



## **Herr Investment Group LLC**

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**Brochure**  
(Form ADV Part 2A)

**March 24, 2023**

This Brochure provides information about the qualifications and business practices of Herr Investment Group LLC. If you have any questions about the contents of this brochure, please contact us at [info@herrinvest.com](mailto:info@herrinvest.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.

Herr Investment Group LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, such registration with the SEC does not imply a certain level of skill or training.

Additional information about Herr Investment Group LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (CRD # 315227)

## **Item 2: Material Changes**

Item 2 is intended to discuss/disclose any material changes to Herr Investment Group since the last such notification. Therefore, the changes listed here in Item 2 may not be relevant to those receiving Herr Investment Group's Brochure for the first time.

Herr Investment Group made the following material changes since our initial brochure dated December 22, 2021.

- Pointillist Capital Management, LLC (an affiliate) and Pointillist Partners, LLC (private fund) have engaged Herr Investment Group to serve as investment manager to the Fund. As a new advisory client of Herr Investment Group, this brochure has been updated in its entirety to include information pertaining to the Fund.
- Matthew Okkerse, CPA/PFS, has joined Herr Investment Group as Chief Financial Officer. He has also been named Chief Compliance Officer.

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#### **Item 4: Advisory Business**

Herr Investment Group LLC (“we”, “us” or the “Firm”) was established in 2021. The managing member of Herr Investment Group LLC, Daniel Herr, has been providing investment guidance and portfolio management services to individuals, professionals, business owners, businesses/corporations, retirement plans, and charitable organizations since 2005.

As a registered investment adviser subject to Section 206 of the Investment Advisers Act of 1940, Herr Investment Group LLC acts as a fiduciary in the conduct of its investment advisory services. As such, Herr Investment Group LLC has an obligation to act in the best interest of its clients, guided by its core fiduciary duties of loyalty and care.

#### **Advisory Services to clients in Separately Managed Accounts and a Private Fund**

##### **Investment Portfolio Management – Separately Managed Accounts**

Herr Investment Group LLC provides continuous and regular portfolio management services primarily on a discretionary basis. This means that you grant us authority to supervise and direct the trading of the securities in your account(s) without us needing to contact you before trades are executed. Herr Investment Group LLC will recommend an investment strategy and individually design a portfolio of investments which can include one or a combination of: equities, bonds (Gov’t & Corporate), mutual funds, Exchange Traded Funds (ETFs), Closed-End Funds, Options, Futures, Commodities, Currencies (incl. exposure to digital forms), Private Offerings, Alternative Investments, and other securities including short-term money market instruments. We monitor the holdings and percentage allocations in your account(s) no less frequently than quarterly. If and when non-discretionary services are provided, Herr Investment Group LLC will make recommendations while you make the ultimate decisions and take responsibility for the final selection of securities bought or sold.

We strongly encourage clients to inform us promptly in the event of any significant life changes, such as setting a retirement date, having a child, receiving an inheritance, etc., so we can perform a re-assessment to determine the proper investment strategy from that point forward. It is our policy to review/discuss accounts with our clients no less frequently than annually, at which time we discuss/confirm any account limitations or restrictions.

Herr Investment Group LLC’s investment strategies are primarily long-term focused, but from time to time, we buy, sell or reallocate positions that have been held less than one year to meet the objectives of a particular strategy or due to market conditions. (See Item #8 below for a more detailed description of our forms of analysis and our investment strategies.)

##### **Customization of Client Accounts**

Before we begin managing a client portfolio, we engage a new or potential client in a pre-advisory consultation to better understand the client’s financial situation and expectations. During

this consultation, we:

- Review the client's investment goals and objectives, tax situation, financial needs (e.g., income, liquidity, etc.), and any limitations
- Gauge the client's tolerance for risk
- Analyze current investment strategies and asset allocation

By understanding each of these financial characteristics and communicating our investment philosophy, we then develop an investment portfolio for the client and set the expectations for our client-adviser relationship.

Typical client Investment Objectives include Income, Balanced/Conservative Growth, Growth, Aggressive Growth, and Speculation. Typical client Risk Tolerances include Low, Moderate, High, Very High, and Highest. With Herr Investment Group's active management approach which forgoes limiting allocation ranges, accounts will from time-to-time hold a mix of securities that will appear out of synch with clients' stated Investment Objectives and Risk Tolerances.

We will take into consideration special situations such as restrictions on certain securities or asset classes, liquidity needs, and tax situations when managing portfolios. Each client will have the opportunity to place reasonable restrictions on the types of investments to be held in their respective portfolio. However, Herr Investment Group LLC reserves the right to decline to accept certain client restrictions that, in our judgement, would prevent us from employing our strategy to pursue the client's objective or if the restriction would unreasonably add to costs (e.g., research).

#### **Investment Management Services – Private Fund**

Herr Investment Group LLC also provides investment management services to Pointillist Partners, LLC, a privately offered pooled investment vehicle (i.e., the "Private Fund" or "Fund") exempt from registration under the Investment Company Act of 1940, as amended. Herr Investment Group LLC manages the Fund in a manner consistent with the investment strategy described in the Fund's offering documents. Mr. Herr shares portfolio management responsibilities for the Fund with Jorey Chernett. Pointillist Capital Management, LLC is the sponsor and Managing Member of the Fund and an affiliate of Herr Investment Group LLC. Mr. Herr and Mr. Chernett are the sole equity owners and Managing Members of Pointillist Capital Management, LLC.

Herr Investment Group LLC does not generally provide specifically tailored advice to investors in the Fund unless the investors have also engaged Herr Investment Group LLC to provide portfolio management services through a separately executed investment management agreement.

The Private Fund and separately managed account clients are collectively referred to herein as "Clients".

#### **Wrap Fee Programs**

Herr Investment Group LLC does not participate directly or indirectly in any wrap fee programs.

### **Regulatory Assets Under Management**

Herr Investment Group LLC last reported Regulatory Assets Under Management of \$911,282,869 as of December 31, 2022. All client assets are managed on a discretionary basis.

### **IRA Rollover Recommendations**

For purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

### **Item 5: Fees and Compensation**

#### **Investment Management Fees – Separately Management Accounts**

Clients enter into an Investment Advisory Agreement ("IAA") with Herr Investment Group LLC that outlines the services provided and fees paid to Herr Investment Group LLC. For on-going management, the client will pay an asset management fee (aka advisory fee) based on the value of the client's account.

Herr Investment Group LLC retains the discretion to decide the level of fees on a client-by-client basis. Fees can range from 0.60% to 1.85% annually of the assets being managed as negotiated with each respective client depending on various factors including, but not limited to, complexity of the client's needs, assets to be placed under management, anticipated future additional assets, scope and frequency of necessary services, portfolio style, trading frequency and activity, and account composition. The specific annual fee is identified in the IAA between Herr Investment Group LLC and each client. If a tiered fee schedule is used, Herr Investment Group LLC will not aggregate all of the

client's accounts for the purpose of reaching a given tier in the fee schedule but will charge each account separately. This practice may result in the client paying overall higher advisory fees than if the accounts were aggregated and charged an advisory fee based-off of the single tiered schedule. As is common, Herr Investment Group LLC discounts or waives its advisory fee for employees, affiliates, and certain family members.

Herr Investment Group LLC considers cash to be a distinct asset class and the value of such assets are included in the advisory fee calculation. When yields on cash/money market funds are low enough, the amount of income those investments generate will not exceed the dollar amount of the advisory fee that client accounts pay proportionately with respect to those assets. Consequently, clients will indirectly experience a negative effective return on any cash position during such periods of low interest rates.

Advisory fees are billed in arrears. For accounts custodied at Interactive Brokers as is generally required (see Item 12 – Brokerage Practices below), the fee is calculated daily, and billed monthly, at the annual percentage rate specified in the client's IAA. For accounts custodied at other than Interactive Brokers, the calculation method and billing cycle will be specified in the IAA.

In the event the IAA is terminated, the fee for the final billing period is assessed through the effective date of the termination and the outstanding portion of the fee is billed to the Client.

#### **Direct Fee Debit**

By signing the IAA, clients generally provide Herr Investment Group LLC with written authorization to directly debit their accounts for payment of the investment advisory fees. The financial institution that acts as the qualified custodian for Client accounts, from which we retain the authority to directly deduct fees, has agreed to send statements to Clients not less frequently than quarterly detailing all account transactions, including any amounts paid to Herr Investment Group LLC.

#### **Additional Fees and Expenses**

In addition to the advisory fees paid to Herr Investment Group LLC, separately managed account clients also incur certain charges imposed by other third parties, such as the custodial broker, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include, but are not limited to, securities brokerage commissions, transaction fees, redemption fees, short term transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF held in a Client's account as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Investment Management Fees – Private Fund**

As compensation for its advisory services to the Fund, Herr Investment Group LLC receives a management fee, payable monthly in arrears, at an annual rate equal to 2.00% of the Fund's net asset value, as further outlined in the Fund's offering documents. Note that earlier investors/limited partners in the fund are grandfathered under an annual rate of up to 1.85%. The management fee is not negotiable, although Herr Investment Group LLC or the Fund's Managing Member, reserves the discretion to waive fees for one or more investors, in whole or in part, without notification to other fund investors. Herr Investment Group does not collect a management fee from its affiliated and employee investors or certain of their family members.

### **Additional Fees and Expenses – Private Fund**

In addition to the management fee, each investor in the Fund bears its allocable share of expenses associated with the operations of the Funds, including expenses arising in connection with the ongoing offering of interests, governmental filing fees, investment research, relevant subscriptions, brokerage commissions, charges for transactions in securities and other instruments, custodial fees and expenses, administrative fees and expenses, reporting expenses, taxes, interest, legal, compliance and accounting fees, expenses associated with mailing and reproducing offering materials, communications with investors and prospective investors, regulatory and filing fees, including Form ADV, Form PF and blue sky filing materials, marketing, travel, entertainment, education and conference expenses, insurance coverage, including for Herr Investment Group and its personnel, as well as litigation and other extraordinary and non-recurring expenses, if any.

### **Item 6: Performance-Based Fees**

#### **Separately Managed Accounts**

Herr Investment Group LLC does not charge performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client) for separately managed account clients. However, separately managed account clients are hereby advised that Herr Investment Group LLC does charge a performance-based fee to the private fund it manages. Due to the potentially higher revenue earned from the private fund, this creates a conflict to favor the private fund over separately managed accounts in the allocation of investment opportunities. As discussed below, Herr has implemented investment allocation policies and procedures in order to mitigate this conflict.

#### **Private Fund**

In addition to the management fee, investors in the Fund are subject to performance allocation equal to a percentage of any net appreciation allocated to the investor's account at the end of each performance period, subject to a high-water mark, as further described within the fund offering documents. The performance allocation is not negotiable, although Herr Investment Group LLC or the Fund's Managing Member reserves the discretion to waive such allocation for one or more investors, in whole or in part, without notification to other fund investors. The Managing Member does not receive a performance allocation from investors who are affiliates or employees or their family members.



Performance-based arrangements generally create an incentive for advisers to purchase investments that are more risky or speculative than those that would be purchased under a different fee arrangement. Performance-based arrangements also create an incentive to favor higher paying accounts over lower paying accounts in the allocation of investment opportunities. The portfolio managers for the Fund are invested in the Fund. This creates an incentive for us to favor the Fund when allocating trades among Client accounts. To address these conflicts, our policies and procedures require that investment decisions be made based on the best interests of our Clients, without consideration of pecuniary interests of Herr Investment Group, its affiliates or its employees.

Herr Investment Group has implemented policies and procedures that govern the allocation of portfolio transactions and investment opportunities across Client accounts. In general, the way portfolio transactions and investment opportunities are allocated to accounts depends upon certain factors (e.g., how much liquidity is available within a Client Account, the desired position size, the investment period of the portfolios, whether there are limitations or restrictions imposed on an account due to its investment mandate). Trade allocation is reviewed periodically by the Chief Compliance Officer to determine compliance with established policies and procedures. See also Item 12 – Brokerage Practices: Trade Allocation Between Client Accounts.

#### **Item 7: Types of Clients**

In addition to the Private Fund, Herr Investment Group LLC provides portfolio management services to individuals, professionals, business owners, businesses/corporations, retirement plans, and charitable organizations.

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

##### **Separately Managed Accounts**

##### **Methods of Analysis – Separately Managed Accounts**

We use the following methods in formulating our investment advice and managing client assets:

**Fundamental** - This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in determining the position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

**Cyclical** - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

**Technical** - This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets may be indications of future performance.

### **Investment Strategy – Separately Managed Accounts**

We generally use a long-term investment strategy in managing client accounts that is appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons. Occasionally, short term and/or trading strategies may be blended with long term. This strategy is implemented with portfolios being individually designed to meet clients' accumulation and income needs, while also considering their tax situation.

- **Long term** - investments held at least a year.
- **Short term** - investments sold within a year.
- **Trading** - investments sold within 30 days.

➤ **Margin transactions.** When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$10,000 worth of stock in a margin account by paying for \$5,000 and borrowing \$5,000 from a brokerage firm.

➤ **Options transactions** including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

➤ **Asset Allocation:** When employing asset allocation as a primary strategy, rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of equities, fixed income, mutual funds, ETFs, cash, and other investments across asset classes appropriate for the client's investment goals and risk tolerance. Additionally, we utilize third party research to analyze current market data and valuations of various market sectors and asset categories to identify investment opportunities.

For intentionally diversified portfolios, we strive to diversify both across and within various asset classes (e.g., stocks, bonds, and cash, with the stocks being those of domestic and foreign, small, medium, and large, growth and value, and developed as well as emerging markets and companies).

### **Risks of Loss – Separately Managed Accounts**

No method of analysis or investment strategy can ensure a gain or the avoidance of loss. All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized. Stock markets and bond markets fluctuate substantially over time. In addition, the performance of any specific investment is not guaranteed.

### **Types of Investments and Risk of Loss**

- **Investment Company Risk** - Investment companies include open-end and closed-end investment companies. Shares in investment companies represent interests in professionally managed portfolios. These investments involve substantially the same risks as investing directly in the underlying instruments; in addition, the return from such an investment will be reduced by the operating expenses and fees of the investment company, including applicable advisory fees.
- **Equity Investment Risk.** Equity securities include common stocks, preferred stocks, convertible securities, and mutual funds that invest in these securities. Equity markets can be volatile. Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

- **Bond Risk.** Rising interest rates will generally cause the prices of bonds and other debt securities to fall. In addition, falling interest rates can result in an issuer redeeming, calling, or refinancing a security before its stated maturity. Longer maturity debt securities are subject to greater price fluctuations than shorter maturity debt securities. Bonds and other debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest, and the security will go into default. Lower quality debt securities generally have higher rates of interest and are subject to greater price fluctuations than higher quality debt securities.
- **Sector Risk.** To the extent a client account invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or sub-sectors. An individual sector, industry, or sub-sector of the market can be more volatile and perform differently than the broader market. The several industries that constitute a sector can all react in the same way to economic, political, or regulatory events. A client account's performance could be affected if the sectors, industries, or sub-sectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries can adversely affect performance.
- **Currencies, including exposure to digital forms.** Currency prices have historically been highly volatile at various times. Price movements for currencies are influenced by, among other things: changing supply and demand; liquidity constraints; trade, fiscal, monetary, and exchange control policies of governments; U.S. and foreign political and economic events; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the marketplace. None of these factors can be controlled by Herr Investment Group LLC. No assurance can be given that clients will not incur losses due to such factors or events.
- **Commodities and Futures.** While any investment in commodities and futures will be consistent with regulatory limits, trading commodity and security futures contracts involves substantial risk as losses can be significant in a very short period of time. The amount of loss is potentially unlimited and can exceed the amount originally invested. This is due to futures trading being highly leveraged, with a relatively small amount of money used to establish a position in assets having a much greater value. Under certain market conditions, it is difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit ("limit move"). Funds deposited with a futures commission merchant for trading futures positions are not protected by insurance in the event of the

bankruptcy or insolvency of the futures commission merchant, or in the event funds are misappropriated.

- ***Private Offerings/Investments.*** Investing in Private Offerings/Investments involves various risk factors, including, but not limited to liquidity constraints and lack of transparency, and typically represents speculative investments with a high degree of risk. An investor could lose all or a substantial portion of his/her investment. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment in a private investment. Any investment in private investments should be only with discretionary capital set aside strictly for speculative purposes. At times, the illiquidity of the market, as well as the lack of publicly available information regarding these securities may make it difficult to determine the fair market value of such securities or to sell at prices near fair market value. Private offerings may be difficult to sell because a ready market for resale may not exist at any given time. If the investment is a Private Fund, other risk considerations include any lack of portfolio investment diversification, and risks associated with the underlying investments. An investment in a private investment fund is not suitable or desirable for all clients. Only qualified eligible clients (aka *accredited investors*) can invest in private investment funds. An investment in a private investment fund is usually illiquid and there can be significant restrictions on transferring interests in a private investment fund.
- ***Alternative Strategy Mutual Funds.*** Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies is not suitable for all investors and involves special risks, such as risks associated with commodities, futures, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes, and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry. These types of funds tend to have higher expense ratios than more traditional mutual funds. They also tend to be newer and have less of a track record or performance history.
- ***Exchange-Traded Funds (ETFs).*** ETFs are typically investment companies that are legally classified as open-end mutual funds or UITs. However, they differ from traditional mutual funds, particularly in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly traded companies. ETF shares trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity and is generally lower if the ETF has a lot of trading

volume and market liquidity and higher if the ETF has little trading volume and market liquidity. ETFs can be closed and liquidated at the discretion of the issuing company.

- **Market Risk.** This is the risk that the value of securities owned by an investor goes up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- **Interest Rate Risk.** This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- **Credit Risk.** This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- **Issuer-Specific Risk.** This is the risk that the value of an individual security or particular type of security can rise and fall based on changes in an individual company's financial condition as well due to investor sentiment for that particular company or security.
- **Individual Security Risk.** This is the risk that the value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

### ***Tax Consequences of Mutual Funds***

When investors buy and hold an individual stock or bond in a taxable account, the investors are liable for income taxes each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax unless and until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's distributed capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if the fund sells securities for a profit that cannot be offset by a loss.

### ***Investing Outside the U.S.***

Investing outside the United States involves additional risks of foreign investing. These risks include currency controls and fluctuating currency values, and different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices. Additional factors include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors to greater risk. Finally, various administrative

difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

Investments in developing countries can further heighten the risks described above. A developing country may be in the earlier stages of its industrialization cycle with a low per capita gross domestic product (“GDP”) and a low market capitalization to GDP ratio relative to those in the United States and the European Union. Historically, the markets of developing countries have been more volatile than the markets of developed countries.

In general, developing countries have less developed legal and accounting systems. The governments of these countries may be more unstable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect security prices. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries are also relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid than securities issued in countries with more developed economies or markets.

### ***Cash and Cash Equivalents***

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investments.

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### **Private Fund**

**Prospective investors in the Private Fund managed by Herr Investment Group must review the Private Placement Memorandums (PPM) for complete descriptions of the associated risks.**

### **Methods of Analysis – Private Fund**

The investment process generally involves the identification of large macro-economic, political, global and societal trends. Once identified, Herr Investment Group seeks to optimize risk-adjusted returns by selecting investments that it believes are best able to profit from such trends. In evaluating specific investments, Herr Investment Group focuses on (i) margin of safety, and (ii) probabilistic assessment of potential outcomes. The techniques used to assess investments include valuation, relative value,

money flows, sentiment, management, volatility, ownership, technical analysis, operational risk, geopolitical risk, counterparty risk, and legal and regulatory risk, among other things.

### **Investment Strategy – Private Fund**

The investment objective of the Fund is to maximize capital by investing all or substantially all of the Fund's assets among a diverse set of alternative investment strategies. Generally, the Fund seeks to take advantage of economic opportunities arising from market structures, disequilibria, and secular trends that result from broad systemic factors, including macro and microeconomic conditions, changes in government policy, political changes and forecasts and analyses of interest rate, currency, money flows, sentiment and volatility trends. In order to achieve its objective, the Fund has broad flexibility to invest in a wide range of asset classes and instruments. The Fund regularly employs leverage and takes concentrated positions in, among other assets, currencies, debt, equities and commodities, and may take outright directional positions or relative value positions.

The Funds invests in a number of markets and a broad range of instruments, including, but not limited to, stocks, bonds, options, commodities, futures and options on futures, swaps (including credit default swaps and total return swaps) and other derivatives. The Fund invests in securities of U.S. and non-U.S. issuers and in securities traded on U.S. and non-U.S. exchanges. There is no requirement as to credit quality of the assets, and the Fund may invest in rated, unrated and illiquid securities. Although the Fund may be fully invested at times, there may periods pending the use of proceeds or for defensive measures when the Fund may hold cash or invest in cash equivalents for short-term investments.

The Fund may also invest in special opportunities with greater illiquidity, such as direct investments in agricultural assets, private companies, real estate and investment funds with extended lock-up periods (collectively, "Special Investments"). Such Special Investments are less liquid than other investments, and, therefore, the Fund will not be expected to make distributions of such investments to investors until there is a disposition of such investments through an initial public offering, merger, acquisition, or other corporate event or expiration of the underlying fund's lock-up period. Each Special Investment will be administered through a side pocket. Only those members invested in the Fund at the time a Special Investment is made are permitted to participate in that particular investment.

### **Risks of Loss – Private Fund**

An investment in the Fund involves a high degree of risk due to the nature of the Fund's investments and the strategies employed by the Fund. An investment in the Fund should not itself be considered a balanced investment program, but rather is intended to provide diversification in a more complete investment portfolio. An investment in the Fund is speculative and involves a high degree of risk, including the risk that the investor could lose all or a portion of the capital they have invested in the Fund. **Prospective investors should only invest in the Fund if they can afford a complete loss of their investment.**



The following information is not intended to be a summary of all the risks associated with an investment in the Fund, but rather some specific risks associated with our strategy and the securities in which we typically invest which we believe are important for investors to consider. Investors should carefully review the expanded summary of risks in the Fund's offering documents.

**General Investment Risks.** The Fund may invest in markets that are subject to fluctuations and the market value of any particular investment may be subject to substantial variation. The securities markets are speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for securities change rapidly and are affected by a variety of factors, including interest rates and general trends in the overall economy or particular industrial or other economic sectors. Government actions, especially those of the Federal Reserve Board, have a profound effect on interest rates, which, in turn, affect the price of securities. In addition, a variety of other factors that are inherently difficult to predict, such as U.S. and non-U.S. political developments, governmental trade and fiscal policies, patterns of trade and war or other military conflict also can have significant effects on such markets.

**Strategy.** The Fund may take both long and short positions in the various asset classes in which they invest. As part of its general strategy, the Fund may acquire positions that expose it to significant interest rate and prepayment risks but may attempt to hedge against those risks by maintaining offsetting positions. The Fund may attempt to hedge its economic interest through the purchase and/or sale of various financial instruments. In general, the successful use of any hedging technique is an uncertain matter.

**Uses of Leverage.** The Fund expects to use leverage. Fund leverage may be achieved by debt financings and borrowings, as well as through the use of tender option bond trusts, posting collateral and using futures contracts. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. If the Fund purchases assets on margin (that is, by depositing a portion of the price with its broker, who in effect lends the rest of the price to the Fund), then a small change in price may result in a loss for the Fund that exceeds the margin deposited with the broker. To the extent the Fund purchases assets with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Fund. If the interest expense on borrowings were to exceed the net return on the assets purchased with borrowed funds, the Fund's use of leverage would result in a lower rate of return than if the Fund were not leveraged. If the amount of borrowings which the Fund may have outstanding at any one time is relatively large in relation to its capital, fluctuations in the market value of the Fund's portfolio will have disproportionately large effects in relation to the Fund's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of the Fund to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional moneys borrowed fails to cover their cost to the Fund, the net asset value of the Fund will generally

decline faster than would otherwise be the case. In the event of a sudden, precipitous drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its debt. In that event, the Fund may become subject to claims of a financial intermediary that extended credit. Such claims could exceed the value of the assets of the Fund. A bank or dealer that provides financing to the Fund may apply discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin or collateral calls, loss of financing and forced liquidations of positions at disadvantageous prices. The purchase of futures and forward contracts generally involves little or no margin deposit and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to the Fund.

**Current Market Conditions.** Recent events have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets. Both debt and equity markets, domestic and foreign, have been and may continue to experience increased volatility and turmoil. It is uncertain whether or for how long these conditions will continue. These events and possible continued market turbulence may have an adverse effect on the Fund.

**Liquidity in Financial Markets.** The financial markets in the United States and elsewhere have experienced a variety of difficulties and changed economic conditions in recent years. Reduced liquidity in equity, credit and fixed-income markets may adversely affect many issuers worldwide and adversely affect the Fund.

**Government Intervention; Market Disruptions.** The global financial markets have undergone fundamental disruptions that have led to governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability, at least on a temporary basis, to continue to implement certain strategies or manage the risk of their outstanding positions.

**Uncertainty of Returns from Investments.** The investments acquired by the Fund may not appreciate in value and, in fact, may decline in value, or may default on interest and/or principal or other payments. Accordingly, the Fund may not be able to realize gains or income from its investments. Any gains that are realized on some investments may not be sufficient to offset any other losses experienced on other investments. Any income realized from the Fund's investments may not be sufficient to offset the Fund's expenses.

**Equity and Equity-Related Instruments.** The Fund invests in equities and equity-related instruments. Stocks and other equity-related instruments may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risk

of loss. “Equity securities” may include common stocks, preferred stocks, interests in real estate investment trusts, convertible debt obligations, convertible preferred stocks, equity interests in trusts, partnerships, joint ventures or limited liability companies and similar enterprises, warrants and stock purchase rights. Equity securities fluctuate in value and such fluctuations can be pronounced.

**Debt and Other Income Securities.** The Fund invests in fixed-income securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security’s value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. The Fund could lose money if the issuer of a fixed income security is unable to pay interest or repay principal when due. Credit risk applies to most fixed income securities. The values of income securities may also be affected by changes in the credit rating or financial condition of the issuing entities.

**Derivatives.** The Fund invests derivatives (“Derivatives”). These are financial instruments that derive their performance, at least in part, from the performance of an underlying asset, index or interest rate. The Derivatives the Fund may use include, without limitation, futures, options, swaps, swaptions, caps, floors and collars. Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular Derivative and the portfolio as a whole. Derivatives permit the Fund to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as the Fund can increase or decrease the level of risk, or change the character of the risk, of its portfolio by purchasing or selling specific securities.

Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter (“OTC”) Derivatives. Exchange-traded Derivatives generally are guaranteed by the clearing agency that is the issuer or counterparty to such Derivatives. By contrast, no clearing agency guarantees OTC Derivatives. Therefore, each party to an OTC Derivative bears the risk that the counterparty will default. OTC Derivatives are less liquid than exchange-traded Derivatives since the other party to the transaction may be the only investor with sufficient understanding of the Derivative to be interested in bidding for it.

**Swaps.** Investments in swaps involve the exchange by the Fund with another party of all or a portion of their respective interests or commitments. In the case of currency swaps, the Fund may exchange with another party their respective commitments to pay or receive currency. Use of swaps subjects the Fund to risk of default by the counterparty. In times of market turmoil, spreads can widen substantially and these markets can become very illiquid with the result that positions may not be able to be offset or closed out at a reasonable price, if at all. The Fund may also enter into currency, interest rate, total return or other swaps that may be surrogates for other instruments such as currency

forwards and interest rate options. The value of such instruments generally depends upon price movements in the underlying assets as well as counterparty risk.

**Futures Contracts and Options on Futures Contracts.** In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations. The counterparty for futures contracts and options on futures contracts traded in the United States exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members, it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing members or clearinghouse will be able to meet its obligations to the Fund.

In addition, under the CEA, futures commission merchants are required to maintain customers' assets in a segregated account. If the Fund engages in futures and options contract trading and the futures commission merchants with whom the Fund maintains accounts fail to so segregate the Fund's assets or are not required to do so, the Fund will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. Even where customers' funds are properly segregated, the Fund might be able to recover only a pro rata share of its property pursuant to a distribution of a bankrupt futures commission merchant's assets.

**Futures Cash Flow.** Futures contracts gains and losses are marked-to-market daily for purposes of determining margin requirements. Option positions generally are not, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options, there may be periods in which positions on both sides must be closed down prematurely due to short-term cash flow needs. Were this to occur during an adverse move in the spread or straddle relationships, a substantial loss could occur.

Most United States futures exchanges limit fluctuations in certain commodity interest contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular contract has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Contract prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund's adviser from promptly liquidating unfavorable positions and subject the Fund to substantial losses, which could exceed the margin initially committed to such trades.

Each exchange on which futures are traded and the CFTC typically have the right to suspend or limit trading in the contracts that each such exchange lists. Such a suspension or limitation could render it impossible for the Fund to liquidate its positions and thereby expose it to losses. In addition, there is no guarantee that exchange and other secondary markets will always remain liquid enough to close out existing futures positions. It is also possible that an exchange or the CFTC could order the immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

**OTC Transactions.** It is possible that the Fund may engage in transactions involving securities traded on OTC markets. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges will not be available in connection with OTC transactions. This exposes the Fund to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract.

**Commodity Investment Risk.** The Fund may make investments in commodities which will subject the Fund to greater volatility than investments in traditional securities. The value of a commodity investment typically is based upon the price movements of a physical commodity (such as heating oil, livestock, or agricultural products). The value of a commodity investment may therefore be affected by changes in overall market movements or factors affecting a particular industry or commodity such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

**Currency Risks.** The Fund may invest in securities denominated in non-U.S. currencies for hedging or non-hedging purposes. The Fund will, however, value its assets in U.S. dollars. To the extent unhedged, the value of the Fund's assets will fluctuate with U.S. dollar exchange rates. Purchasing instruments denominated in foreign currencies or engaging in currency trading has certain risks, including illiquidity, blockages by governments, political unrest or other factors, failure or inability to deliver, pressures from speculators, and other factors that can result in losses with respect to such instrument and currencies, notwithstanding any nominal returns or value. In addition, to the extent that currency risk is not hedged, changes in the values between the denominated currency of the Fund and other currencies can increase or reduce the actual returns from investments denominated in other currencies. The Fund may at times have significant currency exposure. Therefore, market movements in the underlying currencies could result in substantial losses.

We may utilize currency trading both for opportunistic purposes and for defensive purposes to protect the Fund's value in U.S. dollars. Currency hedging techniques may include (i) purchasing and selling currency futures contracts and options thereon, (ii) purchasing and selling currency forward contracts,

and (iii) engaging in foreign currency exchange transactions on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market.

The prices of futures and forward contracts and options thereon are volatile and are influenced by, among other things, actual and anticipated changes in interest or currency exchange rates, which in turn are affected by fiscal and monetary policies and by national and international political and economic events. In addition, because of the low margin deposits required, futures and forward contract trading involves an extremely high degree of leverage; as a result, a relatively small price movement in a futures or forward contract may result in immediate and substantial loss, or gain, to the investor. Losses that may arise from certain futures transactions are potentially unlimited. Further, instruments employing such leverage may generate “unrelated business taxable income” with consequent disadvantages for tax-exempt entities.

**Non-U.S. Investments.** The Fund will invest in securities of non-U.S. issuers and the governments of non-U.S. countries. These investments involve special risks not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, social, political and economic instability and adverse diplomatic developments; the possibility of the imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Fund’s investment opportunities. In addition, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company. There is also less regulation, generally, of the securities markets in many foreign countries than there is in the United States, and such markets may not provide the same protections available in the United States. With respect to certain countries there may be the possibility of political, economic or social instability, the imposition of trading controls, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could materially adversely affect the Fund’s investments in those countries. The Fund’s investment in non-U.S. countries may also be subject to withholding or other taxes, which may be significant and may reduce the Fund’s returns.

Investment in sovereign debt obligations of non-U.S. governments involve additional risks not present in debt obligations of corporate issuers and the U.S. government. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and the Fund may have limited recourse to compel payment in the event of a default.

**Investment in Emerging Markets.** The Fund may invest in securities of companies based in emerging markets or issued by the governments of such countries. Securities traded in certain emerging markets may be subject to risks due to the inexperience of financial intermediaries, the lack of modern technology, the lack of a sufficient capital base to expand business operations, and the possibility of temporary or permanent termination of trading. Political and economic structures in many emerging markets may be undergoing significant evolution and rapid development, and emerging markets may lack the social, political and economic stability characteristics of more developed countries. As a result, the risks relating to investments in foreign securities described above, including the possibility of nationalization or expropriation, may be heightened. In addition, certain countries may restrict or prohibit investment opportunities in issuers or industries deemed important to national interests. Such restrictions may affect the market price, liquidity and rights of securities that may be purchased by the Fund. Settlement mechanisms in emerging securities markets may be less efficient and less reliable than in more developed markets and placing securities with a custodian or broker-dealer in an emerging country may also present considerable risks. The small size of securities markets in such countries and the low volume of trading may result in a lack of liquidity and in substantially greater price volatility.

**Smaller Company Securities Risk.** Securities of small or mid-capitalization companies can have a higher potential for gains than securities of large-capitalization companies but also may have more risk. For example, smaller companies may be more vulnerable to market downturns and adverse business or economic events than larger, more established companies because they may have more limited financial resources and business operations. These companies are also more likely than larger companies to have more limited product lines and operating histories and to depend on smaller management teams. Their securities may trade less frequently and in smaller volumes and may be less liquid and fluctuate more sharply in value than securities of larger companies. In addition, some smaller companies may not be widely followed by the investment community, which can lower the demand for their stocks.

**Rating Agency Risk.** The Fund may purchase securities rated by a Rating Agency. The Fund may use these ratings to determine whether to purchase, sell or hold a security. Ratings are general and are not absolute standards of quality. Securities with the same maturity, interest rate and rating may have different market prices. Credit ratings attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. In addition, Rating Agencies may fail to make timely changes in credit ratings. An issuer's current financial condition may be better or worse than a rating indicates.

**Lending Portfolio Securities.** The Fund may lend securities from its portfolio to brokers, dealers and other financial institutions that need to borrow securities to complete certain transactions. In such case, the Fund continues to be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords the Fund an opportunity to earn interest



on the amount of the loan and on the loaned securities' collateral. The Fund might experience risk of loss if the institution with which it has engaged in a portfolio loan transaction breaches its agreement. In connection with its securities lending transactions, the Fund may return to the borrower or a third party that is acting as a "placing broker" a part of the interest earned from the investment of collateral received for securities loaned.

**Forward Commitments; When-Issued Securities.** The Fund may purchase securities on a forward commitment or when-issued basis and sell securities on a forward commitment basis, which means that delivery and payment take place a number of days after the date of the commitment to purchase or sell. The payment obligation and the interest rate receivable or payable on a forward commitment purchase or sale or when-issued security are fixed when the Fund enters into the commitment, but it does not make or receive payment until it receives delivery from, or makes delivery to, the counterparty. Securities purchased on a forward commitment or when-issued basis (and securities sold on a forward commitment basis) are subject to changes in value (generally changing in the same way, i.e., appreciating when interest rates decline and depreciating when interest rates rise) based upon the public's perception of the creditworthiness of the issuer and changes, real or anticipated, in the level of interest rates. Securities purchased on a forward commitment or when-issued basis may expose the Fund to risks because they may experience such fluctuations prior to their actual delivery. Purchasing securities on a when-issued basis can involve the additional risk that the yield available in the market when the delivery takes place actually may be higher than that obtained in the transaction itself. Purchasing securities on a forward commitment or when-issued basis when the Fund is fully or almost fully invested may result in greater potential fluctuation in the value of that investment. When the Fund sells a security on a forward commitment basis, it does not participate in further gains or losses with respect to the security.

**Risks Associated with Bankruptcy Cases.** The Fund's investment activities may result it in becoming involved as a creditor in bankruptcy cases.

**Liquidity and Valuation.** The Fund may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be more volatile, and the Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. As a result, calculating the fair market value of the Fund's holdings may be difficult. Because of the overall size and concentrations in particular markets and maturities of positions that may be held by the Fund from time to time, the liquidation values of the Fund's securities and other investments may differ significantly from the interim valuations of such investments derived from the valuation methods described herein. Such differences may be further affected by the timeframe within which such liquidation occurs. Third-party pricing information may at times not be available in respect of certain of the Fund's securities and other investments.



**Concentration.** There is significant concentration risk in connection with investments in the Fund. For instance, the Fund regularly concentrates its investments by investing a significant portion of its assets in the securities of a single issuer, industry or country. To the extent it concentrates its investments, the overall adverse impact on the Fund of adverse developments in the business of such issuer, such industry or such government developments, could be considerably greater than if it did not concentrate its investments to such an extent. In general, such concentration and any such limited diversification will tend to expose the Members to greater volatility and risk than would be the case with a more broadly diversified portfolio. Such concentration would further magnify the risks of greater volatility and potential loss severity associated with the Fund's investments.

**Changing Regulatory Environment.** In light of recent market events and other events, the future regulatory environment for hedge funds is uncertain and expected to change in the near future, although whether any changes will in fact occur, as well as the exact nature of and timing of such changes, is uncertain at this point. Any such changes may adversely affect the ability of the Fund to obtain the leverage it might otherwise obtain or to pursue its investment strategies or may impose reporting obligations or other regulatory burdens. The regulatory and tax environment is evolving and may adversely affect the value of the investments held by the Fund. The effect of any future regulatory or tax change on the Fund is impossible to predict.

**Natural Disaster/Epidemic/Pandemic Risk.** Natural or environmental disasters, such as earthquakes, fires, floods, hurricanes, tsunamis, and other severe weather-related phenomena generally, and widespread disease, including pandemics (e.g., COVID-19) and epidemics, have been and can be highly disruptive to economies and markets, adversely impacting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of client accounts. Given the increasing interdependence among global economies and markets, conditions in one country, market, or region are increasingly likely to adversely affect markets, issuers, and/or foreign exchange rates in other countries, including the U.S. These disruptions could prevent the Fund from executing advantageous investment decisions in a timely manner and negatively impact the Fund's ability to achieve its investment objective or investment strategies. Any such event(s) could have a significant adverse impact on the value of the Fund's investments and the risk profile of the Fund. \_

**Cybersecurity Risk.** With the increased use of technologies such as the internet to conduct business, the Fund is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services

unavailable to intended users). Cyber incidents affecting the Managing Member, Investment Manager and other service providers may cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Fund's ability to value its securities or other investments, impediments to trading, the inability of investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

**Private Investments.** The Fund may invest in special situation opportunities (special investments) with greater illiquidity, such as investment funds with extended lockup periods, private equity funds, real estate funds, or through direct investments in private companies. The business of identifying and structuring private investments and other portfolio company opportunities is highly competitive and involves a high degree of uncertainty. The Fund may face competition, including from traditional private equity firms, companies with business strategies similar to the Fund's and other capital providers, to develop and acquire interests in such special situation investments. Many of these competitors have more experience identifying and acquiring interests in private investments that are not freely tradeable on a public market and have greater financial and management resources and brand name recognition than the Fund does in this area of investment. Competition, and the impact it has on the valuation of small and medium-sized companies, could limit the Fund's opportunities to acquire interests in client companies or force the Fund to pay higher prices to acquire these interests, which would result in lower returns or losses on acquisition.

**Certain Risk Considerations of Special Investments.** There is no readily available market for Special Investments, which may not be sold or result in a disposition for a number of years after the initial investment, during which time there will often be no current return on such investments. Most Special Investments are difficult to value, and certain investments may be distributed in kind to the Members. Special Investments in which the Fund invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss.

**Key Personnel of Herr Investment Group and Managing Member.** The Fund's success will depend substantially on the skill and acumen of the Fund's portfolio managers. If either of the portfolio managers should cease to participate in the Fund's business, the Fund's ability to select attractive investments and manage its portfolio could be impaired. Although the portfolio managers will devote as much time to the Fund as they believe is necessary to assist the Fund in achieving its investment objectives and to administer the Fund's operations, the portfolio managers do not expect to devote all of their working time to the affairs of the Fund.

**Failure of Brokers and Banks.** Institutions, such as brokerage firms or banks, may hold certain Fund assets in "street name." Bankruptcy, inadequate controls or fraud at one of these institutions could impair the operational capabilities or the capital position of the Fund. In the event of bankruptcy or liquidation of a

brokerage firm or bank, the Fund may face the loss of substantially all of its securities and assets held by the clearing broker, except to the extent of available Securities Investor Protection Corporation coverage and any excess insurance carried by such entity. Even with such coverage, the Fund may experience delays in receiving securities or cash deposited with the clearing broker in the event of its bankruptcy or liquidation. Any such loss of assets or delays in receiving securities or cash will adversely affect the Fund.

In addition, the Fund may borrow money or securities or utilize operational leverage with respect to its assets, and the Fund will post certain of its assets as collateral securing the obligations or leverage (“Margin Securities”). The Fund’s broker generally holds the Margin Securities on a commingled basis with margin securities of its other customers and may use certain of the Margin Securities to generate cash to fund the Fund’s leverage, including pledging such Margin Securities. Some or all of the Margin Securities may be available to creditors of the Fund’s broker in the event of its insolvency. In addition, there may be substantial delays in the repayment of a Fund’s assets in the event that the broker were to become insolvent, as well as a risk of total loss of such assets. In such event, the timing and amount of recovery from the broker will depend on the circumstances of its insolvency (including the amount and value of assets still held by the broker) and any related liquidation proceedings. The broker has netting and set off rights over all the assets held by it to satisfy the Fund’s obligations under its agreements with the Fund’s broker, including obligations relating to any margin or short positions. Any Margin Securities included in such assets might be subject to claims of the broker’s creditors in the event of its insolvency.

#### **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 Herr Investment Group LLC or the integrity of Herr Investment Group LLC’s management. Herr Investment Group LLC has no legal or disciplinary events that meet this requirement for disclosure.

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

Herr Investment Group LLC and its employees are not registered, nor have any application pending to register, as a broker-dealer or registered representatives of a broker-dealer. Additionally, Herr Investment Group LLC and its employees are not registered, nor have any application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, insurance agent or as an associated person of any entity engaged in the foregoing fields.

Aside from the relationships between Herr Investment Group LLC and Pointillist Capital Management LLC as the Managing Member of the Private Fund as discussed elsewhere in this brochure, neither the Herr Investment Group LLC nor any of its management persons has a financial industry relationship material to the business of Herr Investment Group LLC or the Clients with any related person reportable under this Item.

Herr Investment Group LLC does not recommend, nor do we select, other investment advisers for our clients.

### **Item 11: Code of Ethics**

Herr Investment Group LLC has adopted a Code of Ethics pursuant to SEC rule 204A-1 for all employees of the Firm describing its high standards of business conduct and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, guidelines surrounding gifts and business entertainment, personal securities trading, and conflicts of interest, among other things. All employees must acknowledge the terms of the Code initially upon hire as well as annually or as amended.

Our Code of Ethics is designed to assure that our employees' personal securities transactions, activities, and interests will not adversely impact advisory clients.

Employees are permitted to maintain personal securities accounts provided any personal investing by an employee in any accounts in which the employee has a beneficial interest is consistent with our personal trading guidelines and applicable regulatory requirements. Mr. Herr and all employees will buy or sell for their personal accounts the same securities as owned by clients. All reportable transactions are reported to the Chief Compliance Officer in accordance with the reporting requirements outlined in the Code, and personal trading is monitored in order to reasonably prevent conflicts of interest between Herr Investment Group LLC and its clients.

We will provide a copy of our Code of Ethics to any client, investor or prospective client or investor upon request.

### **Conflicts of Interest**

In the ordinary course of conducting its advisory activities, the interests of Herr Investment Group LLC, its affiliates, and its adviser representatives may conflict with those of our Clients. Some of these potential conflicts, and our measures to address them, are summarized below.

#### *Other Business Activities*

Mr. Herr and Mr. Chernett are involved in other business activities outside of their roles at Herr Investment Group. In particular, Mr. Chernett is the Chief Executive Officer (CEO) of Authentic, Inc. ("A4D") (aka Clearpath), a privately held Michigan-based company. A4D is a technology driven visual analytics platform providing sub-specialized radiology and medical records exchange platform that services the automotive, workers compensation, and general liability insurance industry. Mr. Chernett's role as CEO requires a significant amount of his time. Mr. Herr is involved with numerous business interests. Clients, investors, and prospective clients and investors are advised to review the Brochure Supplements for additional information on the other business activities of the adviser representatives at Herr Investment Group.

Herr Investment Group recognizes that these outside interests may create certain conflicts of interest,

specifically with respect to time spent on activities that do not pertain to the Firm's primary business as an investment adviser.

*Performance-Based Fees (Private Fund only)*

Performance-based fee arrangements create an incentive for Herr Investment Group LLC to recommend investments that are more risky or speculative than those that would be recommended under a different fee arrangement. Performance-based arrangements also create an incentive to favor higher paying accounts over lower paying accounts in the allocation of investment opportunities. See Item 6 – Conflicts for how Herr Investment Group LLC addresses this conflict.

*Valuations for the Separately Managed Accounts (SMAs)*

Securities valuations affect the calculation of management fees payable to Herr Investment Group LLC. They also impact the reported performance of accounts. The Prime Broker/Custodian is responsible for valuing investments within the separately managed accounts which are also reviewed and reconciled by Herr Investment Group.

*Valuations for the Private Fund*

The Managing Member of the Fund (Pointillist Capital Management, LLC) has ultimate authority for valuing the Fund's assets. Valuation methodologies for certain investments can be subjective and involve a measure of judgment by the Managing Member. Securities valuations affect the calculation of management fees payable to Herr Investment Group LLC as well as the performance allocation paid to the Managing Member. Herr Investment Group LLC has a valuation policy designed to minimize this potential conflict of interest which directs us to use stock exchange pricing and other external price measures for most securities and requires us to use consistent and fair valuation criteria in circumstances where external pricing is unavailable or unreliable. In addition, the Fund Administrator calculates the net asset value of the Fund pursuant to the terms of the Fund offering documents. A full reconciliation of administrator and internally gathered pricing information is performed at month end.

*Side Pockets for Special Investments*

In order to achieve both fairness amongst investors and accurate net asset value and performance fee calculations, funds may separate certain Special Investments from the general portfolio via "side pockets". Herr Investment Group LLC has established side pockets within the Pointillist Fund for the purpose of holding investors' interests in certain designated Special Investments. Investors who are invested at the time of the original purchase of a particular Special Investment (or, if an existing holding of the fund, at the time such holding is characterized as a Special Investment) may participate in the profits or gains arising from that Special Investment. Accordingly, any person investing in the fund after the fund's purchase of, or characterization of an existing holding as a Special Investment, will not have an interest in that Special Investment.

*Adviser or its Supervised Persons Trading for Their Own Accounts*

Investments by Herr Investment Group LLC or its supervised persons, for their own accounts, in securities that are also in Client accounts could, or could appear to, interfere with Herr Investment

Group LLC's exercise of independent investment decision-making in the best interest of the Clients. In addition, the timing of any trading in such securities by Herr Investment Group or its supervised persons could have a disadvantageous effect on the values, prices, or trading strategies of Client accounts. This risk of conflict is addressed through our personal trading policy.

#### *Side Letters.*

The Managing Member may enter into agreements ("Side Letters") on behalf of the Fund with certain investors that will result in different terms of an investment in the Fund than the terms applicable to other investors. As a result of such Side Letters, certain investors may receive additional benefits which other investors will not receive. The Managing Member is not required to notify investors of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will the Managing Member be required to offer such additional and/or different rights and/or terms to any or all of the other investors. The Managing Member has no such Side Letters at this time.

### **Item 12: Brokerage Practices**

**Directed Brokerage:** Herr Investment Group LLC generally requires clients to direct Herr Investment Group LLC to use Interactive Brokers ("IB") as the client's custodian and trade execution broker. **Not all advisers require clients to use one specific custodian and/or trade execution broker.** Herr Investment Group LLC, as a result of this direction, does not have the discretion to select another broker/dealer for trade execution or to negotiate commission rates. When clients direct brokerage to a specific firm, Herr Investment Group LLC may be unable to achieve most favorable execution of client transactions and this practice may cost clients more money. Herr Investment Group LLC is not affiliated with IB and receives no special financial or other incentives for its relationship with IB. At its sole discretion, Herr Investment Group LLC will agree to utilize a custodian and broker other than IB such as when a specific Trust company is requested. When a client directs Herr Investment Group LLC to use a custodian and broker of the client's own choosing, the client may pay higher brokerage commissions, Herr Investment Group LLC will not be able to aggregate trade orders to reduce transaction costs (see Trade Aggregation below), and the client may receive less favorable prices.

Factors we consider in requiring IB or any other custodial broker include access/ability to trade and hold international securities, respective financial strength, reputation, on-line account viewing/trading access, trade execution (including block/aggregate trading and allocation), pricing, research, and account administration and reporting services. **The commissions, transaction, and overall fees charged by IB may be higher or lower than those charged by other Financial Institutions.**

In addition to the factors listed in the paragraph above, Herr Investment Group LLC is offered or provided support services and/or products from IB, which consists of:

- investment-related research
- pricing information and market data
- compliance and/or practice management-related publications

- consulting services
- attendance at conferences, meetings, and other educational and/or social events

**Soft Dollar Arrangements:** Herr Investment Group LLC does not have any formal soft dollar arrangements or commitments to obtain any research or research related products or services in connection with client securities transactions. The support services shown above are offered/provided to Herr Investment Group LLC based on the overall relationship between Herr Investment Group LLC and IB. The offer/provision is not the result of any soft dollar arrangement or any other express arrangements that involve the execution of client transactions as a condition to the receipt of services.

The availability of these benefits from IB creates a conflict of interest for Herr Investment Group LLC in that the availability of these products and services presents a financial incentive for us to require that Herr Investment Group LLC's clients use IB's custodial platform rather than another custodian's platform. However, Herr Investment Group LLC will continue to receive the services regardless of the volume of client transactions executed with IB. Clients do not pay more to IB for services as a result of this arrangement.

**Brokerage for Client Referrals:** Herr Investment Group LLC does not recommend a custodial broker to clients based on our interest in receiving client referrals.

#### **Best Execution**

As a fiduciary, with respect to transactions the Firm implements on behalf of its advisory clients who do not direct brokerage to a specific firm, we have an obligation to seek to obtain the most favorable terms reasonably available under the circumstances. Herr Investment Group seeks to execute client transactions in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. When clients direct brokerage to a specific firm, Herr Investment Group LLC may be unable to achieve most favorable execution of client transactions and this practice may cost clients more money.

**Investment Opportunity Allocation:** Herr Investment Group LLC has developed policies and procedures designed to ensure all transactions are in the best interests of its clients, including procedures surrounding the allocation of portfolio transactions and investment opportunities. As a general policy, investment opportunities will be allocated among those accounts for which participation in the respective opportunity is considered appropriate. Herr Investment Group LLC will also take into consideration factors such as the investment programs of the accounts, risk considerations, tax consequences, time horizon, legal or regulatory restrictions, including those that may arise in non-U.S. jurisdictions, the relative historical participation of an account in the investment, the difficulty of liquidating an investment for more than one account, new accounts with a substantial amount of investable cash and such other factors considered relevant. Such



considerations will result in allocations among an account and one or more other accounts on other than a pari passu basis (which will result in different performance among them).

As mentioned earlier, the Pointillist Fund is a client of Herr Investment Group. In addition to being the sole equity owners and Managing Members of Pointillist Capital Management, LLC, Mr. Herr and Mr. Chernett are significant investors in the Fund.

**Herr Investment Group LLC and its principals, affiliates, and employees may trade for their own accounts. In doing so, they may, without limitation, use a higher degree of leverage, test new markets and take positions opposite to those held by client accounts. Upon occasion, they may also trade alongside clients including in aggregated trades as well as compete with clients for positions in the marketplace. Such proprietary trading can give rise to certain conflicts of interest including that all participants in aggregated trades that cannot be executed in full will buy or sell fewer securities than was intended when initially submitting the aggregated trade (see Trade Aggregation immediately below).**

Herr Investment Group LLC will enter into trades for clients with separately managed accounts that are either similar to or different from trades that are entered into on behalf of the Pointillist Fund and will employ more or less leverage for such trades. Although Herr Investment Group LLC does not recommend or solicit separately managed account advisory clients to invest in the Private Fund, there are instances in which a separately managed account client is also an investor in the Private Fund.

Any commodity interest positions held by the accounts Herr Investment Group manages, directly and indirectly, are aggregated when calculating speculative position limits. As a result, the Fund may not be able to enter into or maintain certain positions, because its positions, when added to the positions held by Herr Investment Group's other accounts (incl. for Mr. Chernett and Mr. Herr), would exceed speculative position limits. If open positions must be reduced to fall below speculative position limits, Herr Investment Group will seek to treat all accounts in a fair and equitable manner. However, circumstances may require Herr Investment Group to take actions to comply with the limits that result in disparate treatment of accounts.

**Trade Aggregation:** Herr Investment Group LLC will, but is not obligated to, aggregate trades in certain circumstances. If trades are aggregated, participating clients as well as participating employee and affiliate accounts will receive a fill-adjusted average share price, and transaction costs will be shared equally and on a pro-rata basis. Aggregating trades allows us to execute trades in a more timely and more equitable manner. No client or account will be favored over another.

Prior to entry of an aggregated order, an order submission is completed which identifies each client and/or employee account participating in the order and the proposed allocation of the order, upon completion, to those accounts. In instances when an aggregated order cannot be executed in full,



we will allocate the transaction according to the custodian's automated allocation method in order to not favor any one account over another.

While trade aggregation and execution is employed in some circumstances, investments will also be traded in some Herr Investment Group LLC client accounts either before or after similar trades are made on behalf of other clients. When that occurs, client accounts will directly compete with others for trade executions and positions in the marketplace, thus receiving different price executions. Different brokerage commissions will also apply.

### **Principal and Client Cross Transactions**

Herr Investment Group and its supervised persons do not engage in principal transactions with clients, and it does not execute cross trades between client accounts.

**Mutual Fund Share Class Selection:** Mutual funds generally make available multiple share classes for investment based upon certain eligibility and/or purchase requirements. Institutional share classes usually have a lower expense ratio than other share classes. When recommending investments in mutual funds, it is our policy to review and consider available share classes. The Firm's policy is to select the most appropriate share classes based on various factors including, but not limited to minimum investment requirements, trading restrictions, internal expense structure, transaction charges, availability, and other factors. When considering all the appropriate factors, we can select a share class other than the 'lowest cost' share class. We consider retail, institutional, or other share classes of the same mutual fund. Regardless of such considerations, clients should not assume that they will be invested in the share class with the lowest possible expense ratio. Clients should review the mutual fund prospectus to learn more about the fees and expenses related to the mutual funds Herr Investment Group LLC selects or recommends. The choice of share classes is a complex issue. Please discuss this with your Advisor to ensure that you understand the choices involved.

Also, in some instances, legacy positions that are already held at the inception of the account may be retained when that class is deemed to be the most appropriate available class. We periodically review the mutual funds held in client accounts to select the most appropriate share classes in light of our duty to obtain the best execution. Regardless which share class is held, Herr Investment Group LLC does not receive any revenues from mutual fund companies.

### **Item 13: Review of Accounts**

#### **Separately Managed Accounts**

As mentioned in Item 4 above, we monitor the holdings and percentage allocations in your account(s) no less frequently than quarterly. We strongly encourage clients to inform us promptly in the event of any significant life changes, such as setting a retirement date, having a child, receiving an inheritance, etc., so we can perform a re-assessment to determine the proper investment strategy from that point forward. It is our policy to review/discuss accounts with our clients no less frequently

than annually at which time we discuss/confirm any account limitations or restrictions. More frequent reviews may be triggered by material changes in variables such as the Client's individual circumstances or the market, political or economic environment. The Herr Investment Group LLC investment adviser representative for your account will perform the review.

Clients receive written monthly statements (or quarterly if there is no monthly activity) and confirmations of transactions directly from Interactive Brokers (IB) (or any other custodian/broker the client has chosen) detailing account holdings and all activity within the account, including all contributions, withdrawals (including fees assessed by Herr Investment Group LLC), and purchase/sell transactions. If/when Herr Investment Group LLC provides any reports in addition to the statements from IB, clients are advised to compare the reports provided by Herr Investment Group LLC with the statements received from IB or the client's chosen broker/custodian.

#### **Private Fund**

While the Fund's governing documents and/or investment management agreements generally do not contain specific restrictions on the types of investments in the portfolio, the portfolio managers continuously monitor whether the portfolio characteristics are consistent with the investment objectives, philosophy, strategy, and methodologies that we have described to investors in our offering documents. Various reports are reviewed by the portfolio managers to analyze numerous characteristics of the portfolio, including, among others, multiple measures of performance, geographic and industry detail, instrument-specific factors and regulatory compliance reports.

Regular reporting to fund investors includes monthly unaudited performance information and monthly capital account statements from the Fund Administrator. On an annual basis, investors receive Schedule K-1s and audited financial statements for the Fund.

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

Herr Investment Group LLC and its employees do not receive any sales awards or prizes as compensation from third parties. As a matter of policy and practice, Herr Investment Group LLC does not compensate any third-party persons, either individuals or entities, for the referral of advisory clients to the Firm.

#### **Item 15: Custody**

##### **Separately Managed Accounts**

To paraphrase the relevant rule under the Advisers Act, custody is having access to or control over client assets. In simple terms, Herr Investment Group LLC does not accept general custody of client funds or securities. We are not granted access by our clients which would enable us to randomly withdraw, transfer, or otherwise move funds or cash from a client's account to someone else's account. While Herr Investment Group LLC does not take physical custody of client assets, the Firm does have a form of custody in that our standard client agreement enables us to deduct advisory fees directly from client accounts. All client assets are held and maintained with a qualified custodian.

Also, upon written instruction, and with certain specific limitations, we are permitted to implement a Standing Letter of Authorization (SLOA) or journal instructions with your account custodian (i.e., Interactive Brokers). A SLOA allows Interactive Brokers to accept instructions from Herr Investment Group LLC that originate from you, the accountholder. All disbursements under a SLOA must be distributed to only those accounts or addresses that you, the accountholder, have previously specified in writing.

Herr Investment Group LLC has implemented procedures to meet the specific conditions as stated in the SEC's SLOA "No-Action Letter" under which the obligation to obtain a surprise examination is waived. Each custodian holding client assets sends statements directly to the account owners on at least a quarterly basis. The statements include a list of all securities held in the portfolio, their market value as of the last day of the previous month and all trade activity taking place since the last statement. Statements also reflect Herr Investment Group LLC's advisory fee charges to the custodial account. Method of delivery of the statements is determined by the individual client when he or she completes the custodial account application. We urge clients to carefully review such statements and compare the official custodial records to any report that Herr Investment Group LLC provides. If you are not receiving a statement from your custodian, please contact us at [info@herrinvest.com](mailto:info@herrinvest.com).

#### **Private Fund**

Herr Investment Group LLC does not maintain physical possession of funds or securities. Herr Investment Group LLC and its affiliated Managing Member entity, however, are deemed to have custody of the Private Fund's assets due to the access and authority over the Fund's assets. As a result of this access and authority, Herr Investment Group LLC is deemed to have custody of client funds and securities within the meaning of the Advisers Act.

Consistent with the requirements for custody of client assets under the Advisers Act, the assets of the Fund are held in accounts with a qualified custodian within the meaning of the Advisers Act. In accordance with guidance from the SEC, with respect to certain investments in privately offered securities, a specified custodian may hold only documentation relating to or referencing such investments but not the actual investment itself, and/or investments of a Fund may not be registered in the name of the custodian.

In addition, annual financial statements of the Fund are prepared in accordance with GAAP, audited by an independent accounting firm registered with the Public Company Accounting Oversight Board and distributed to all investors within 120 days of each Fund's fiscal year end.

#### **Item 16: Investment Discretion**

Herr Investment Group LLC provides management services on a discretionary basis. This means that you grant us authority to supervise and direct the trading of the securities in your account(s) without contacting you before trades are executed.

On rare occasion, non-discretionary services are made available. When non-discretionary services are provided, you make the ultimate decisions and take responsibility for the selection of securities bought or sold. With non-discretionary services, on some occasions, taking the time to reach you to discuss whether to execute a given trade could cause your transactions to be executed at prices that are less favorable than with our discretionary services.

Herr Investment Group LLC has full discretion for managing the Private Fund.

#### **Item 17: Voting Client Securities**

##### **Separately Managed Accounts**

As a matter of Firm policy, Herr Investment Group LLC does not accept proxy voting authority with respect to client securities. Clients retain the responsibility for receiving and voting proxies for all securities maintained in their portfolios. Clients should receive proxy materials directly from the issuer or the custodian (i.e., Interactive Brokers). Clients may contact Herr Investment Group LLC for assistance regarding proxy issues.

Further, the Firm has no responsibility to render legal advice or take any legal action on Client's behalf with respect to securities currently or previously held in Client account or the issuers thereof, that become the subject of legal proceedings, including bankruptcy proceedings or class actions.

##### **Private Fund**

Pointillist Capital Management, LLC, the sponsor and Managing Member of the Fund and an affiliate of Herr Investment Group LLC, votes proxies on behalf of the Fund.

#### **Item 18: Financial Information**

As a registered investment adviser, Herr Investment Group LLC's fiduciary duty includes keeping you, the client, informed of any developments with Herr Investment Group LLC's financial condition that could impact its ability to deliver its services. Herr Investment Group LLC has no financial commitment or condition that could reasonably be expected to impair its ability to meet contractual and fiduciary commitments to clients.

Also, registered investment advisers that collect fees in excess of \$1,200 more than six months in advance are required to provide a balance sheet. Herr Investment Group LLC does not require or solicit prepayment of fees more than six months in advance.

##### **Additional Information - 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.

If you are considering rolling over your retirement funds to an IRA for us to manage, we encourage you to consider the following points before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a) Employer retirement plans generally have a more limited investment menu than IRAs.
  - b) Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
3. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
4. Our strategy may have higher risk than the option(s) provided to you in your plan.
5. Your current plan may also offer financial advice.
6. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 72.
7. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some

exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.

8. You may be able to take out a loan on your 401k, but not from an IRA.
9. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
10. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
11. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.