

## Item 1 – Cover Page

# Horn Eichenwald Investments Corp.

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Miami, FL 33133

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December 31, 2019

This Brochure provides information about the qualifications and business practices of Horn Eichenwald Investments Corp. (HEIC). If you have any questions about the contents of this Brochure, please contact us at (305) 860-0770. 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.

Horn Eichenwald Investments Corp. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

This FORM ADV 2a is being filed as the firm's Annual Amendment as required for year-end 2017. There are no Material Changes to report since December 31, 2019.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may provide other ongoing disclosure information about material changes as necessary, by delivering a new Brochure.

Currently, our Brochure may be requested by contacting Ricardo Eichenwald, Chief Compliance Officer at (305) 860-0770 or [Ricardo@h2e.com](mailto:Ricardo@h2e.com).

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

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Brochure Supplement(s) Available Upon Request

- A. Ralph Horn
- B. Eraldo De Palma

## Item 4 – Advisory Business

Horn Eichenwald Investments Corp. ("HEIC") is an investment advisor registered with The Securities and Exchange Commission. HEIC has been in Coconut Grove, Florida since inception in 2006. The principal directors of HEIC are Ricardo Eichenwald, Director, and Chief Compliance Officer; Joseph Horn, Vice-President; and Ralph Horn, President. As of December 31, 2019, HEIC manages approximately \$155,282,465 in assets, all on a discretionary basis. HEIC's website is <http://www.h2e.com>.

HEIC provides investment management and advisory services as well as financial planning services by referring to vetted qualified professionals that suit the client's needs. HEIC manages Client's investment account(s), which means account(s) consisting of cash, securities and other assets, and investments, reinvestments and proceeds of sales as well as all interest, dividends and appreciation thereon, and recommends purchases and or sales of securities as appropriate directly in the clients' accounts. HEIC maintains the limited power of attorney on customer accounts and trades on a discretionary basis.

Investment accounts are subject to the written investment guidelines and investment objectives (the "Investment Guidelines") as directed by each client and approved by HEIC. The investment guidelines may be amended from time to time by written notice from the client. HEIC recommends purchases and sales of domestic and foreign securities and instruments in the following categories that are also identified in the Investment Guidelines:

- Equity securities including without limitation common and ordinary stock (including ADRs and GDRs), and limited partnership interests, and rights, warrants, and convertible and nonconvertible preferred stocks.
- Open-end or closed-end investment companies, unit investment trusts or other collective investment funds, registered or non-registered.
- Evidence of indebtedness including, without limitation, any bonds, debentures, notes and convertible and non-convertible debt obligations, including notes issued by related parties of HEIC.
- Restricted or privately placed securities, including investments not traded on a recognized investment exchange. Such investments are ordinarily "illiquid" and may at times be difficult to value and sell.
- Non-investment grade rated obligation (i.e., rated less than Baa3 by Moody's Investors Service, Inc. and less than BBB - by Standard & Poor's Corporation) or unrated debt obligation. Issuers of such speculative-grade securities (commonly referred to as "junk bonds") generally have highly leveraged capital structures, subjecting investors to a high degree of risk.
- Options on securities (covered or uncovered) and on securities indexes (including, without limitation, over the counter options); and forwards, swaps and other derivative transactions relating to securities, currencies and interest rates.
- Foreign currencies.
- Pooled investments including hedge funds, even if not regulated and not quoted in any exchange

## Item 5 – Fees and Compensation

The specific way fees are charged by HEIC is established in a client's written agreement with HEIC. All fees are subject to negotiation with each client.

For its investment management services, HEIC may charge a management fee consisting of a percentage of the assets under management, and for qualifying accounts a performance fee consisting of a percentage of the profits over a predetermined benchmark.

Each quarter/semester the management fee will be calculated on the initial value of the investment account of the period. The fee will be billed in arrears and payable within 30 days after the end of each period. Fees will be prorated upon establishment of the investment account and upon termination of the investment account. Termination of the account shall be effective within fifteen days of receipt of written notice. Performance fees paid are not refundable. All accounts have a high-water mark that lasts 12 consecutive months, measured either on a quarterly or semester basis.

HEIC may charge the following fees unless a Principal approves alternate fee structure:

- Fixed fee of 0.50% per annum and performance fee of 10% of the return in excess of 6 month LIBOR, for qualifying accounts or;
- Fixed fee of up to 2% of annum.

HEIC's fees are exclusive of 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. Mutual funds and exchange-traded funds also charge their own internal management fees, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to HEIC's fee, and HEIC shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that HEIC considers in suggesting broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions)

All financial planning fees are determined by the qualified professional that enters into an agreement with HEIC's client. HEIC does not receive any commissions or rebates for any financial planning services fees charged to its clients.

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

HEIC enters into performance fee arrangements with only qualified clients: such fees are subject to individualized negotiation with each such client. Losses must be made up prior to any new performance fees being charged following the high-water mark rules.

HEIC may negotiate a performance-based fees to certain “Qualified Clients,” who, pursuant to Rule 205-3 under the Investment Advisers Act of 1940, have at least \$1,000,000 under management with HEIC at the time that the Investment Management Agreement is dually executed and includes performance-based compensation. Alternatively, the client must have at least \$2,100,000 in net worth, exclusive of their primary residence. In measuring clients' assets for the calculation of performance-based fees, HEIC shall include realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for HEIC to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. HEIC has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. In addition, all accounts follow the same parameters and are not treated any differently whether they are performance-based or another type of fee.

HEIC does not perform side-by-side management.

## **Item 7 – Types of Clients**

HEIC provides investment management and advisory services as well as financial planning services through indications for both onshore and offshore high net worth individuals, pooled investment vehicles, corporations, and other business entities. Approximately 89% of HEIC's clients are Non-US residents. The minimum account size to open an account at HEIC is \$250,000. Accounts opening with less than \$250,000 may be accepted upon the discretion of the Directors.

HEIC may visit their offshore clients in their residing country throughout the year. Many offshore clients wish to not receive or to have their mail held by an unrelated third party due to security concerns in their country. HEIC has developed alternative solutions for their offshore clients to receive their quarterly statements and reports.

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

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

HEIC uses the following methods of analysis: charting; fundamental; technical; and cyclical analysis. Charting analysis involves the use of patterns in performance charts. HEIC uses this charting technique to search for patterns used to help predict favorable conditions for buying and/or selling a security. Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. Technical analysis involves the analysis of past market data; primarily price and volume. Cyclical analysis involves the analysis of business cycles in finding favorable conditions for buying and/or selling a security.

HEIC uses long term and short term purchasing strategies, designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

HEIC may use research that is provided by sources it deems as qualified and credible.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HEIC or the integrity of HEIC's management. There is no disciplinary information pertaining to HEIC. For disciplinary information about a particular investment advisor, see each investment advisors representative ADV 2b. All ADV 2b forms are available to clients upon request to Ricardo Eichenwald.

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

*Bridgeloan Investors Inc.*

HEIC is affiliated with Bridgeloan Investors, Inc because some of HEIC 's shareholders are shareholders with the affiliated company as well.

Bridgeloan Investors, Inc and HEIC share their location. Bridgeloan Investors, Inc is under common control with HEIC since a majority of the shareholders in HEIC has more than 50% ownership in Bridgeloan Investors, Inc.

Bridgeloan Investors, Inc provides bridge loans for commercial projects and sell

participations for investors. The participations sold to investors are collateralized by a property. Each participation's terms and conditions are set in the participations agreements for each opportunity.

Investment opportunities that originate at Bridgeloan Investors, Inc can be offered and sold to clients of HEIC. HEIC makes the introduction between clients and Bridgeloan Investors Inc but does not take an active role in the investment process or decision from the clients.

### *Bridgeinvest, LLC*

HEIC is affiliated with Bridgeinvest, LLC because some of HEIC 's shareholders are shareholders with the affiliated company as well.

Bridgeinvest, LLC, and HEIC do not share a location. Bridgeinvest, LLC, and HEIC do not share and are not under common management.

Bridgeinvest, LLC provides bridge loans always in the first position and sells participations from these loans to its clients. The loans are always collateralized by real estate properties. Participation terms and conditions are set in the participation agreements and certificates.

BridgeInvest, LLC forms various Specialty Credit Funds on a regular basis. These pools are non-registered investment pools that directly invests in real estate through direct purchases, mortgages, and secured notes. BridgeInvest, LLC manages the Funds either directly or through certain wholly-owned subsidiaries. Because HEIC is affiliated with BridgeInvest, LLC as a result of affiliated individual ownership, certain managers at HEIC may supply indirect investment advice to the Fund or serve as a Partner in the Fund.

Investment opportunities that originate at Bridgeinvest, LLC can be offered and sold to clients of HEIC. HEIC makes the introduction between clients and Bridgeinvest, LLC but does not take an active role in the investment process or decision from the clients.

### *Flexor Multi-Manager Fund, Ltd*

HEIC is the fund advisor of Flexor Multi-Manager Fund, Ltd, an offshore fund of funds domiciled in the Cayman Islands. The Flexor Fund is under common control of HEIC, with Ralph Horn and Ricardo Eichenwald as Directors of the Fund. The custodian and manager of the fund are Union Bancaire Privée in Geneva. Only Non-US investors can invest with the fund.

The Flexor Multi-Manager Fund qualifies for the exclusion from the definition of Investment Company under section 3(c) (1) of the Investment Company Act of 1940 and qualifies for the exclusion from the definition of Investment Company under section 3(c) (7) of the Investment Company Act of 1940.



HEIC's clients may be solicited to participate in the Flexor Multi-Manager Fund. HEIC does not charge its advisory fee to clients that invest in the Flexor Multi-Manager Fund a management fee or a performance fee on those assets.

HEIC is deemed to have custody of the Flexor-Multi manager Fund. For more details See Item 15: Custody.

#### *L&S Investment Advisors, LLC*

L&S Investment Advisors, LLC (L&S) is a Florida Registered Investment Advisor. L&S is affiliated with HEIC because some of HEIC's shareholders are collectively minority shareholders of L&S through Edinvest Educational LLC. No officer or any persons affiliated with HEIC control any corporate actions or the policies of L&S; are not control persons of L&S, and are not paid by L&S. Furthermore, HEIC leases office space to L&S but the firms do not share any other infrastructure.

### **Item 11 – Code of Ethics**

HEIC 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 rumormongering, 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 HEIC must acknowledge the terms of the Code of Ethics annually, or as amended.

HEIC anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which HEIC has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which HEIC, its affiliates and/or clients, directly or indirectly, have a position of interest.

HEIC's employees and persons associated with HEIC are required to follow HEIC's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors, and employees of HEIC and its affiliates may trade for their own accounts in securities, which are recommended to and/or purchased for HEIC's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of HEIC 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, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of HEIC's clients. In addition, the Code requires pre-clearance 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 in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between HEIC and its clients.

Certain affiliated employee accounts may trade in the same securities with client accounts on an aggregated basis when consistent with HEIC's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. HEIC 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.

HEIC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Ricardo Eichenwald, the Chief Compliance Officer.

## **Item 12 – Brokerage Practices**

HEIC may assist clients in negotiating fees and choosing the bank/institution that will best serve the client's interest for custody and execution. In that process, HEIC may suggest several alternatives given the client's profile and especially, his/her preference in terms of asset classes. Over the years, HEIC has built strong relationships with several private banks and brokerage houses in the US and Europe. Most of these institutions offer reduced fees in favor of our clients, based on our relationships with these institutions. HEIC does not benefit or receive any compensation based upon these discounts. For accounts with assets less than a \$1 million at the time of opening can have custody at Interactive Brokers, LLC. HEIC does not receive any compensation, discounts or incentives based on the agreement with Interactive Brokers, LLC, or any other institution. The final decision of custodians is always with the client.

It is HEIC's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. HEIC will also not cross trades between client accounts unless clients involved are both informed. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

HEIC does not have any soft dollar arrangements.

## **Item 13 – Review of Accounts**

HEIC generally monitors its managed accounts on a systematic basis. Ralph Horn, President or Ricardo Eichenwald, the Chief Compliance Officer, shall review each account at the least quarterly. More active accounts and larger accounts may be reviewed more often. More frequent reviews may be undertaken because of changes in market conditions, change of security position(s), requests by clients for an additional non-scheduled review or a change in the client's investment objective or a change in the policies of HEIC. With respect to account performance, HEIC reviews each account's performance on a quarterly basis, and compares each investment on a transaction basis to ensure that each transaction is (i) suitable for the respective client's investment objectives; (ii) meets that client's quality standards, and (iii) to make sure that their investment objectives are still pertinent to the managed account arrangement.

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

HEIC does allow Solicitors Agreements where a fee is earned from time-to-time. All fees earned by Solicitor Agreements are disclosed to the client involved.

## **Item 15 – Custody**

HEIC does not act as a custodian for its clients. Clients should receive at least quarterly statements from the broker-dealer, bank or another qualified custodian that holds and maintains client's investment assets. HEIC urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

HEIC is the fund advisor to Flexor Multi-Manager Fund Ltd, domiciled in the Cayman Islands. HEIC's directors also are directors of the Flexor Multi-Manager Fund. Since there are common directors between these two entities, HEIC is considered to have custody of the Flexor Fund. HEIC clients may be participants in the Flexor Fund as long as they are not residents of the United States of America and the Cayman Islands. UBP Geneva is the qualified custodian of the funds' assets. The qualified custodian sends account statements on a monthly basis to the administrator of the fund, who publishes the NAV to all the investors of the fund. BDO Cayman Islands, located in Grand Cayman is the independent public accountant that audits the Flexor Multi-Manager Fund, LTD. Atlas Fund Services of Curacao is the fund's administrator. Atlas Fund Services sends the audited statements to the investors of the fund.

## **Item 16 – Investment Discretion**

HEIC receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, HEIC observes the investment policies, limitations and a restriction of the clients for which it advises. For registered investment companies, HEIC's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Changes in the investment guidelines and restrictions must be provided to HEIC in writing. For discretionary accounts, commonly HEIC is appointed a limited power of attorney for the specific account.

HEIC is the advisor to Flexor Multi-Manager Fund. With the fund, both HEIC and UBP must approve the investments decisions.

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

HEIC may vote all proxies in advisory accounts where it has the authority to do so. HEIC has the authority to vote proxies for its clients and this issue is disclosed in Part II of its Form ADV, the firm's Policies and Procedures and in the relevant client contracts. The proxies voted on behalf of the clients are corporate actions of certain securities.

In order to avoid potential conflicts of interests between HEIC, its affiliates, and any clients, HEIC generally votes in after consultation between the Investment Advisor of the account and the Chief Compliance Officer (CCO). HEIC will document all issues that it votes on and the voting record of each issue and the clients that it voted for.

For accounts where HEIC has proxy voting authority, the relevant Portfolio Managers (the "Portfolio Managers") shall have responsibility for overseeing that proxies are voted timely and maintaining appropriate records in accordance with applicable law. The CCO will assist the relevant Portfolio Managers in implementing these votes and identifying potential conflicts of interest.

HEIC will include a summary of these policies in its Policies and Procedures and will provide a copy of this policy to clients upon request.

## **Item 18 – Financial Information**

HEIC 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.