

**Item 1 – Cover Page**

**Hanwha Asset Management (USA) Ltd.**

**410 Park Avenue, Suite 1530**

**New York, New York 10022**

**(212) 313-6861**

**March 27, 2020**

This Brochure provides information about the qualifications and business practices of Hanwha Asset Management (USA) Ltd. (“Hanwha,” “we,” or “us”). If you have any questions about the content of this Brochure, please contact us at 212-313-6875 or [sungin.jo@hanwha.com](mailto:sungin.jo@hanwha.com). 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.

Hanwha’s registration of an investment adviser does not imply any level of skill or training. Additional information about Hanwha is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Hanwha is amending this Brochure as part of its annual update on Form ADV as an investment adviser for fiscal year ending December 31, 2019. Hanwha is required to identify and discuss any material changes made to its Brochure since the Firm's last Form ADV filed on March 29, 2019. There are no specific material changes to report.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Our Brochure may be requested by contacting us at 212-313-6875 or [sungin.jo@hanwha.com](mailto:sungin.jo@hanwha.com).

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

### 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 .....	1
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	1
ITEM 7 – TYPES OF CLIENTS .....	1
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	2
ITEM 9 – DISCIPLINARY INFORMATION.....	3
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	3
ITEM 11 – CODE OF ETHICS.....	4
ITEM 12 – BROKERAGE PRACTICES .....	4
ITEM 13 – REVIEW OF ACCOUNTS.....	5
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION.....	6
ITEM 15 – CUSTODY .....	6
ITEM 16 – INVESTMENT DISCRETION .....	6
ITEM 17 – VOTING CLIENT SECURITIES .....	6
ITEM 18 – FINANCIAL INFORMATION .....	6
PRIVACY STATEMENT .....	6

#### **Item 4 – Advisory Business**

Hanwha is registered with the SEC as an investment adviser and has been in business since June 2005. The principal owner of Hanwha is Hanwha Asset Management Co., Ltd. and our Chief Executive Officer, Managing Director, and Treasurer is Jung Woo Sung. As of December 31, 2019, Hanwha has approximately \$2,080,349,988 in assets under management.

Hanwha is an investment management firm that provides investment advice and/or management advisory services to companies and other institutional clients through separately managed accounts (“SMAs”). Advisory services provided to SMAs are subject to the terms of the relevant investment management agreement.

Additionally, Hanwha provides administrative services to companies. The services provided to the companies are subject to terms of the relevant administrative management agreement.

Hanwha does not participate in a wrap fee program.

#### **Item 5 – Fees and Compensation**

The terms for payment of investment management fees regarding a separately managed account client are negotiated on an account-by-account basis and set forth in the applicable investment management agreement or other similar agreement.

Hanwha receives an annual investment management fee, which is paid quarterly in arrears within 30 days after receipt of the invoice for the services. The fee is based on the average daily market value of the assets in the account during the respective quarter.

The initial period from the inception day to the last day of the first quarter will be prorated to be paid with the first payment. If the Agreement is terminated other than on the last day of a calendar quarter, the fee for the applicable quarter in which such termination occurred shall be prorated to reflect the partial quarter in which the termination occurred.

For the administrative agreement, Hanwha shall receive, on a quarterly basis, an amount not to exceed \$37,500, which amounts are intended to cover (1) the allocated cost of Hanwha in providing the services and (2) the cost of any third-party service providers engaged to provide the services.

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

Hanwha does not accept performance-based fees or fees based on capital gains on the assets of a client.

#### **Item 7 – Types of Clients**

Hanwha generally provides investment advice and/or management advisory services to companies and other institutional clients. There is no minimum account size.

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

### Investment Strategies

The primary objective for Hanwha's fixed income strategy is to construct a stable to improving credit portfolio with competitive yield profiles. Hanwha's processes combine bottom-up credit research with a top-down macroeconomic view. By comparing risk adjusted opportunities across all market sectors, we are focused on the best relative value opportunities, which include sectors, credits, and securities. We aim to minimize trading and portfolio rebalancing costs, as we seek to invest in those companies that will likely maintain solid balance sheets throughout an entire economic cycle.

Hanwha also advises its client(s) with regards to fund commitments and direct investments, including private equity, private credit, venture capital, and fund of funds, for the SMAs. Investment in private equity may include leveraged buyouts, distressed assets, growth equity, and venture capital. Investment in private credit may include direct lending, performing credit, distressed/special situations, or fund of funds.

### Methods of Analysis

For Hanwha's fixed-income strategy, the methods of analysis include top-down analysis and bottom-up analysis:

**Top-Down Analysis:** Hanwha's top-down analysis includes macroeconomic research to assess the overall risk environment, and determine broad portfolio themes, industry emphasis and overall portfolio quality. Research includes such elements as economic forecasts for GDP growth, inflation, and corporate profits, quantitative analysis of market volatility and yield curve shape, and qualitative assessments of supply and demand trends.

**Bottom-Up Analysis:** Hanwha assesses the credit characteristics of each issuer to identify stable and improving credits while avoiding credit rating downgrades and default-related losses. We analyze key variables as they relate to a firm and conduct a historical analysis of company operations and financials. We focus on indicators and measures of profitability, including management quality, free cash flow, financial flexibility, market share, and revenue growth.

For commitments related with private equity fund investments, Hanwha supports its client in identifying, researching, selecting and monitoring investment managers that we determine fit well with our client's investment objectives and guidelines. The investment managers execute various types of investment strategies. Hanwha advises in the selection and then assists in the post-commitment monitoring of the managers based on certain criteria, which include, but are not limited to, the experience and quality of the investment team, the investment performance track record, risk management, liquidity of the investment, investment philosophy and the strategic direction of the investment manager.

For direct investments, Hanwha researches the financial profile of the investment opportunity to determine whether the opportunity fits with our client's investment objectives and guidelines. For fixed income, the investment opportunities are typically sourced through team discussions on capital markets, sectors and issuers. For private equity investments, the investment opportunities are typically sourced through investment managers or financial advisors that we have a relationship with. Thus, for private equity investments, we typically have access to the underlying investment manager's investment

memorandum as well as various third-party reports. Hanwha may also hire third-party counsel to further assess the risk profile of the investment opportunity. Hanwha selects and monitors the investment opportunities based on certain criteria, which include, but are not limited to, the company's financial statements, current industry trends, the products and services being offered, counterparty, and deal-specific information.

### **Material Risks of Loss**

Hanwha generally seeks investment strategies that do not involve significant or unusual risks beyond that of the general markets. However, investing in the bond market is subject to market risk, interest rate risk, credit risk, and liquidity risk.

The value of bonds and any income from those bonds will fluctuate and are impacted by changes in interest rates. Bonds with longer durations are more sensitive and volatile than those with shorter durations. When it comes to credit, there is no assurance that issuers or guarantors will meet their obligations. Some bonds are offered by a small number of counterparties, which may contribute to decreased market liquidity and increased price volatility. Bond investors may not get back the amount invested. Investing in foreign currency denominated securities involves risks that may be exacerbated further by foreign currency values.

General economic and market conditions, such as interest rates, credit defaults, economic uncertainty, changes in laws, trade barriers, currency exchange controls, inflation, asset reinvestment, and availability of credit can materially affect a client's account. Even an instrument that generally is, or recently was, liquid may unexpectedly and suddenly become illiquid. Such volatility or illiquidity could result in substantial losses.

All investments made by Hanwha and its clients risk the loss of invested capital. No guarantee or representation is made that Hanwha's or any investment manager's investment program will be successful, and investment results may vary substantially over time. Hanwha and its clients are subject to the risk of substantial losses. Hanwha does not have any responsibility for, involvement with, or control over the investment managers' investments or other activities.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **Item 9 – Disciplinary Information**

As a registered investment adviser, Hanwha is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. Hanwha currently has no information applicable to this item.

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

Hanwha does not have any financial industry activities and affiliations that would create a conflict of interest or otherwise prevent Hanwha from servicing clients in their best interests.

## **Item 11 – Code of Ethics**

Hanwha has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Hanwha must acknowledge the terms of the Code of Ethics annually, or as amended.

Employees of Hanwha may buy or sell securities that are recommended to clients. Hanwha's employees and persons associated with Hanwha are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Hanwha and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Hanwha's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Hanwha will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Hanwha's clients. In addition, the Code of Ethics requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Hanwha and its clients.

Employees may recommend and trade in the same securities as clients and/or related accounts at or around the same time. Generally, this would pose a conflict if the advisor or related account were given a better price than the client. To mitigate this conflict, it is procedure to not trade a supervised person's account or a related person's account on the same day as a client, unless the client gets the better price. Trades may be conducted on an aggregated basis when consistent with Hanwha's obligation of best execution. In such circumstances, the supervised person (or related account) and client accounts will share commission costs equally and receive securities at a total average price. Hanwha will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro-rata basis. Any exceptions will be explained on the order.

Hanwha's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting us at the number on the cover page.

## **Item 12 – Brokerage Practices**

Hanwha does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions.

Hanwha does not receive client referrals from broker/dealers. Hanwha may recommend that clients establish brokerage accounts with certain broker-dealers to maintain custody of clients' assets and to effect trades for their accounts. It is expected that some clients may request to direct brokerage to a broker-dealer selected by the client. In such cases, clients may pay additional fees and should be aware

that the client may not receive the best execution and/or the most competitive commission rates and transaction costs. Clients directing broker-dealer transactions may end up paying higher brokerage commissions because Hanwha may be unable to aggregate their orders with our other clients' orders in an effort to reduce transaction costs.

For Hanwha's clients' accounts maintained in its custody, the broker-dealers generally do not charge separately for custody but may be compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through them or that settle into their accounts.

Hanwha's objective in selecting brokers and dealers to effect client transactions is to seek the best combination of price and execution, as well as overall service. The best price, taking into account brokerage commissions, if any, is an important factor in this decision. However, a number of other judgmental factors also may enter into the decision. These factors include, but are not necessarily limited to, Hanwha's knowledge of negotiated commission rates currently available and other current transaction costs; the nature of the security being purchased or sold; the size of the transaction; confidentiality; the execution, clearance and settlement capabilities of the broker or dealer selected; Hanwha's knowledge of the financial condition of the broker or dealer selected; and Hanwha's knowledge of actual or apparent operational capabilities or problems of any broker or dealer, and reporting abilities.

Hanwha is independently owned and operated and not affiliated with any broker/dealer with which it conducts business. That said, Hanwha is affiliated by common ownership and control with Hanwha Investment & Securities Co., Ltd., a Korean broker/dealer. Hanwha does not, nor is it foreseen, conduct business with Hanwha Investment & Securities Co., Ltd.

Hanwha may aggregate ("bunch") transactions in the same security on behalf of more than one client in an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients. However, aggregated or bunched orders may not reduce the transaction costs to participating clients. Hanwha conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated pro-rata to the participating client accounts in proportion to the size of the orders placed for each account. Under certain circumstances, the amount of securities may be increased or decreased to avoid holding odd-lot or a small number of shares for particular clients.

### **Item 13 – Review of Accounts**

Reviews will be conducted with clients not less than at least annually or as agreed with each client. Clients may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, Hanwha will monitor for changes or shifts in the economy, changes to the management and structure of client investments, and market shifts and corrections. Clients are advised that they should notify Hanwha promptly of any changes to the client's financial goals, objectives or financial situation as such changes may require us to review the client's portfolio and make recommendations for changes. Reviews will be conducted by Jung Seok Kim, Portfolio Manager of Hanwha, or Jung Woo Sung, Treasurer, Managing Director and Chief Executive Officer of Hanwha.



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

Hanwha does not compensate others for client referrals, nor does it have any arrangement under which it receives any economic benefit from a person who is not a client for providing advisory services to a client.

## **Item 15 – Custody**

Hanwha does not take custody of client accounts at any time. Custody of clients' accounts is held primarily at the custodian. Clients should receive statements at least quarterly from the qualified custodian that holds and maintains their investment assets. Hanwha urges you to review carefully such statements and compare the official custodial records to any account statements that we may provide you. Information we may provide could vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

Clients may grant Hanwha authorization to manage a client's account on both a discretionary and a non-discretionary basis. Discretionary authorization provides Hanwha the ability to determine the securities to be purchased and sold and when such securities are purchased and sold. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Clients must authorize such discretion in the advisory agreement. When selecting securities and determining amounts, Hanwha observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Hanwha in writing.

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

As a matter of firm policy and practice, Hanwha does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive their proxies directly from their custodian or transfer agent.

## **Item 18 – Financial Information**

As a registered investment adviser, Hanwha is required to provide you with certain financial information or disclosures about its financial condition. Hanwha 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.

## ***Privacy Statement***

To conduct its investment advisory business, Hanwha may collect non-public personal information about its clients from sources such as:

- Information reported by clients on application or other forms clients provide to Hanwha;
- Information about clients' transactions with Hanwha or others; and
- Conversations between clients and Hanwha's adviser representatives.

Hanwha will share non-public information solely to service client accounts. Hanwha will not disclose any non-public personal information about its clients or former clients to anyone, except as permitted by law. If a client decides to close the client's account(s) with Hanwha or becomes an inactive client, Hanwha will continue to adhere to its privacy policy and practices with respect to that client as described in this notice.