC (“Sagewood”, “we”, “us”, “our”), provides discretionary investment management services to a wide variety of clients. Sagewood was organized as a limited liability company in Delaware in 2015.

Sagewood, as of 12/31/2016, was purchased by Defina Maluki and William J. Belleville Jr. and is no longer a subsidiary of Ziegler Capital Management, LLC (“ZCM”). Mr. Maluki continues to be the Chief Investment Officer and Mr. Belleville will be the Chief Executive Officer of Sagewood. The day-to-day investment operations are not expected to be affected by this transaction. However, compliance, reporting and other non-investment related operations, which had been provided by ZCM or its affiliates, will be assumed by Sagewood.

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As of December 31, 2016, Sagewood had \$1,212.9 million in regulatory assets under management. The advisory services of Sagewood are described in detail below.

#### **Investment Management Services**

Sagewood offers clients an overlay strategy that seeks to generate returns by exploiting perceived inefficiencies in the pricing of equity market volatility. The strategy utilizes a disciplined quantitative investment process combined with thorough qualitative analysis to manage a portfolio of options. The strategy is offered on a discretionary basis and is generally implemented as an overlay on a client’s existing asset allocation. Therefore, investments made pursuant to this program are generally collateralized using margin and clients are required to designate one or more accounts whose assets serve as collateral (the “Collateral Accounts”). We generally do not tailor advisory services to individual needs of the clients.

#### ***Item 5 - Fees and Compensation***

Sagewood bases its investment management fees on a percentage of the assets under management (the “Mandate Amount”) as defined in the investment management agreement, adjusted for gains or losses in the account during the billing period

The maximum annual management fee is 2.00%. Management fees are generally negotiable. Sagewood reserves the right to reduce, or waive the management fees at its sole discretion.

Fees are for advisory services only, unless otherwise indicated. Investment management fees are deducted from the client’s account, unless Sagewood and the client agree otherwise in writing. Management fees are generally calculated quarterly in arrears. For accounts that are opened during a

billing quarter, we prorate the management fee for the number of days the account is opened during the billing quarter.

The quarterly management fee is calculated and billed based upon the average of the three month-end values of the Mandate Amount. The month-end Mandate Amount is adjusted for changes to the Mandate Amount (such as client directed increases or decreases) and realized and unrealized gains and losses for that month, net of actual or accrued management and performance fees. For more information on the calculation of quarterly management fees, please refer to the investment management agreement. If the account terminates during the billing quarter, the account is charged the pro-rata fee for the time services were provided during the quarter.

### **Performance Fees**

As described below in **Item 6, Performance-Based Fees and Side-by-Side Management**, Sagewood receives a performance-based fee of up to 20% of the net realized and unrealized gains on the option positions in the client's account. The performance fees are calculated and payable annually, on withdrawals and when an account closes. Fees are deducted from the client's accounts, unless Sagewood and the client agree otherwise in writing.

Performance fees are generally negotiable. Sagewood reserves the right to reduce, or waive performance fees at its sole discretion.

Clients agreeing to a performance-based fee must represent to Sagewood that the client is a "qualified client" under the Advisers Act by virtue of being (i) a natural person or a company (as defined in paragraphs (b)(2) and (g)(1) of Rule 205-3 of the Investment Advisers Act of 1940), who immediately after entering into the investment management agreement with Sagewood has at least \$1,000,000 under management of Sagewood; or (ii) a natural person or company whose net worth (exclusive of primary residence) at the time the contract is entered into exceeds \$2,100,000 (either alone or held jointly with such person's spouse) or is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

### **Additional Fee and Expense Information**

The advisory fees do not cover the following fees and expenses, which are also payable by the client:

- commissions and other fees and charges for transactions, including execution or service charges;
- taxes relating to the account;
- other fees charged by third parties including third party custodian fees, exchange fees, electronic fund transfer fees, charges imposed by regulatory bodies and charges mandated by law; and
- custodian charges for interest and fees on margin and others, or on debit balances in an account.

From time-to-time, our employees may invest in our strategy. In these cases employee accounts will not be charged management or performance fees.

## ***Item 6 - Performance Based Fees and Side-by-Side Management***

Clients may pay a performance based fee up to 20% of the unrealized and realized gains in the account, subject to a high water mark, as defined in the investment management agreement. The performance based fee is in addition to the management fee for advisory services. This performance fee arrangement may create an incentive for Sagewood to make investments that are more risky or more speculative than might be the case in the absence of a fee based on performance. Clients should be aware that, by using this fee method, Sagewood may receive increased compensation with regard to unrealized appreciation as well as realized gains in the account.

Sagewood has adopted procedures to ensure fair and equitable distribution of investment opportunities across all client portfolios and to address the conflicts discussed above as discussed more fully in **Item 13, Review of Accounts and Reports.**

## ***Item 7 - Types of Clients***

Sagewood generally makes its advisory services available to a wide variety of clients including, but not limited to, high net worth individuals, government entities, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities, employee benefit plans, foundations, and trusts. Sagewood generally requires a client to meet a minimum account size and net worth threshold, which may be waived by Sagewood at its discretion, and to be a qualified client (as defined under the Investment Advisers Act of 1940). As described above, each client must be able to designate one or more Collateral Account(s) for which the assets will serve as collateral for the margin used to finance investments in the client's account.

In general, individually managed accounts are subject to a minimum mandate amount of \$2,500,000. Sagewood may, in its sole discretion, waive its minimum account size and/or minimum fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional contributions, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Termination of an advisory agreement can occur upon written notice by either party to the other and becomes effective in 10 business days after the notice date.

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

### **Method of Analysis & Investment Strategy**

Portfolio managers of Sagewood use a wide range of research information and methods of analysis to formulate investment decisions, including proprietary quantitative models, trade journals, research reports prepared by third parties, contact with affiliated and outside analysts and consultants, and personal assessment of the financial consequences of world events derived from general information or such other material as is appropriate under the particular circumstances.

## General Investment Risks

All investment programs have certain risks that are borne by the investor and there is no guarantee that any investment strategy will meet its objectives. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks investing in the strategy:

- **Model Risk.** Sagewood's strategy is dependent on the accuracy of the quantitative models used to estimate volatility and price options and various portfolio risks. These models may become ineffective or inaccurate given certain market conditions and lead to large losses in client accounts. Quantitative models may also become outdated over time and result in large losses before Sagewood updates the models.
- **Leverage.** The investment strategy utilizes derivatives which are inherently leveraged relative to the value of a client's underlying holdings. This is because a nominal initial outlay of capital or collateral can be used to gain a considerable amount of exposure in an underlying security. The use of leverage embedded in derivatives can therefore enhance the risk of capital loss as a result of adverse movements in the underlying security.
- **Economic and Market Events Risk.** Global economies and financial markets are becoming increasingly interconnected and conditions and events in one country, region, or financial market may adversely impact issues in a different country, region or financial market.
- **Frequent Trading and Portfolio Turnover Risk.** Certain strategies may invest on the basis of short-term market considerations and will make frequent trades in securities, which can result in higher transaction costs. The turnover rate could be significant and could reduce income or gains of these strategies.
- **Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product.
- **Market Risk:** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Risk of Loss.** All investments risk the loss of capital and investment performance of any kind is not guaranteed.
- **Management Risk.** All client accounts under management are subject to management risk. Sagewood accounts may not achieve their objectives if the portfolio manager's expectations regarding securities or markets are not met. In addition, the departure of any key personnel from Sagewood may affect the performance of client accounts.
- **Economic Environment.** Unforeseeable events may cause sharp market fluctuations, which could adversely affect a client's investments. Changes in economic conditions, including, for example, interest rates, inflation rates, unemployment, wage growth, availability and cost of credit, structuring models, performance models, industry conditions, competition,

technological developments, political events and trends, changes to tax laws and innumerable other factors, can substantially and adversely affect the performance of a client's investments.

- **Cybersecurity.** Our Clients, Services Providers and Sagewood, are subject to risks associated with a breach in their cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data as well as misappropriation of confidential information. If a cybersecurity breach occurs, our Clients may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; investment losses from sabotaged trading systems; identity theft; wire fraud; unauthorized use of proprietary information; litigation; adverse client reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose our Clients and Sagewood to civil liability as well as regulatory inquiry and/or action.

#### Risks Relating to Option-Based Strategies

- **Use of Options.** Investing in options incurs more risk than directly investing in the underlying security and may not be suitable for all clients. Sagewood utilizes multi-leg transactions, which will generate multiple commission charges that will impact overall performance and profitability. Short options spreads are generally held in the portfolio. For a short option spread position, the maximum gain is limited to the net premium received and the maximum loss is the difference between call strikes or put strikes, multiplied by 100, less the premium received. The strategy may also hold long options positions. The risk of long options is that value of a long option may decline rapidly given large changes in the value of the underlying security, or decay gradually over the life of the option. The client is also subject to the risk of failure of the exchanges on which the options trade, which might not perform their obligations. Options markets may become illiquid for various reasons, and the bid-offer spread (the difference between an option's buy and sell prices) can widen considerably. Consequently, Sagewood may not be able to prematurely terminate a given position and realize the purchase price, or any profits reflected in the pricing of such options. Long options held in the account may expire worthless.
- **Margin.** Sagewood generally trades securities on margin. The custodian may change the margin requirements without notice to Sagewood. If the client does not meet the margin requirements, Sagewood may need to liquidate some or all of the investments in the client's account. This may have a negative impact on the performance of the client's account.
- **Use of Derivatives.** The risks posed by the use of derivatives include: (i) counterparty credit risk; (ii) market risks; (iii) legal risks (i.e., the risk that a financial contract may be legally invalidated); (iv) operations risks (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risks (exposure to losses resulting from



inadequate documentation); (vi) liquidity risks (exposure to losses created by the inability to prematurely terminate a derivative); (vii) systemic risks (the risk that financial difficulties faced by one market participant puts other participants and the overall financial system at risk); and (viii) settlement risks (the risk that a party to a contract faces when it has performed its obligations under a contract but has not yet received value from its counterparty).

- ***Lack of Diversification.*** Client accounts will not be diversified among a wide range of security types or sectors. This may result in greater fluctuations in value than a more broadly diversified portfolio.

The above list of risks is not intended to be an exhaustive list or an explanation of the risks involved in a particular investment strategy. Consult with your Client Service representative, legal counsel, or tax professional on an ongoing basis for additional insights.

### ***Item 9 - Disciplinary Information***

There is no material disciplinary information to report regarding Sagewood or any of its associates or other related persons.

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

As set forth above, Sagewood is no longer a wholly owned subsidiary of ZCM and has no affiliated entities. Sagewood is owned by Mr. Maluki and Mr. Belleville. The management persons of Sagewood do not have any other relationships or arrangements that are material to Sagewood's business or its clients.

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

Sagewood has adopted and enforces a Code of Ethics ("Code") in accordance with Rule 204A-1 of the Investment Advisers Act of 1940. All employees are subject to the Code. The Code is designed to prevent the misuse of material, non-public information by Sagewood or any of our employees. The Code also sets forth specific provisions relating to personal and proprietary securities transactions, outside business activities, and confidentiality.

Sagewood's employees are permitted to invest for their own accounts, which may include investment in the same instruments purchased for client accounts. Sagewood or our related persons may buy or sell securities for their own accounts that are bought or sold for client accounts. This creates a conflict of interest because the employees of the firm may have an incentive to execute their orders in front of our clients. To mitigate this conflict, the Code imposes restrictions (e.g., blackout periods, restricted securities, and watch lists) on trading in securities that are held or may be held in client accounts. Any exceptions to the above must be pre-approved by the Chief Compliance Officer. Such approval will be given only where it is clear that the proposed activity could not create a conflict of interest or harm, disadvantage, or deprive any client of an opportunity. In the event of a conflict of interest, the foremost consideration is what is in the best interest of the client.

Additionally, all employees are subject to mandatory quarterly transaction and annual holdings certifications. The Code also requires that all employees electronically certify on an annual basis that they have read and understand the Code and have disclosed all personal securities required to be reported.

A copy of the Sagewood Code of Ethics is available upon request by contacting the Chief Compliance Officer, at 212-231-8777 or by sending a written request to: Sagewood Asset Management LLC, 3 Bryant Park, 32<sup>nd</sup> Floor, New York, NY 10036, Attention: Chief Compliance Officer.

## ***Item 12 - Brokerage Practices***

### **Investment or Brokerage Discretion**

Sagewood generally has discretion over client accounts, which includes a determination of which options or other positions are to be established; the total amount to be purchased or sold; which broker or dealer will effect such transactions; and the commission rate(s) at which the transactions will be effected.

Each client is responsible for informing us in writing of the investment objectives and cash needs of the account and of any changes or modifications made to its investment objectives or with the underlying Collateral Accounts. Due to the nature of the strategy, only a limited universe of options is considered for investment.

### **Directed Brokerage and Broker Selection**

There may be certain circumstances under which a client directs us to execute trades with a specific broker-dealer (a "Directed Broker"). We believe that our clients are more likely to receive the best results on transactions executed for their accounts where we are not limited in selecting the executing broker. Such a direction to utilize a particular executing entity may be conditioned by the client on the broker-dealer being competitive as to price and execution of each transaction, or may be subject to varying degrees of "restrictions" (i.e., an instruction to utilize the broker or dealer whether or not competitive, or at specified levels of commission or commission discounts which are less favorable than we might otherwise attain). In the case of "restricted" designations, we generally will execute transactions in listed options through the designated broker-dealer. On the other hand, unless the client has specifically directed that the designated broker be utilized for all transactions, without exception and regardless of the possible economic disadvantage to the client, we sometimes will not follow such general direction when, in our judgment, the designated broker/dealer will not afford the best price and execution. Clients that maintain Directed Brokerage arrangements may not participate in aggregated or bunched orders and, in such cases, the client's order will generally trade after the aggregated or bunched order, and will trade last.

We may or may not be able to achieve best execution when we are directed to use a client's Directed Broker depending on the broker-dealer the client has instructed us to use, the proportion of brokerage the client has instructed us to direct, the securities that we are buying or selling for the client account, and/or the fees that client has agreed to pay to the Directed Broker.

We will not negotiate commission rates with the client's Directed Broker.

Directed Brokerage accounts may not generate the same returns as similar, non-directed accounts in the same strategy due to the disadvantages discussed above.

When clients do not direct us to a particular broker-dealer, we will choose the broker-dealer through which transactions will be effected for client accounts. We consider factors including, but not limited to, particular expertise in the type of position or transaction, access to relevant markets and prior experience with such executing entity, and commission charge.

### Soft Dollars

Although we may reserve the right in our client agreements, Sagewood does not currently use client securities transactions and related commission dollars to obtain research or other products or services other than execution from a broker-dealer.

### Order Aggregation and Allocation

It is our practice to aggregate orders for client accounts contemporaneously and execute with the same executing broker in order to seek a more advantageous net price or more favorable overall execution. The benefit, if any, obtained as a result of such aggregation is generally allocated pro rata among the accounts of the clients that participated in the aggregated transaction. However, in the case of a client that has restricted us to a particular broker-dealer with respect to transactions for that client account and has specified a particular commission rate for such transactions, the client account generally will be unable to participate in aggregated orders. Further, where such client account does participate in an aggregate order executed with the client's designated broker, the client's specification of a particular commission rate will preclude that client from receiving the benefit, if any, of a lower net price resulting from the aggregation. In those circumstances, the accounts of other clients participating in the aggregated order may receive a correspondingly greater benefit.

When Directed Brokerage accounts cannot be aggregated with transactions for our other clients, such client's orders will trade after the aggregated orders.

### Cross Transactions

Although we may reserve the right in client agreements to facilitate cross trades, Sagewood does not generally effect cross trades in client accounts. Cross transactions may occur when Sagewood effects a transaction for one or more clients to purchase a security and for another client to sell the same security. We may, but are not required to, simultaneously place cross-trades with one or more broker/dealers or to effect the cross-trade through the applicable custodians in an attempt to seek the best execution for each client by obtaining reduced transaction or execution costs for each client.

Sagewood may have a conflict of interest, particularly where a limited market exists for the security, because the client-buyer's or the client-seller's financial interests may differ at the time of the transaction. However, Sagewood will not recommend any such transaction unless it believes it is suitable for both the client-buyer and client-seller. In determining the reasonableness of prices for cross transactions, Sagewood will examine the market for the particular investment including, where available, obtaining

current bid and ask information on the security from an unaffiliated broker, and Sagewood will make a determination as to what it believes to be a fair price at the time based on the information so obtained.

We will not affect cross-trades for client accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended.

### ***Item 13 - Review of Accounts and Reports***

Sagewood reviews all managed accounts on an ongoing basis. A performance appraisal is furnished to most clients at least quarterly. Quarterly performance appraisals detail the Mandate Amount, and performance analysis from the current quarter, year-to-date and since inception. Client meetings are available upon request.

The portfolio management team reviews client portfolios at multiple levels. Portfolios are continuously monitored to ensure they are positioned correctly and based on the current investment strategy. Portfolio performance attribution is performed to understand the sources of return. A review of portfolio performance to composite performance is performed monthly to ensure that any deviations are explained. Compliance personnel also review client portfolios on a routine basis in connection with the firm's policies and procedures. Finally, Sagewood utilizes software programs to monitor client portfolios in light of their investment guidelines.

The investment management agreement between the client and Sagewood defines the nature of reports and account reviews and their frequency.

As noted below in **Item 15 - Custody**, clients also receive account statements directly from the custodian at least quarterly.

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

Sagewood enters into agreements with and compensates firms and individuals that refer prospective clients to the firm. Typically, payments for referrals are a flat annual retainer, a percentage of the customary advisory fee and/or performance fee received by Sagewood from the referred client, or a combination thereof. Thus, a referred client pays no additional fee to Sagewood. Each referred client is provided with details regarding the referral arrangement before the client signs an advisory agreement with the firm. Such arrangements create a conflict of interest for the person or firm making the referral because of the fee the person or firm will receive for making the referral.

### ***Item 15 - Custody***

All clients' accounts are held in custody by unaffiliated broker-dealers or banks, but Sagewood can access client funds through its ability to debit advisory fees. For this reason, Sagewood is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least

a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by Sagewood.

#### ***Item 16 - Investment Discretion***

For most accounts, Sagewood is granted discretionary authority by the client to buy and sell securities in the quantities and at the times it deems appropriate without obtaining the prior consent of the client before each transaction.

The firm strives to cause purchase and sale transactions to be allocated among clients in such manner as it deems equitable, generally on a pro rata basis to all participating clients. Sagewood does not have authority or responsibility to pursue, maintain, participate in or defend any claims, proceedings, cause of actions, suits or disputes on behalf of a client or the account. The client will need to provide Sagewood with all additional powers of attorney and other documentation, if necessary, to appoint Sagewood as agent and attorney-in-fact with respect to the account, but such powers will not authorize Sagewood to take any action not authorized in the investment management agreement.

#### ***Item 17 - Voting Client Securities***

While Sagewood will accept the authority to vote client securities, it does not anticipate that the securities purchased according to this strategy will have proxy voting rights. Additionally, Sagewood will not respond to corporate actions or class action settlements. Rather, it delegates any such responsibility to the client. Clients can obtain a copy of the proxy voting policies and procedures by sending a request to Chief Compliance Officer at 3 Bryant Park, 32<sup>nd</sup> Floor, New York, NY 10036.

#### ***Item 18 - Financial Information***

Because Sagewood does not require prepayment of client fees more than six months in advance, the firm is not required to provide financial statements. Sagewood does not have any financial condition that is reasonably likely to impair its ability to meet its contracted commitment to any client.