



## WERNAU ASSET MANAGEMENT

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March 17, 2021

### **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Wernau Asset Management, Inc. If you have any questions about the contents of this brochure, contact us at 617-871-0029. 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 Wernau Asset Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Wernau Asset Management, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated February 27, 2020, we have the following material changes to report:

- We have transitioned from state registration to federal registration with the Securities and Exchange Commission.
- Additionally, we enhanced or added disclosures in several sections throughout the Brochure. The following sections were updated:
  - Item 4 was updated to include the following, "Since Wernau's investment strategies and advice are based on each client's specific financial situation, the investment advice Wernau provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment."
  - Item 5 was updated to clarify the following, "Hourly and fixed fees are payable as specified in the advisory agreement".
  - Item 11 was updated to enhance disclosures related to our aggregated trading practices and Peter C. Wernau's role as the general partner, managing member or equivalent to private investment entities.
  - Item 12 was updated to include a disclosure related to Wernau's mutual fund share class selection process.
  - Item 20 was updated to include a disclosure related to IRA Rollover considerations.
- Lastly, on May 1, 2020 the firm received a Paycheck Protection Program ("PPP") loan from the U.S. Small Business Administration, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was forgiven on January 19th, 2021. Therefore, the disclosure related to the loan has been removed from Item 18.

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## Item 4 Advisory Business

Wernau Asset Management, Inc. ("Wernau") provides fee-based discretionary and non-discretionary investment advice and portfolio management services to individuals, high net-worth individuals, trusts, estates, charitable organizations, corporations and other business entities. Alternately, Wernau offers consulting services on an hourly or fixed fee basis. Prior to engaging the firm for services, clients are required to enter a written agreement with the firm setting forth the terms and conditions in which Wernau renders its services.

The firm's portfolio management services are provided in accordance with the client's investment objectives. Since Wernau's investment strategies and advice are based on each client's specific financial situation, the investment advice Wernau provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment. Please refer to the *Investment Discretion* section for additional information related to Wernau's portfolio management practices.

Consulting services are offered on an hourly basis, negotiable in advance, and dependent upon the scope and complexity of the engagement. Services offered may include comprehensive evaluation and recommendations in the following areas:

- Quarterly, Semi-Annual, or Annual Reviews
- Present Net-Worth Evaluation
- Tax Liability Estimate
- Cash Flow and Budgeting
- Education Planning
- Retirement Analysis
- Qualified Retirement Plan Review
- Life Insurance Review
- Surviving Spouse Requirements
- Estate Analysis
- Financial Planning Review of Wills and Trusts (does not include tax or legal)
- Revised Analytical Reports
- Review of Buy/Sell Agreements and Other Consulting Services

To the extent specifically requested by a client, Wernau may provide limited consultation services for a fee to its clients on investment and non-investment related matters. For example, the firm may render non-discretionary investment management services to clients relative to:

1. Variable life annuity products that they may own, and/or
2. Their individual employer sponsored retirement plans.

In doing so, Wernau either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

**Assets Under Management:** As of December 31, 2020, we provide continuous management services for \$141,942,973 in client assets managed on a discretionary basis.

## Item 5 Fees and Compensation

Fees are charged quarterly in arrears based on the value of assets under management as of the last day of the calendar quarter. Management fees will be automatically debited from client accounts on a quarterly basis by the advisor at the qualified custodian of record. The custodian maintains possession of client assets in accordance with the client authorization in the Advisory Agreement ("Agreement"). The fee schedule for actively managed discretionary accounts is as follows:

Assets Under Management	Percentage (fee charged)
\$0-\$25,000,000	1.50%

In some client cases, lower fees may be negotiated under certain circumstances depending on the scope and complexity of client investment management needs and circumstances.

**Fee Calculation:** The fee is calculated as described above. Fees are charged in arrears (end of quarter) based upon a percentage of the total assets under management, including money market balances on the last trading day of each calendar quarter. The fee is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (i.e. Performance fees).

In any partial calendar quarter, fees are pro-rated based on the number of days in which the account is open during the quarter. All securities and their values are determined by each mutual fund company, their designee, or other third party sources unless otherwise noted. Fee calculations are derived from these valuations.

Management fees are negotiable under certain circumstances, at the sole discretion of the firm. Wernau's fee is separate and distinct from the custodian and execution fees. All commissions, custody, execution fees and other related costs or expenses charged by the qualified custodian and/or executing broker-dealer (or other financial institution(s) involved with the client account) are charged separately.

Such fees may include custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Wernau does not receive any portion of these commissions, fees, and costs.

For those clients that are charged an hourly rate, the following fee schedule applies:

Service	Rate
Consulting	\$300 Per hour

For planning and family office clients, Wernau offers its clients a fixed fee per month that is negotiated in advance based on the scope of the proposed engagement. In general, the fixed fee may vary depending on the complexity of services provided, but will not exceed \$20,000 per month. Hourly and fixed fees are payable as specified in the advisory agreement.

**Termination of Advisory Relationship:** The advisory agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of an account, any prepaid and/or unearned fees will be promptly refunded. Similarly, any earned and/or unpaid fees will be due and payable. Clients retain the right to terminate the advisory agreement without penalty within five business days after entering into the agreement. The agreement shall remain non-transferable unless authorized by the client in writing.

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

The firm's offerings are limited to portfolio management on behalf of individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. Wernau does not charge performance-based fees.

## **Item 7 Types of Clients**

As mentioned throughout this brochure, Wernau provides investment management services individuals, high net-worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. Prior to engaging the firm for services, clients are required to enter into a written agreement with the firm setting forth the terms and conditions under which Wernau renders its services.

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

Wernau follows a value investing approach by utilizing the research and analysis techniques defined below:

- **Fundamental:** Fundamental analysis is a general assessment based upon various factors including sale price, asset value, market structure, and history. The firm uses modeling of individual securities and performs a discounted earnings analysis based upon quarterly estimates of earnings into the future.
- **Cyclical:** Cyclical analysis is a time based assessment which incorporates past and present performance to determine future value.
- **Technical:** Technical analysis employs the use of advanced data aggregation techniques to define certain trends of progressions in marketplace activity

Wernau's main sources of research information include financial newspapers and magazines, inspections of corporate activity, corporate ratings services, annual reports, prospectuses, filings with the United States Securities and Exchange Commission, company press releases, and research materials prepared by others.

Wernau seeks to allocate its client's investment management assets, on a discretionary and/or a non-discretionary basis among mutual funds, exchange traded funds, individual debt and equity securities and/or options as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. The firm may, from time to time, invest in equity securities, corporate debt, municipal securities, warrants, commercial paper, certificates of deposit, investment companies, U.S. government securities, options, and limited partnerships.

Wernau uses the following investment strategies in its investment advisory business: long-term purchases (securities held longer than one year), short-term purchases (securities sold within a year), short-term trading (buying and selling securities within 30 days), short sales, margin trading, and option writing (including covered options, uncovered options or spreading strategies).

**Risk of Loss:** Investing in securities involves a certain amount of risk of loss that clients should be prepared to bear. Where short term trading methods are employed, the cost of more frequent trades can often incur more expense than that of a more conservative or long term purchase approach. Questions regarding these risks and/or increased costs may be directed to the firm and its representatives.

## **Item 9 Disciplinary Information**

Rule 206(4)-4 of the Investment Advisers Act of 1940 and similar state securities regulation requires investment advisers to provide clients with disclosure as to any legal or disciplinary activities deemed material to the client's evaluation of the adviser. Please note, neither the firm nor its personnel have any disciplinary, regulatory, criminal, civil, or otherwise reportable history to disclose at this time.

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

Mr. Jonathan L. Iannacone is a certified public accountant ("CPA") and the President/Chief Executive Officer of Verge Advisors LLC, a business consulting firm. Clients of Wernau Asset Management, Inc. may also be clients of Verge Advisors LLC. The services provided and compensation received by Mr. Iannacone and Verge Advisors LLC for accounting related activities are separate and distinct from any fees paid for advisory services provided by our firm.

Mr. Peter C. Wernau is also general partner in Dartmouth Street Ventures Limited Partnership. The partnership is a principal investor in investment vehicles including but not limited to options, stocks, bonds, real estate, commodities, private businesses and other investment opportunities. Mr. Wernau is currently the only general partner and his spouse Thi Linh Wernau is the only limited partner. Mr. Wernau is also part owner of Apricot Capital, LLC, a private investment LLC that provides start up financing for new business ventures. Mr. Wernau is also part owner of Fish City Capital LLC, a private investment LLC that provides seed stage capital for startups and other businesses. Wernau Asset Management does not receive a management fee or other fees for work provided to Apricot Capital LLC, Fish City Capital LLC or Dartmouth Street Ventures LP. Wernau Asset Management clients are partners in Fish City Capital LLC. No other clients of Wernau Asset Management will be solicited to invest or become partners in the aforementioned private investment entities. Peter C. Wernau may receive income from these entities based upon his ratable ownership in the underlying investments of each entity.

The firm endeavors at all times to put client-interest first as part of its fiduciary duty. However, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of this individual when making investment recommendations. In order to properly handle such potential conflicts of interest, the firm has adopted a Code of Ethics. Please see Item 11 (below) for further discussion related to the firm's Code of Ethics.

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

Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, Wernau has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the firm. The Code of Ethics describes the firm's fiduciary duties and obligations to clients, and sets forth the firm's policy of supervising the personal trading practices of those employees who maintain access to client information.

Wernau and/or its employees may purchase or sell investments for their personal accounts that they similarly recommend to clients subject to certain conditions as defined in the Code of Ethics and other applicable procedures. While the firm endeavors at all times to put the interests of its clients first as part of its fiduciary duty, clients should be aware that personal trading itself creates the potential for a conflict of interest, and can affect the judgment of the individual making the recommendation.

Wernau and/or its employees may also combine our orders to purchase securities with your orders to purchase securities ("aggregated trading"). Refer to the *Brokerage Practices* section in this brochure for information on our aggregated trading practices. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

To supervise compliance with the Code of Ethics, the firm collects and maintains records of securities holdings and securities transactions made by employees (both client related and personal) to identify and resolve any potential conflicts of interest. A copy of the firm's Code of Ethics will be provided to any client (prospective and otherwise) upon request.

### **Participation or Interest in Client Transactions**

As described in Item 10 (above), Peter C. Wernau serves as the general partner or is affiliated with one or more private investment entities (limited liability company or limited partnership). Wernau Asset Management clients are partners in one private investment LLC, Fish City Capital LLC; however, no other clients will be solicited to invest or become partners in the aforementioned private investment entities.

Wernau Asset Management does not receive a management fee or other fees for work provided to the private investment entities. Peter C. Wernau has direct or indirect investment and/or other financial interests (e.g. General Partner, Managing Member, Member, etc.) in the private investment entities. Peter C. Wernau may receive income from these entities based upon his ratable ownership in the underlying investments of each entity. Conflicts that arise are mitigated through Wernau's fiduciary obligation to act in the best interest of our clients, contractual limitations that govern the activities Mr. Wernau as general partner or equivalent, as applicable, and the requirement of Mr. Wernau not to place his interests before its clients' interests when managing the private investment entities.



## **Item 12 Brokerage Practices**

As an investment adviser, Wernau has a fiduciary duty to seek best execution for client transactions. Best execution is a collective consideration of factors concerning the trade in question. Such factors include:

- the security being traded,
- the price of the trade,
- the speed of the execution,
- apparent conditions in the market,
- and the specific needs of the client.

Wernau's primary objectives when placing orders for the purchase and sale of securities for accounts is to obtain the most favorable net results in consideration of these factors.

Wernau recommends that clients utilize the brokerage and clearing services of Fidelity Investments and its affiliates ("Fidelity") for investment management accounts. In recommending Fidelity, Wernau considers the following factors: financial strength, reputation, execution, pricing, research, and service. However, clients should note that they may not necessarily pay the lowest commission or commission equivalent as specific transactions may involve specialized services on the part of the broker. This would justify higher commissions (or their equivalent) than other transactions requiring more routine services.

Transactions for each client generally will be effected independently, unless the firm decides to buy or sell the same securities for several clients at approximately the same time. In this case, Wernau will elect to combine or aggregate orders (i.e. block trading) in order to obtain an average price and allocate shares among several client accounts. Shares will be distributed pro-rata (or other appropriate method depending on the circumstances) and in accordance with Wernau's established allocation policy. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment. Wernau will not aggregate trades for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher or lower commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

The firm periodically reviews its policies and procedures regarding the recommendation of certain broker-dealers in light of its duty to obtain best execution on behalf of clients and their accounts. If a client directs Wernau to use a particular broker-dealer to execute some or all transactions, the client will then maintain the responsibility to negotiate the terms and conditions for that account with the selected broker-dealer. In such cases, Wernau will not have the ability to aggregate client transactions or negotiate terms. Accordingly, the client may pay higher commissions or other transaction costs or greater spreads, and perhaps receive less favorable net prices, on transactions for the account than would otherwise be the case.

### **Research and Other Soft Dollar Benefits**

We do not have any soft dollar arrangements.

**Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

**Directed Brokerage**

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

**Mutual Fund Share Classes**

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When Wernau purchases, or recommends the purchase of, mutual funds for a client, Wernau selects the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of, the fund at net asset value. Wernau also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges.

**Item 13 Review of Accounts**

For those clients that receive active investment management services, Wernau monitors those portfolios as part of an ongoing process. Regular account reviews are conducted on at least a quarterly basis by firm President Peter C. Wernau. Clients are encouraged to contact the firm immediately with any changes to their financial situation as such changes may impact the status of their investment account(s).

Wernau will contact investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact of any changes in the client's financial situation and/or investment objectives. Clients receive written statements no less than quarterly from the trustee or qualified custodian. In addition, client's may receive other supporting reports from asset managers, trust companies or custodians, insurance companies, broker/dealers, and others involved with client accounts.

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

Wernau does not compensate others for client referrals or receive other compensation outside that earned from its advisory services or consulting fees.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities.

Additionally, Peter C. Wernau, the firm's owner, is Trustee or has been determined to have custody for several clients. These accounts are subject to a surprise audit by an independent firm to comply with rule 206(4)-2 "the custody rule" under the Investment Advisers Act of 1940 the firm files form ADV-E to disclose this information. Wernau Asset Management has engaged an independent accounting firm to perform the audit of accounts subject to the rule. In the event, Wernau Asset Management has custody of client funds or securities clients will receive account statements from the broker-dealer, bank or other qualified custodian at least quarterly or more frequently and clients should carefully review those statements.

## **Item 16 Investment Discretion**

For actively managed investment advisory accounts, Wernau has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from clients. These accounts require the careful research, selection, and monitoring of individual equities, ETFs, Mutual Funds, REITS and other fixed income securities. These investments are generally suitable for certain clients with larger accounts that seek a more aggressive active investment strategy. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by the firm.

Discretionary authority will only be authorized upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an agreement containing all applicable limitations to such authority. All discretionary trades made by Wernau will be in accordance with each client's investment objectives and goals.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

Wernau will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client maintains the authority and responsibility for the voting of these proxies. The firm and its clients agree to this by contract. Clients will receive their proxies or other solicitations directly from the transfer agent (where applicable).

## **Item 18 Financial Information**

Pursuant to State and Federal law, investment advisers are required to disclose certain information about their business practices that might serve as material to the client's decision in choosing an investment adviser. As of the date of this filing, Wernau does not require the pre-payment of any fees or maintain any financial hardships or other conditions that might impair its ability to meet its contractual obligations to clients.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Privacy Policy:**

Wernau prohibits the disclosure of any personal and/or non-public information regarding clients or their accounts except as authorized in writing by the client or as otherwise provided by law. Additional information about the Privacy Policy may be obtained on the website at [www.wernauassetmanagement.com](http://www.wernauassetmanagement.com) or by request.

### **Business Continuity Plan:**

In the event that the firm is unable to provide continuous service, the firm has developed a Business Continuity Plan to expedite the recovery of operations. A copy of the Business Continuity Plan is available upon request.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.