

**Item 1 - Cover Page**

**PRECESSION CAPITAL MANAGEMENT, LLC**

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Form ADV Part 2A Brochure

This brochure provides information about the qualifications and business practices of Precession Capital Management, LLC. If you have any questions about the contents of this brochure (the “Brochure”), please contact us at (203) 240-1058 and/or [adam.young@precessioncap.com](mailto:adam.young@precessioncap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Precession Capital Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Precession Capital Management, LLC was incorporated on Dec 1, 2021. This is the first annual filing of its Brochure. Clients are encouraged to read this document in its entirety.

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## Item 4 – Advisory Business

Precession Capital Management, LLC ("Precession", "PCM", "we", "us", or "our") is a Delaware limited liability company and has been operating since December 2021. Precession is owned and controlled by Adam Young. (the "Principal").

We provide investment advisory services to clients through separately managed accounts or arrangements ("SMAs" or "Managed Accounts") and intend to provide investment advice to private funds in the future.

We offer discretionary and non-discretionary accounts to our Managed Account clients. We will construct an Investment Policy Statement ("IPS") for each Managed Account client. The IPS will include the following information as it pertains to the client as the owner of the Managed Account: the client's current financial situation, investment objectives, suitability, imposed restrictions, allowable investments, risk tolerance, liquidity needs, and investment time horizon. Managed Account portfolios are structured based on the objectives outlined in the IPS. Precession offers owners of Managed Accounts the ability to impose restrictions on the types of investments that may be made, investment size and relative exposures, and the management styles used by PCM with respect to investment selection and investment management. Any restrictions imposed by a client will be documented in the client's IPS. References throughout this document to "clients" refer to the Managed Accounts, as well as private funds and separately managed accounts that we may manage in the future. Private Funds shall be managed in accordance with their offering documents or other governing documents pertaining to those funds.

We do not participate in or offer wrap fee programs.

As of December 2022, Precession managed \$25,859,477 of regulatory assets under management on a discretionary basis, and \$0.00 of regulatory assets under management on a non-discretionary basis.

## Item 5 – Fees and Compensation

Precession's compensation is described in its clients' IPS. Management fees payable by clients are generally assessed at rate of 1.5% per annum (0.375% per quarter) of the Managed Account's Assets Under Management ("AUM"), and are payable quarterly, in arrears. In addition, Precession or its affiliates are entitled to receive performance-based fees, performance-based allocations or carried interest from clients, as further described in Item 6 – Performance-Based Fees and Side-By-Side Management. At the discretion of PCM, the Managed Accounts' management fees may be negotiated.

Management fees for each Managed Account will begin to accrue on the date on which the Managed Account is funded. The Managed Accounts' management fees will be paid in arrears and are payable on the end of business on the last day of the calendar quarter ("billing cycle"). The Managed Accounts' management fees will be prorated for partial quarter billing cycles. Normally each Managed Account's custodian will automatically deduct the fee from the client's account and the fee will appear on the account statement provided by the custodian to the client. Clients may also elect to be billed for management fees by notifying PCM in writing of such election. Precession will provide Managed Account clients with invoices documenting the relevant management fee and specify whether fees will be automatically deducted from the client's account, or billed to the client separately.

Managed Account clients can incur custodial fees and pricing fees (in the case of Managed Account clients that are paying management fees), as well as transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom the account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. Depending on the management services required, Managed Account clients may be subject to pricing and settlement fees, market data fees, order cancellation fees, and legal expenses. We may also allocate a portion of certain clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, clients may indirectly incur similar fees and expenses if we invest their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers. For a more detailed discussion of brokerage and transaction costs, please refer to *Item 12 - Brokerage Practices*.

Since all fees are paid in arrears, there is no refund policy. The net asset value used to calculate Managed Account fees at the end of each billing cycle will be the net asset value on the first business day of the billing cycle.

PCM and its supervised persons do not accept compensation for the purchase or sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

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

Precession Capital Management and its affiliates are entitled to receive performance-based fees, performance-based allocations or carried interest from our clients, as set forth in more detail below. Precession may, in its sole discretion, waive, reduce or rebate such performance-based allocation with respect to certain investors, including affiliates and employees Precession Capital Management, LLC.

Precession will charge the Managed Accounts a performance fee that generally ranges from 10-20%. At the discretion of Precession, performance fees may be negotiated. The performance fee shall be based on the net capital appreciation of the relevant Managed Account client's account. The performance fee will be calculated on or after the last day of the calendar year. The fee will be paid in arrears payable on the end of business on the tenth business day after the last day of the calendar year. Normally, each Managed Account's custodian will automatically deduct the fee from each Managed Account and the fee will appear on the account statement provided by the custodian to the owner of each Managed Account. Clients may also elect to be billed for Performance Based Fees by notifying PCM in writing of such election. Precession will provide the owner of each Managed Account with an invoice documenting the performance fee deducted from the client's account. If the IAC is terminated early, the performance fee will be prorated up to the termination date.

Since all fees are paid in arrears, there is no refund policy.

Side-by-Side Management Performance-based compensation arrangements create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement. Performance-based compensation arrangements also create an incentive for Precession to favor accounts with higher performance-based compensation rates over other accounts when allocating investments. We have adopted procedures designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among them. Such procedures do not take into account the performance-based compensation to which our clients are subject. (See Item 12 – Brokerage Practices)

## **Item 7 – Types of Clients**

Precession Capital Management generally caters to clients that may be described as high net worth individuals who qualify as “qualified clients” (as defined under the Investment Advisers Act of 1940, as amended, Rule 205-3), and institutional investors that qualify: (i) as “accredited investors” (as defined in Rule 501 under Regulation D under the Securities Act of 1933, as amended), and (ii) “qualified purchasers”.

There is no minimum Managed Account size.

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

Methods of Analysis and Investment Strategies utilized by Precession Capital Management may be modified at any time. The methods and strategies discussed below are summarized descriptions of the most common methods and strategies employed with respect to Managed Accounts and are intended to be general in nature. PCM does not guarantee or make any representation as to whether any particular strategy discussed or utilized will be successful in achieving any objectives set forth by PCM, its affiliates, or its clients.

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

*PCM will manage each Managed Account portfolio in a manner that seeks to achieve a maximum absolute return commensurate with the perceived or forecasted risk involved in a strategy or asset class and the client's financial objectives as identified in the IPS.*

### Overview of PCM's Strategies and Macroeconomic Considerations

Precession Capital Management continuously monitors and evaluates economic conditions to assess, among other considerations, (i) expansionary and contractionary economic conditions, (ii) consumer and borrower trends including the ability to acquire and utilize credit and the propensity to meet or default on obligations, (iii) interventionist mechanisms such as those that may influence interest rates, (iv) regulatory and political trends, (v) exogenous variables such as ecological and pathogenic, and (vi) other variables and conditions from time to time.

Based on our observations and forecasts we determine asset allocation parameters and sector weighting guidelines that seek to optimize the relative risk and return preferences of each client. Such profiles are identified in the IPS.

Investment sizes are determined in order to minimize risk by creating diversification within each Managed Account.

We seek to maximize returns by opportunistically selling investments from time to time, or by choosing to hold investments – in either case based on the perceived risk adjusted present value and the opportunity cost of selling versus holding a particular investment. We may also sell a portion of, or all of a particular investment based on the counterparty to the transaction and the observed demand or liquidity present in the market.

From time to time, if PCM believes economic conditions and trends are moving in unexpected ways, we may pursue other objectives or techniques we consider to be in the best interest of our clients.

### Methods of Analysis

We may use multiple methods of analysis to evaluate a potential investment or investment strategy when providing investment advice to our clients, including one or more of the following:

- I. *Fundamental Analysis* – This involves assessing an investment's risk and return profile by analyzing the underlying collateral or assets on which it derives its value.
- II. *Technical Analysis* – This involves assessing the fair market value of an investment, its perceived liquidity, and perceived risk or volatility by observing supply and demand characteristics in the market for such an investment, or, if unobservable, for a comparable investment.
- III. *Relative Value Analysis* – This involves assessing an investment's risk and return characteristics relative to a similar investment that would also be considered as a potential investment.



Any of the aforementioned methods of analysis may lead us to recommend the purchase of an investment, or in the case of an investment already held, a recommendation to sell or continue to hold such investment.

Precession Capital Management invests in several different asset classes to achieve our investment objectives, including the following:

- Asset-Backed Securities (“ABS”) including Mortgage-Backed Securities (“MBS”)
- Loans and Loan Portfolios (“Whole Loans”)
- Other Fixed Income and Related Securities

The majority of investments made by PCM are Fixed Income Securities.

#### Fixed Income Securities and Credit-Sensitive Instruments

*Fixed Income* generally refers to any security that can be reasonably expected to produce some form of cashflow for the owner or investor. The universe of fixed income securities is large, and we focus on sectors we believe meet our investment objectives within a risk-adjusted framework. Generally, for our fixed income allocations, PCM recommends investments in non-investment grade and investment grade ABS, primarily concentrated in MBS. From time to time, we may also recommend U.S. treasuries, U.S. agencies, corporate and municipal securities. We will manage the duration of these portfolios based upon the time horizon as defined in the IPS. For certain accounts that have a more aggressive posture, we will invest primarily in non-investment grade MBS and ABS and may also recommend investments in high yield corporate bonds. High yield corporate bonds are generally non-investment grade and may be considered to be distressed. Certain classes or tranches, or entire trusts, of MBS and ABS are considered distressed and speculative in nature. Many of the investments we analyze and recommend may be considered distressed or were considered distressed at some time. Cashflows produced by these investments may be volatile, and may deviate from what the securities were intended to produce when they were originally created.

We analyze each investment based on its own fundamental and technical merits and in relation to its peer group. All known or perceived risks are analyzed and evaluated in relation to the investment’s return potential. Just as each investment has a unique risk-return profile, each Managed Account will have an aggregate risk-return profile. Potential future losses as well as potential future gains (returns) are viewed both individually and holistically.

Most of these securities are not traded on a major exchange and instead are transacted on an over-the-counter basis. This means that prices are negotiated between counterparties using an intermediary broker-dealer. Historical transaction data may not always be available and price transparency may be less than other asset classes. Furthermore, the bid-ask spread (or transaction cost) can be relatively wide (or high, relative to other asset classes). Partly based on these reasons, our Technical Analysis will rely heavily on comparable securities.

Due to the nature of the securities as described above, the risk profile of a Managed Account may be volatile in nature and significant losses can occur. Such investments should be considered long-term in nature and extremely illiquid.

#### Material Risks

Precession’s investment strategies and methods of analysis involve significant risks. A discussion of the material risks with respect to these strategies and the methods of analysis utilized by PCM is provided below. Such risk factors do not represent an entire or complete account of all risks associated with any of Precession’s strategies or methods of analysis. Prospective clients and investors should read this document, their IPS, any other governing documents associated with a

particular investment, and consult with their own advisers, if applicable, before deciding whether to invest in the strategies. In addition, as the market for these types of investments may change over time, our strategies and methods of analysis may change as well. This means that an investment in the strategies may be subject to additional and different risk factors that may be difficult or impossible to predict.

**Prospective Clients and Investors should be aware that they may lose all or part of their investment.**

All investments involve the risk of loss of capital. No guarantee or representation is made that a client's investment strategy will be successful. Each client's investment strategy may involve investments or investment techniques, such as the use of leverage, that can amplify both gains and losses due to changes in the value of specific investments or the Managed Account as a whole.

Risks Pertaining to Precession's Strategies and Methods of Analysis

a. General Credit Risk

Fixed Income securities are characterized by an obligation to provide security holders with certain types of cashflows at certain times throughout the term of the security. The risk that a security or any guarantor of that security is unable to meet its contractual obligation, either in whole or in part at any time or at a specific time is known as Credit Risk. Fixed Income securities are valued based on the discounted present value of future expected cashflows. If the future expected cashflows decrease or are otherwise impacted such that the discounted present value of those cashflows declines, the value of such Fixed Income security may be materially lower, resulting in a loss to the investor. Such expectations of future cashflows may change due to an actual event such as a default, or an expectation of a future event such as a higher perceived risk of future default.

With respect to ABS and MBS, the obligations of the securities are primarily or entirely based on the underlying assets within a security's trust. In the case of MBS, those assets may be groups of mortgage loans. Credit risk as it pertains to mortgage loans may be influenced by many variables including the general economy and whether it is currently in a period of expansion or contraction, the general level of employment, home prices and the demand for homes, borrowers' access to financing, and specific risks related to borrowers' ability to make payments on their mortgage loans. In the event of default, a borrower's home may be sold to repay the mortgage loan obligation. The value upon sale, or recovery value may dramatically affect the cashflows such a loan will ultimately yield over its lifetime. Consequently, this may materially affect the value of the MBS backed in part or in whole by such a loan or loans.

Other types of ABS may involve credit risks related to idiosyncratic characteristics of the underlying security interest, such as automotive and vehicle loans, student loans, commercial mortgage loans, medical loans, and others. Certain other types of ABS may be backed by unsecured obligations such as credit card receivables, home improvement loans, debt settlement or consolidation loans, other unsecured personal loans, and other receivables where the borrower's ability and willingness to repay are the sole drivers are credit risk, since there is no security interest in a physical asset.

*Generally speaking, if the actual default rate or future risk of default increases with respect to an underlying loan or group of loans, a security or investment backed by such a loan or loans may lose value and an investor may suffer a loss.*

b. General Lending Risk

Investments in loans and other obligations often involve specific risks that may be unique or more acute than risks pertaining to ABS and other securities. The following is a non-exclusive list of potential risk factors that may individually or collectively result in a loss of investment:

- i. inadequate creditworthiness of the borrower
- ii. decline in value of underlying collateral or security interest
- iii. failure to perfect a security interest(s)
- iv. subordination of such security interest(s)
- v. inadequate or improperly constructed governing documents
- vi. failure to comply with state or federal lending regulations including creditor's rights laws and regulatory compliance concerns
- vii. borrower claims or counterclaims including lender-liability claims
- viii. borrower bankruptcy
- ix. various other risks

c. Interest Rate Risk

The value of a Fixed Income security may fall if interest rates rise, since the discounted present value of expected future cashflows decreases when those cashflows are discounted by higher rates. Furthermore, Credit Risk may also be influenced or exacerbated by rising Interest Rates or Interest Rate volatility. For instance, increasing Interest Rates may negatively affect the value of home prices, which may lead to an increase in the level of borrower defaults, and a decline in the amount of recovery expected upon default. Certain MBS, ABS, and other Fixed Income securities may be more sensitive to Interest Rate risks than they would otherwise appear.

*Prospective Clients and Investors may lose all or part of their investment if interest rates rise dramatically.*

d. Underlying Asset Risk

MBS and ABS securities are typically backed by underlying receivables in the form of secured or unsecured loans. Secured loans backed by assets such as real estate, vehicles, and other physical property may initially be secured by collateral that exceeds the principal amount of the loan. However, over time, the collateral's value may fall below the principal value of the loan due to many reasons. This may increase the risk of default and reduce the recovery value in the event of default. In the event of a severe decline in an underlying asset's value, it may be difficult or impossible to realize any recovery at all. There can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligations with respect to scheduled interest payments, principal payments, or fees owed.

In addition, in the event of bankruptcy of a borrower, a creditor may experience delays or limitations with respect to its ability to enforce rights against or liquidate the collateral securing an obligation. Under certain circumstances, collateral backing or securing an investment may be released without the consent of the lender or investor and the expected rights to such collateral could, under certain circumstances, be voided or disregarded. A client's investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, the client may not have priority over other creditors as anticipated. Furthermore, each client's right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of a senior lender.

Furthermore, regulatory or political acts, decrees, regulations, laws, or statutes may impair the value of underlying assets from time to time. For example, a wide ranging mandate to permit certain types of payment forbearance on mortgage loans may cause such loans to become non-paying obligations for a period of time. Expectedly, the value of any security backed by such loans may become impaired, leading to a decline in its value and a loss to the investor or holder of the security.

e. Prepayment Risk

In certain cases, economic factors such as the availability or access to credit, interest rates, and asset valuations may lead to a higher or lower than expected level of prepayments. This may positively or negatively affect the value of an investment due to structural components of the security or investment, and the valuation of the underlying asset relative to the security or investment. The degree to which prepayments may affect a client's investments depends on a number of factors including the purchase price of the investment or underlying asset and the interest amounts generated by that asset over time.

f. Structural Risks and Loan Covenants & Restrictions

Certain loans and obligations may feature interest-only payment schedules, whereby the principal amount remains outstanding and at risk until the maturity of the obligation. In addition, certain obligations and debt instruments may provide for payment-in-kind ("PIK"), which can result in a deferral of payments, thereby extending the duration of such obligation. In these examples, a borrower's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term financial health of the borrower. Whether the borrower is a person or an entity, this creates risk that the obligation may not be paid off in full, and may reduce the value of the investment, creating a loss for the holder. With respect to a client's investments in any number of credit products, if the borrower or issuer of the obligation or investment breaches any of the covenants or restrictions under the investment's indenture or the credit agreement governing the obligation, it could result in a default under the applicable indebtedness as well as the indebtedness held by the client account. Such default may allow certain creditors to accelerate the related debt (or call such debt) and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. This could result in an impairment or loss of the client's investment or result in a pre-payment (in whole or in part) of the client's investment. As it relates to the risks and related considerations discussed above, other investments such as leveraged loans, high-yield securities, marketable and non-marketable common and preferred equity securities and other unsecured investments, may involve a higher degree of risk than senior secured loans.

g. Portfolio Concentration and Risk of Inadequate Diversification

Clients and investors generally have no assurance as to the degree of diversification of the investments held within the Managed Accounts. Investment characteristics such as issuer, trustee, servicer, strategy, asset type, security, geographic region, or sector may not be adequately diversified at any time. Any unfavorable or adverse economic conditions that may affect any of the aforementioned investment characteristics may affect substantially all or most of the investments within the client's account. In particular, during periods of economic contraction, volatility, or uncertainty, the correlations between such characteristics may dramatically increase. For example, a geographically diversified investment portfolio may not be immune to the affects of a decline in home prices nationwide. Additionally, changes in servicing statutes such as a federally mandated consumer loan payment forbearance policy may affect a substantial number of underlying loans, regardless of loan servicer.

Furthermore, clients with Managed Accounts can have no assurance that their individual Managed Account will be adequately diversified at any time. Investments are analyzed and recommended by PCM opportunistically. That means that the availability of potential investments is unpredictable and that any particular investment may become available for purchase at any time. If materially few investments are analyzed and recommended by PCM over any given period of time, a client's Managed Account may lack adequate diversification until a point in time by which a suitable number of investments can be made.

*The performance of a client's Managed Account may be adversely affected by the unfavorable performance of one or a small number of portfolio investments.*

h. Scarcity of Investments

Precession Capital Management analyzes and recommends investments to clients that are primarily traded on over-the-counter markets. Such investments are not readily available for purchase at any time and cannot be assumed to be readily available for purchase at any point in the future. PCM relies on broker-dealers and other agents to notify PCM when potential investments may become available. Other investors such as Investment Advisers, Funds, Banks, Asset Management Firms, and others may have similar investment objectives and compete with PCM for the right to purchase or make such investments. These competitors may be larger than PCM, may have access to quicker or more sophisticated analytical systems, may have greater financial resources and more experience, or may simply be willing to pay a higher price for such investments.

*There can be no guarantee that Precession can identify a sufficient number of suitable investments to meet our investment objectives for any client or Managed Account.*

i. Liquidity Risk

The majority of investments that PCM recommends are transacted through over-the-counter markets. Such markets may be characterized by illiquidity from time to time. The number of market participants is generally difficult to measure. There can be no guarantee that sufficient liquidity will exist at any time when PCM is seeking to sell an investment. Lack of demand or lack of competition for investments may result in a wide bid-ask spread with respect to any particular investment or security.

*Illiquidity in a particular market may lead to the disposition of investments below their fundamental value or market value, leading to a loss.*

j. Collateral and Security Risk

Secured loans and other obligations are exposed to risks related to the underlying collateral providing security. First, if a loan or obligation should default, there is no guarantee that the underlying collateral may provide sufficient value to offset any losses associated with the defaulting obligation. Certain types of collateral can only be liquidated by third parties with sufficient licenses and sufficient capabilities to provide such services. There can be no guarantee that a liquidation agent will realize a recovery value sufficient to cover any or all losses associated with a default, after fees and other expenses associated with the liquidation or recovery action. Furthermore, there can be no guarantee that any such recovery amount will be delivered to the lender or investor in a specified time period or without undue delay. Second, there can be no guarantee that such collateral or other forms of security are not pledged to multiple obligations or parties. In these cases, any liquidation or recovery proceeds from the disposition of such collateral may be insufficient to cover any or all losses related to the defaulted loan or obligation. Third, a security interest may not be perfected due to unforeseen errors or omissions. This may cause the security interest to be unenforceable and may lead to a loss or increase the magnitude of an existing loss.

k. Third-Party Guarantees and Insurance Policy Risks

Certain investments recommended by PCM may feature guarantees or insurance policies granted by third party providers that seek to compensate the investor in the event of a loss. For instance, in the event of a loan default, contractual periodic payments may be partially or fully guaranteed by third parties. In other instances, guarantees seek to cover the amount of loss that would otherwise be borne by the investor in the event that collateral is insufficient to cover the loan or obligation's outstanding balance, including fees and accrued amounts.

*There can be no guarantee that a provider of a guarantee or other form of insurance policy will be able to meet, in whole or in part, or without undue delay, any of its contractual obligations under the governing agreement.*

l. Fundamental Analysis Risk

There can be no guarantee that any financial, cashflow, or economic models used by PCM to determine investment decisions will be accurate. Actual investment results may contain random or unforeseen elements. Models and projections are only estimates of future results that are based upon our internal assumptions and current economic and market environmental factors. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. Specifically, the risk of default, forbearance, or prepayment may be significantly different from projections. This may result in a clients' investment returns from such portfolio investments being less than that anticipated.

Precession Capital Management often invests in securities and other assets, including loans, that may be considered distressed in nature. Such investments may be characterized by a high degree of default risk, or may have already defaulted in some manner. When conducting Fundamental Analysis of such investments, PCM may not have sufficient information to gauge the financial health of the borrower or obligor, or the potential cashflow profile of the underlying assets.

*Investments pertaining to individual borrowers or obligors:* Such borrowers may be highly leveraged, with operating or cashflow burdens, or already be insolvent and progressing through bankruptcy or liquidation proceedings. There can be no guarantees that PCM will have access to sufficient information to analyze the risk and return potential of such an investment. In addition, the likelihood of, or the outcome of a bankruptcy proceeding may be difficult to accurately forecast.

*Investments pertaining to securitization trusts:* Investments in ABS trusts containing pools of assets present unique challenges to methods of Fundamental Analysis. Many securitization trusts feature payment rules that result in tranching, or segmenting the trust into various classes of securities. Because of the complexity of these rules, there may be unexpected payments made to certain securities from time to time. This may arise due to macroeconomic conditions, asset valuation, servicer practices, trustee practices, and other factors. Volatile performance of underlying collateral may result in a wide dispersion of security values. PCM may not be able to properly analyze certain investments if certain collateral information is unavailable. Investments in certain types of ABS may be highly risky and volatile in nature.

#### m. Technical Analysis Risk

Many of the investments that PCM seeks to make may be transacted through over-the-counter markets which may not be as transparent as traditional exchange-based markets. It may be difficult or impossible to accurately assess certain demand and supply dynamics within such markets. Consequently, there can be no guarantees that PCM's assessment of liquidity or fair market value is accurate.

PCM believes that lack of transparency in over-the-counter markets may also create opportunities to make investments that other market participants may not be aware of. To this extent, PCM make investments on an expedited basis from time to time. In such instances the information available to PCM at the time of an investment decision may be limited, or based on incomplete information.

Furthermore, the market values of any investment or financial instrument recommended by PCM may, at times, be highly volatile. There can be no guarantees that any such technical analysis used by PCM will be accurate or unbiased, or that the risk and returns that may be generated by any such investment will reflect PCM's expectations.

#### n. Due Diligence Risk

From time to time, PCM may use third party consultants to assist in the analysis or due diligence process with respect to any investment or counterparty related to an investment. There can be no assurances that any such third party consultant may deliver accurate information to PCM, or that PCM will accurately assess the significance of any such information or reports. In addition, certain costs associated with due diligence activities may not be recouped

even if the transaction or investment is consummated. Therefore, the return associated with any such investment, may be lower than expected.

**o. Geographic and Jurisdictional Risk**

PCM invests in securities and loans that often feature underlying assets or security interests in many different jurisdictions. Due to legislation and regulatory changes, significant changes may occur in certain jurisdictions while not in others. For example, the method by which collateral may be disposed of in the event of borrower default may vary dramatically from jurisdiction to jurisdiction. This may result in any monetary recovery upon default occurring at vastly different times, solely based on jurisdiction. Historically, periods of economic contraction have favored borrowers to the detriment of creditors. Material changes in asset recovery timelines, or any unforeseen and additional expenses related to enforcement of a lending agreement due to jurisdictional changes may create significant risk of loss for investors.

Investments in securities or obligations of companies located outside the United States may involve significant additional risks. To the extent such non-U.S. laws and regulations do not provide an investor or lender with equivalent rights and privileges necessary to promote and protect their interest in any such proceeding, investments are more likely to be adversely affected. The law and process in international jurisdictions may differ substantially from that in the U.S., resulting in greater uncertainty with respect to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. There can be no guarantee that the outcome of bankruptcy or insolvency proceedings, particularly in jurisdictions outside the U.S., will result in a favorable outcome for a client's investment. In addition, as more and more companies conduct operations internationally, multi-jurisdictional bankruptcy or insolvency proceedings are increasing in prevalence and the foregoing factors may result in unique challenges that impact the potential recovery and timing thereof.

In addition, international investments generally involve known risks such as currency risks. If exchange rates move adversely, in certain cases clients may realize a loss even if the market value of the investment (in locally-denominated currency) has not materially changed.

**p. Litigation Risks**

Precession Capital Management may become involved in litigation as a plaintiff, defendant, or as a party of interest. Such litigation exposure may be involuntary or voluntary. There can be no guarantee that any such litigation will be advantageous to engage in, or result in favorable outcomes to our clients and their investments. Litigation may be time consuming and expensive. Expenses relating to litigation will generally be borne by clients and reduce any investment returns that exist, and in some cases may lead to a loss.

**q. Currency Risks**

Certain investments that are denominated in a foreign currency or otherwise may be exposed to the movements of a foreign currency, both directly and indirectly, are subject to fluctuations in the value of that particular currency as it may change relative to another currency such as the U.S. dollar. Furthermore, costs associated with exchanging one currency for another, should they exist, may reduce any investment returns that exist, and in some cases may lead to a loss. In some cases, PCM may attempt to hedge or reduce these risks by using financial tools such as options, swaps, and other contracts. There can be no assurance that any such use of hedges will sufficiently offset any risks that may exist, nor that the expenses associated with any such hedging strategies will not materially reduce any investment returns that exist, or lead to a loss.

**r. Information Security Risk**

Client Accounts and any Investments therein may be exposed to risks due to cyberattacks or cyber-fraud. Client accounts, and their custodians and other service providers may be subject to operational and information security risks resulting from cyberattacks. Such cyberattacks may include: hacking, stealing, or corrupting data maintained online or digitally, denial of service attacks through websites, unauthorized release of confidential information, and various other forms of cybersecurity breaches or attacks. Cyberattacks affecting PCM, our related persons, client accounts and certain of our respective third party service providers may adversely impact clients and their Managed Accounts. For instance, cyberattacks may interfere with the transaction processing, cause the release of private or personal identifying information ("PII") or other confidential information, and subject a client account and its service providers to regulatory fines or financial losses and cause reputational damage. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for clients, and may cause their investments to lose value.

Furthermore, a client's Managed Account may become the target of cyber-fraud that could result in the theft of assets from the account, via such means as computer malware, viruses, computer hacking, fraudulent use attempts, and phishing and spoofing attacks. In the recent past such attacks have included third party actors submitting fraudulent transfer requests, resulting in the theft of the rightful investor's assets. Client accounts and their service providers may incur additional costs relating to cybersecurity prevention protocols, and there can be no guarantee that any such preparations will be adequate. The range of possible cyberattacks, including the scope of risk involved and related mitigation techniques are not yet fully understood. There can be no guarantee that any safeguards or other measures put into place by PCM or a third party service provider will be effective.

## **Item 9 - Disciplinary Information**

Precession is required to disclose all material facts regarding any legal or disciplinary events that would be material to a



client's evaluation of Precession's advisory business, or the integrity of Precession's management. Precession has no information applicable to this Item.

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

### *Services by Certain Related Persons*

Precession Capital Management is responsible for the management of multiple Managed Accounts. The management of multiple client accounts may result in conflicts of interests when PCM and its related persons allocate time and investment opportunities among such accounts. In addition, we expect to earn different compensation from each client account. In order to mitigate associated conflicts, we will generally follow documented procedures in allocating investment opportunities among client accounts, which do not take into account the performance-based fees or allocations to which such accounts are subject. (See Item 12 – Brokerage Practices) Subject to applicable law, we may engage in transactions among client accounts whereby one client account will purchase securities from or sell securities to another client account. This may result in a conflict of interest because a potential transaction may result in benefits to one client account that may be greater than the benefits to the other client account. In order to mitigate such conflicts, we effect such transactions only when we determine in good faith that such transactions are in the best interests of the applicable client accounts and only after receiving prior approval from our Chief Compliance Officer (the "CCO"). Such transactions will generally be made for cash consideration at a price that is calculated in accordance with our Valuation and Pricing Policy. No brokerage commission or transfer fees will be paid to Precession or its affiliates in connection with any such transaction.

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

From time to time, Precession may recommend to clients, securities in which Precession or a related person has a

material financial interest. Conversely, from time to time, Precession or a related person may purchase securities that are held by, or intended to be held by, a client or Managed Account. A conflict of interest exists in such cases because Precession has the ability to trade ahead of clients and potentially receive more favorable prices than clients may receive. To mitigate this conflict of interest, such transactions will not be permitted unless Precession has determined that a transaction of such security by PCM or a related person, or a recommendation of such transaction to a client, would not be adverse to the best interests of the relevant client account(s).

## **Item 12 – Brokerage Practices**

### *Selection of Broker-Dealers*

Precession has an obligation to seek to obtain “best execution” when recommending transactions to clients. We will interpret “best execution” and apply it by seeking to obtain the best or most favorable price net of all fees or commissions based on our current and best analysis of any and all relevant circumstances and market conditions. PCM will evaluate and select a broker-dealer based on criteria including the following: a broker-dealer’s market coverage, asset class coverage, analytical capabilities, balance sheet size and availability, and counterparty relationships. PCM will not commit to provide any level of future business to any broker in exchange for current or contemporary business.

Precession has not entered into any soft dollar arrangements with broker-dealers and does not intend to do so at any point in the future. Precession does not receive research or other products or services from any broker-dealer in exchange for security transactions. From time to time, PCM may acquire research or other products or services produced and disseminated by a broker-dealer with respect to an asset class or investment that PCM is considering or analyzing. Such research, products, and services are made publicly available, or available to all other interested parties, to the best of PCM’s knowledge.

In selecting or recommending broker-dealers, PCM does not consider whether it or a related person receives client referrals from a broker-dealer. However, it is possible that at times, a broker-dealer may refer a client to PCM or a related person. In these cases, should PCM be aware of such a referral, a potential conflict of interest may arise. PCM may have an incentive to select or recommend such a broker-dealer, which would be in direct conflict with PCM’s obligation to seek “best execution” regarding transactions and investments. Regardless of whether PCM is aware of such a referral or not, PCM will always consider the obligation to seek “best execution” for clients paramount and will seek “best execution” to the best of our abilities, regardless of other considerations.

Precession does not recommend, request, or require that a client direct PCM to execute transactions through a specified broker-dealer. In general, PCM does not permit clients to direct brokerage. Such direction may prevent PCM from seeking to obtain “best execution” on applicable transactions.

### *Trade Errors*

If PCM identifies errors with respect to trades made on behalf of client accounts, PCM will attempt to cancel or correct the relevant trade or adjust the trade such that the error or omission is corrected. If PCM is unable to sufficiently execute either of these corrective actions, we will reimburse each relevant client account for net losses, if any, resulting from trade errors.

### *Aggregation of Orders*

Precession will seek to aggregate or allocate purchases and sales of securities and investments among client accounts on a fair and equitable basis under the circumstances existing at such time based upon a number of factors, including, but not limited to: (i) each client account's investment or risk restrictions or guidelines as identified in the IPS, (ii) legal, regulatory and tax considerations, (iii) relative available capital in such client account, (iv) minimum and maximum exposure or participation thresholds PCM considers to be appropriate, (v) the overall portfolio composition of each client account, (vi) liquidity, and (vii) the desire to avoid de minimis allocations to any particular account. To the extent that a security is purchased or sold for more than one client account, we will generally aggregate orders for such security unless aggregation is not consistent with our duty to seek best execution and the terms of the investment guidelines and restrictions applicable to the relevant accounts. To the extent an aggregated order is only partially filled, we will allocate the investment opportunity or partially filled order on a fair and equitable basis based on the criteria described above. Each client that participates in an aggregated order will participate at the average price for all of our transactions in that security on a given business day, with transaction costs shared pro rata based on each Managed Account's participation in the transaction.

### **Item 13 – Review of Accounts**

Precession regularly reviews the portfolio holdings of each Managed Account to determine that the assets and investments held within remain consistent, or are performing consistently, with its investment objectives and guidelines as identified in the IPS. The frequency and nature of such reviews depends on the type of investment held by an account. For instance, if a particular investment such as an MBS produces reporting data at monthly intervals, such MBS will be reviewed monthly. Client's Managed Accounts are reviewed no less frequently than quarterly and are typically reviewed at least monthly. In addition, should market conditions change such that PCM believes an other-than-periodic review of an account is justified, it shall do so from time to time. The CIO of PCM or a related person may conduct account reviews.

PCM will provide clients with regular quarterly reports regarding their accounts. The account custodian(s) will provide clients with regular monthly reports identifying the current account holdings and any and all transactions that occur within the reporting period.

Clients should compare reports sent by PCM with statements from the account custodian(s) to reconcile the information reflected on each statement.

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

Precession does not receive other compensation or economic benefits from someone who is not a client for providing investment advice or other advisory services.

Precession does not directly or indirectly compensate any person who is not a supervised person for client referrals.

## **Item 15 – Custody**

Precession does not have custody over client funds or securities.

Clients will receive monthly account statements from the independent, qualified custodian(s) holding account funds and securities. The account statements from the custodian(s) will indicate the amount of our advisory fees deducted from the account(s) at each quarterly billing period. Clients should carefully review account statements for accuracy and compare such statements to the quarterly reports sent by PCM. For questions regarding account statements or to receive a duplicate or replacement statement from the custodian, please contact Adam Young at [adam.young@precessioncap.com](mailto:adam.young@precessioncap.com).

## **Item 16 – Investment Discretion**

For each discretionary Managed Account, the Investment Advisory Agreement will grant PCM limited authority to trade on behalf of such account. Under this authority, PCM will have the ability to determine the:

- a. Security or investment that will be purchased or sold
- b. Amount or face value of the security or investment
- c. Broker-Dealer to be used in the transaction
- d. Commission rates to be paid to the broker-dealer

Clients may impose certain restrictions on this authority from time to time as documented in the IPS. Such restrictions may vary in nature.

Qualified independent custodians generally require a certificate of Trading Authority to be completed and signed by the client prior to permitting any transactions made on the client's behalf by the Investment Adviser.

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

Precession does not typically invest in or manage equity investments for clients, and as such does not commonly receive proxy voting ballots. However, from time to time, Precession may receive proxies for its clients and generally has voting discretion over such proxies. Precession has adopted proxy voting policies and procedures, which are summarized below. In the absence of specific voting guidelines from a client or conflicts of interest, Precession will vote all proxies in the best interests of each client, which may result in different voting results for proxies for the same issuer. In addition, Precession may determine to abstain from voting a proxy if it believes that such action is in a client's best interests. In determining whether a specific proposal is in the best interests of a client, Precession may take into account, among other things: (i) management's views and recommendations on such proposal, (ii) whether the proposal may have the effect of entrenching management and/or making management less responsive to shareholders' concerns, and (iii) whether Precession believes that the proposal will fairly compensate management for its and/or the issuer's performance. If Precession deems that the issue being voted upon is not material for a client or Precession determines that the cost of voting a proxy would exceed the expected benefit to a client account, it will not be obligated to vote on such matter. Upon request, clients may obtain information about how we voted their securities and a copy of our proxy voting policy and procedures.

## **Item 18 – Financial Information**

Precession Capital Management does not require or solicit prepayment of fees from any client in advance and therefore is not required to include a balance sheet for its most recent fiscal year.