

Brochure of

**Theorem Partners LLC
116 New Montgomery St, Ste 820
San Francisco, California 94105
(415) 489-0457**

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www.theoremlp.com

This brochure provides information about the qualifications and business practices of Theorem Partners LLC (“Theorem”). If you have any questions about the contents of this brochure, please contact us at compliance@theoremlp.com, or telephone (415) 489-0457. 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.

Additional information about Theorem also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Since our last annual brochure dated March 27, 2019, Theorem has filed one interim amendment. The following summarizes all material changes to Form ADV Part 2A that occurred throughout the year:

- Item 1 has been updated with our new address.
- Brian Beck was hired as the Firm's General Counsel and Chief Compliance officer in September 2019.

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Item 4. Advisory Business

Theorem Partners, LLC (“Theorem” or the “Firm”) is a Delaware limited liability company that has been in business since October 2013. The Firm serves as the investment adviser and general partner of investment limited partnerships, herein referred to as the “Funds,” and also serves as the sub-advisor to unaffiliated private funds. Theorem’s manager, controlling owner and portfolio manager is Hugh Edmundson. As of December 31, 2019, Theorem had total discretionary regulatory assets under management of approximately \$1.2 million. Theorem only manages assets on a discretionary basis.

Theorem invests principally, but not solely, in trust certificates, notes and other instruments that derive their value from loans made to borrowers through online lending platforms. Theorem also invests in notes and equity securities of securitization structures consisting of similar assets. Theorem is authorized, however, to enter into any type of investment transaction that it deems appropriate under the terms of the client’s partnership or other account agreement.

Investors in the Funds have no opportunity to select or evaluate any Fund investments or strategies. Theorem selects all Fund investments and strategies.

When acting as a sub-advisor, Theorem manages the portfolio in accordance with the clients’ Sub-Advisory Agreement.

Theorem does not participate in wrap fee programs.

Item 5. Fees and Compensation

Theorem charges an annual management fee of 1.5%. If the General Partner permits a Limited Partner to make an initial Capital Contribution to the Funds that is less than the standard minimum amount, the monthly management fee charged by written agreement between the Limited Partner and the General Partner is 1.75%. Theorem has reduced or waived the management fee for certain early “seed” investors and other strategic investors.

Management fees are payable monthly in advance at the beginning of each calendar month based on the net asset value of each investor’s account on the date the fee accrues and becomes payable. Fees are debited directly from investor accounts. No management fee is charged on contributions for the month in which a subscription date occurs. A Limited Partner who withdraws or is distributed capital on a date other than the last day of a month shall not receive a refund of any management fee paid in advance.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in an investment limited partnership of which Theorem is general partner, to use the “alternative reporting option” to report Theorem’s compensation as “eligible indirect compensation” on the Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

The Funds bear all costs of their organization and operation, including, without limitation, the costs of carrying out their investment program (*e.g.*, all trading costs and expenses, , research and diligence costs, lending platform fees (such as origination, servicing and recovery fees), interest and

related costs of borrowings), maintenance costs such as tax preparation, governmental and regulatory filings, custody, administration, insurance and professional fees (e.g., accountants, auditors and attorneys).

Item 6. Performance-Based Fees and Side-By-Side Management

The Firm typically receives a performance fee from each Fund limited partner equal to 10% or 15% (depending on the Fund) of net profits (including both realized and unrealized gains and losses) otherwise allocable to such limited partner. Performance fees are assessed in arrears on an annual basis, and are only applied to the portion of profits that exceed the cumulative losses previously allocated to or incurred by investors. The performance fee has been waived or reduced for certain early “seed” investors and other strategic investors. Performance fees may create an incentive for Theorem to make more risky and speculative investments than it would otherwise make.

Theorem has a conflict of interest if, in any time period, one fee structure would cause higher fees to Theorem than the other fee structure, because Theorem would have an incentive to favor the account that would pay the higher fees. To address this conflict, Theorem strives to make investment allocations between the funds and accounts having overlapping investment strategies for which it has discretionary authority on a pro rata basis based on available capital. The pro rata allocation for both investments and sales may be overridden if Theorem in good faith deems a different allocation method to be prudent or equitable in light of (1) the size, nature and type of investment or sale opportunity, (2) principles of diversification of assets, (3) the investment guidelines and similar limitations as well as compressed ramp-up periods that are characteristic of certain investment vehicles, (4) liquidity considerations of the funds or accounts, including subscriptions and redemption/withdrawal requests received, the proximity of a fund or account to the end of any specified term and cash availability (including cash availability or constraints arising directly or indirectly as a result of the use of leverage), (5) volume covenants imposed by counterparties, (6) the risk profile or the need to resize risk in a fund or account portfolio (including the potential for the proposed investment to create an imbalance in term, grade, FICO, platform issuer, geography or similar measures of risk in the relevant portfolio), (7) a determination by Theorem that the investment or sale opportunity is inappropriate, in whole or in part, for one or more accounts, (8) applicable transfer or assignment provisions, (9) the management of any actual or potential conflicts of interest, (10) the investment focus of the fund or account (e.g., the duration, return or risk profile), (11) applicable contractual or legal obligations, (12) avoiding a de minimis allocation, and/or (13) such other factors as Theorem may reasonably deem relevant (all of the foregoing factors being hereinafter referred to as the “Investment Allocation Considerations”). In some cases, Theorem’s observation and application of the Investment Allocation Considerations may affect adversely the price paid or received by a fund or account, the size of the position purchased or sold by a fund or account, or the returns ultimately realized by a fund or account.

When two or more Funds or accounts are seeking similar loans through electronic APIs directly with loan originators, a proprietary in-house system is used to randomly assign first rights to bid on a loan to each Fund using an algorithm with a predetermined probability. These probabilities are set separately for a number of risk stratifications. This system ensures that no Fund or account receives a preferential or detrimental allocation due to network latency of each Fund’s server or API.

Item 7. Types of Clients

Theorem provides investment advice to the Funds and sub-advises unaffiliated private funds.

Investors in the Funds are required to invest a minimum of \$1,000,000, but Theorem may waive this minimum. The Firm may accept or reject subscriptions in whole or in part.

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

Investment Strategy

Theorem's objective is to provide clients with strong, consistent returns through a rigorous quantitative approach to investing in loans generated through online lending platforms.

Theorem's quantitative investment team constructs and manages portfolios principally of unsecured consumer loans and related notes, generally with three- to five-year terms, purchased through online lending platforms as well as notes and equity securities of securitization structures consisting of similar assets.

Although the online lending market represents a significant opportunity for investors, any new market entrant faces substantial risks and a steep learning curve. Estimating the credit risk of individual loans and other portfolio risks, including prepayment risk, interest rate risk, loan covariance and co-skewness, requires advanced analytics and domain knowledge that many investors and investment professionals lack. Theorem's team responsible for analyzing individual loans and constructing portfolios has expertise in advanced statistics, computer science, machine learning, behavioral economics, and mathematics. Theorem also works with domain experts in the field of credit analytics to understand market microstructure and other qualitative sources of return generation.

Theorem assesses the default and loss rate expectancy of loans by evaluating the historical loss rates of each platform's ratings and estimating the power and calibration of projected losses across platform rating and term. Theorem then overlays a proprietary methodology to estimate a more precise expectation of individual loan loss, as well as the expected improvement in loss estimates as determined by Theorem's models. Theorem's individual analysis of each loan available on the relevant platform involves analyzing the loan's statistical properties—including probability of default, expected loss-given default, and variance—to assess its risk/return profile. Where loans cannot be evaluated and selected on an individual basis (*e.g.*, platforms that only permit passive purchases or pre-constructed loan pools such as securitizations or secondary loan pool purchases), the Firm leverages its analytical capabilities to estimate overall pool losses based on observed and estimated default rates for similar loans.

Theorem monitors multiple portfolio risks, including changing probabilities of default, variance, skewness, interest rate exposure, macroeconomic risks, portfolio diversity as well as long tail "Black Swan" events. Where practicable, Theorem may invest client accounts (both long and short) in securities other than loan-related instruments, primarily to attempt to hedge portfolio risks. Such securities may include, without limitation, interest rate swaps, interest rate swaptions, treasuries, treasury futures, credit default swaps and bank and financial company stocks. Theorem does not currently engage in hedging or invest in those types of securities. Client accounts will hold excess funds in cash, money-market funds, or other cash equivalents pending the identification of suitable

investments; such amounts will be held either in clients' bank accounts, or in accounts of online platforms. The investment strategies summarized above represent Theorem's current intentions, are general in nature and are not exhaustive.

Risk Factors

Investing involves risk of loss that clients should be prepared to bear. Below are some of the risks that investors should consider before investing in any account that Theorem manages. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or an investor may encounter. Potential investors in a Fund should review such Fund's offering circular carefully in its entirety and consult with their professional advisers before deciding whether to invest. A potential client should discuss with Theorem's representatives any questions that such person may have before opening an account.

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Theorem has limited operating history on which prospective clients and investors may evaluate its performance.
- Client accounts are concentrated in loan instruments purchased on online lending platforms, which involve substantially higher risks than many investments in equities and related securities.
- There are relatively few online lending platforms through which Theorem purchases loan instruments, and the supply of such instruments is limited. Theorem must compete with other, often larger, investors for attractive loans to purchase. Decreases in the supply of loan instruments or increases in Theorem's assets under management may force Theorem to invest in less attractive instruments than it otherwise would.
- Theorem relies on online lending platforms to verify the identity of borrowers and their credit status. The platforms' verification procedures may yield incorrect results and may not be able to prevent fraud by borrowers.
- The loan instruments in which Theorem invests for clients are unsecured obligations and Theorem and its clients have no recourse to assets of the borrowers in case of nonpayment.
- Online lending models are fairly new, and federal or state regulators may undertake to regulate them in ways that adversely affect the profitability of investing through them.
- Theorem relies on complex credit analysis tools in evaluating loans and constructing portfolios for client accounts. This technology may malfunction, become obsolete, or infringe the intellectual property rights of others, and third parties may reverse engineer it or otherwise obtain or develop competing technology.
- Theorem licenses the technology it uses to construct and manage loan portfolios from its affiliate, Algorithmic Lending Co. ("ALC"). Because Theorem does not own the

technology, it is subject to additional risks relating to ALC, including ALC's bankruptcy or other business disruption that could make the technology unavailable to Theorem.

- Investing in fixed income instruments generated by online lending platforms involves special risks, including unfavorable changes in interest rates, unexpected levels of default by borrowers, increased default risk due to deflation, reduced present value of future payments due to inflation, and risk of unfavorable action by governmental bodies and the Federal Reserve in implementing their monetary policies.
- Theorem may not be able to obtain complete or accurate information about any loan and may misinterpret the information that it does receive.
- Theorem may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. Theorem is not obligated to hedge a client's portfolio positions, and it currently does not do so.
- An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- Theorem employs leverage, which increases volatility and risk of loss.
- Counterparties such as online lending platforms, servicers, custodians and administrators with which Theorem does business on behalf of clients may default on their obligations.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile lending markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- Loans and certain other instruments in which Theorem invests are generally illiquid, and the ability of Theorem's clients and investors to withdraw funds promptly from their accounts is limited.
- Clients' investments will be concentrated in online platform loans and related instruments. Therefore, declines in the lending markets or market-wide increases in loan defaults may cause significant losses.
- Theorem determines the value of loans and related instruments held in client accounts, whether or not a public market exists for such instruments. If Theorem's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new investor in a fund might receive an interest that is worth less than the investor paid and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.

- The client, and not Theorem, is responsible for any trade errors that Theorem makes in an account, even when the error causes a loss to the client.
- Theorem and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss breached Theorem's fiduciary duty to the client or investor.
- There is not and will not be an active market for interests in the Funds. It may be impossible to transfer any such interests, even in an emergency.
- A Fund may limit or suspend withdrawals of an investor's assets from the Fund and withdrawals that cannot be paid in cash may be deferred until sufficient cash is available.
- A Fund may establish a reserve for contingencies if Theorem considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- If the assets that Theorem and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for Theorem to find attractive investments as the amount of assets that it must invest increases.
- Due to the unique characteristics of the timing of defaults for consumer loans (*i.e.*, defaults tend to appear towards the middle of the life of a loan and taper off towards maturity), fresh or "unseasoned" loan pools tend to exhibit stronger returns than more seasoned loan pools. As a result, Fund performance may be adversely affected in the case of reduced subscriptions or increased withdrawals.
- The attorneys who represent Theorem or its manager do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.
- A Fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- Theorem, a Fund administrator or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of Theorem, a Fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- The Funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a Fund without a cash distribution to pay the related taxes.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and online lending activities, which may increase the time and resources that Theorem must devote to regulatory compliance, to the detriment of investment activities.

- Theorem’s activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.

The above is only a brief summary of some of the important risks that a client or an investor in a Fund may encounter.

Item 9. Disciplinary Information

Theorem has no reportable disciplinary information.

Item 10. Other Financial Industry Activities and Affiliations

Theorem has no reportable other financial industry activities or affiliations. If Theorem invests in commodity interests, it will act as a commodity pool operator or commodity trading adviser with respect to its clients, but in such cases, it will be exempt from registration with the Commodity Futures Trading Commission.

Theorem licenses the technology it uses to construct and manage loan portfolios from its affiliate, Algorithmic Lending Co. (“ALC”). Hugh Edmundson, Theorem’s manager, controlling owner and portfolio manager, is also the President of ALC.

Item 11. Code of Ethics, Participation or Interest In Client Transactions and Personal Trading

Theorem has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, that establishes standards of conduct for Theorem’s supervised persons. The Code of Ethics includes general requirements that Theorem’s supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to Theorem’s Chief Compliance Officer (the “CCO”), and requires the CCO to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Each supervised person of Theorem receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Clients and prospective clients may obtain a copy of Theorem’s Code of Ethics by contacting the CCO at compliance@theorempl.com or (415) 489-0457.

Under Theorem’s Code of Ethics, Theorem and its manager, members and employees may not invest in loans or related instruments from online lending platforms. Such persons who already own such loans or instruments when they become employed by Theorem may not purchase additional loans or instruments. Theorem and its manager, members and employees may, however, invest in stocks and other types of securities for their own accounts. Because Theorem does not currently invest client accounts in instruments other than loans, related instruments and cash equivalents, such securities investments by Theorem personnel do not create conflicts of interest with Theorem’s clients. However, Theorem and its managers, members and employees must disclose to the Firm all personal brokerage accounts and report transactions in the securities of public and private issuers.

Because Theorem manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. For example, Theorem selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. Theorem may buy or sell a certain type of instrument for client but not another, or may buy (or sell) a certain type of instrument for one client while simultaneously selling (or buying) the same type of instrument for another client. Theorem attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. Theorem may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client so long as it is Theorem's policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. Theorem is not obligated to acquire for any client account any investment that Theorem or its managers, members or employees acquire for its or their own accounts or for any other client, if in Theorem's absolute discretion, it is not practical, desirable or consistent with that client's investment strategy to acquire such investment for that account.

Item 12. Brokerage Practices

Theorem purchases loan instruments primarily through the trading platforms of online lending platforms, and therefore cannot negotiate or otherwise control the commissions or other fees charged for such purchases. To the extent that Theorem purchases or sells loans through a broker, Theorem intends to allocate clients' portfolio transactions among those platforms and brokers based on best execution.

Brokerage. Theorem currently invests client accounts solely in loan instruments as described above, and in cash equivalents, and therefore does not utilize traditional brokerage services.

Soft Dollar Arrangements. Theorem does not participate in any "soft dollar" arrangements.

Online Platform Accounts. Online platforms typically maintain pooled bank accounts for the benefit of investors that purchase loan instruments directly. When Theorem invests a client account in such instruments, it will maintain some of its cash balances in the applicable platform's account, including funds committed for purchases that have not yet closed, and payments to the client that have not been withdrawn or invested again.

Custodial Agreements. Theorem retains banks to serve as some clients' custodians and to hold their accounts' cash, cash equivalents, and other short-term investments.

Trade Aggregation. Theorem does not aggregate purchases or sales of loans or loan-related instruments for client accounts.

Directed Brokerage. Because it currently invests solely in online loans, related instruments and cash equivalents, Theorem generally does not use traditional brokerage services and does not permit clients to direct brokerage.

Item 13. Review of Accounts

Theorem reviews all accounts weekly. Those reviews take into account such matters as asset allocation, cash management, the prospects of loans in the portfolio, industry outlook, market outlook and price levels. Additionally, each investor in the Funds receives a monthly letter stating performance for the month and a quarterly letter discussing performance and investment outlook.

Item 14. Client Referrals and Other Compensation

Theorem does not directly or indirectly compensate or receive compensation from any person or firm for client referrals.

Item 15. Custody

Under SEC Rule 206(4)-2, Theorem is deemed to have custody of the securities and other assets of the Funds, even though such securities and assets are maintained by a “qualified custodian.” Investors in the Funds do not receive statements from such custodians. Instead, the Funds are subject to an annual audit, and the audited financial statements are distributed to each investor within 120 days of the Funds’ fiscal year end.

The assets of the sub-advised account are also held with a qualified custodian from which the client receives quarterly statements.

Item 16. Investment Discretion

Theorem has discretionary authority to manage investment accounts on behalf of clients pursuant to a grant of authority in each Fund’s limited partnership agreement or a sub-advisory agreement.

Item 17. Voting Client Securities

Theorem does not anticipate investing in equity securities or any instruments whose issuers solicit proxies from investors. Prior to investing in any such instruments Theorem will adopt appropriate proxy voting policies and procedures.

Item 18. Financial Information

Theorem 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 Notice

Maintaining the confidentiality of your personal financial information is very important to us at Theorem Partners LLC (“Theorem”).

Information We Collect. We may collect several types of nonpublic personal information about you, including:

- Information from forms you fill out and send to us in connection with your investment with our Funds (such as your name, address, and social security number)
- Information you give us orally
- Information about the amounts you have invested with Theorem (such as your initial investment and any purchases and redemptions from any of our funds)
- Information about any bank account you use for transfers between your bank account and your share accounts with Theorem’s Funds, including information provided when effecting wire transfers.

Information We Share. We do not sell your personal information and we do not disclose it to anyone except as permitted or required by law. For example, we share information we collect about you with our unaffiliated service providers such as our fund administrator, in order to service your investment. We may share information we collect about you with our independent auditors in the course of the annual audit of our funds. We may share this information with our legal counsel as we deem appropriate and with regulators. Additionally, if you are a United States taxpayer, a copy of your tax Form K-1, if any, will be included in our fund’s tax returns filed with the United States Internal Revenue Service. Finally, we may disclose information about you at your request (for example, by sending duplicate account statements to someone you designate), or as otherwise permitted or required by law.

Information Security. Theorem’s access to information about you is restricted to those employees who need to know the information to service your investment. Our employees are trained to follow our procedures to protect your privacy and are instructed to access information about you only when they have a business reason to obtain it. We also maintain physical, electronic and procedural safeguards that comply with federal standards to guard your personal information.

Changes To Our Privacy Policy. We reserve the right to change our privacy policy in the future, but we will not disclose your nonpublic personal information unless required or permitted by law without giving you an opportunity to instruct us not to.

Questions. For questions about our privacy policy, or for additional copies of this notice, please contact Theorem Partners LLC via email at compliance@theoremllp.com.