

March 23, 2021

ESM Management LLC

An SEC-Registered Investment Adviser (CRD# 150142)

Brokerage and advisory services and fees differ. It is important for retail investors to understand the differences. Free and simple tools are available to research firms and financial professionals at <http://www.investor.gov/CRS>, which also provides educational materials about broker dealers, investment advisers, and investing.

What investment services and advice can you provide me?

We offer investment advisory services to retail investors for individually managed accounts that do not wish to invest in our hedge fund. Our focus is limited to providing portfolio management services on a limited basis; we provide Portfolio Management services on acquiring, analyzing, or liquidating portfolios consisting primarily of mortgage related securities and derivatives.

Trading Authority: We have discretionary trading authority, pursuant to the written investment management agreement, to build and maintain an investment portfolio according to your investment objectives and risk tolerance. Any restrictions or limitations on our discretionary authority must be made in writing and contained in the investment management agreement.

Monitoring: Each morning, our principals review how much cash each client has to invest, and whether there are any good candidate bonds on bid-wanted-in-competition lists (i.e., auctions). Every month, we review the principal pay downs and loan performance of each portfolio as detailed on Bloomberg and in master servicer remittance reports. Portfolios are priced monthly using our internal valuation methodology. We provide periodic reports and market commentary, at least quarterly, but generally whenever you request. You are also invited to contact us at any time to review your accounts, preferences, and goals.

Our minimum investment requirement is \$10,000,000 for individually managed accounts (subject to negotiation). For more detailed information, please see [Items 4 and 7 of the ADV Part 2A](#).

Conversation Starters

Given my financial situation, should I choose an investment advisory service? Why or Why not?

How will you choose investments to recommend to me?

What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

What fees will I pay?

[Item 5 of the Form ADV](#) has a detailed description of the fees and costs we charge you. For managed accounts, we charge an ongoing fee based on assets under management, that ranges from 1% to 2%. The fee is determined based on the size and term of the account and the complexity of its investment constraints. For certain managed accounts, we charge an incentive fee based on the profits in the account, on a realized basis.

We may, at our discretion, enter into alternative fee arrangements, which could include an ongoing performance-based fee, or an ongoing incentive fee coupled with an AUM-based management fee. Incentive fees are accrued as a percentage of the absolute return and may be either measured against a mutually agreed upon benchmark, or against a hurdle rate. We bill you directly for management fees in arrears. Generally, we bill you semi-annually; however, some clients are billed quarterly or annually. The more assets in your advisory account, the more you will pay in fees. We may have an incentive to encourage you to increase the assets in your account. We also have a conflict of interest in accounts charged a performance fee as we receive a percentage of the increase in account value, which could result in investing in riskier investments for potentially higher returns and thus larger fees for us.

In addition to our advisory fees, you will have additional expenses, they may include custodian or broker dealer transaction fees, commissions, account maintenance fees, etc. Please see [Item 5 of the Form ADV](#) for a list of

additional expenses.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Conversation Starter

Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

When we act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means.

- We receive research, market analysis, and even the use of certain proprietary models from brokers. This creates a benefit for us and may create a conflict of interest as we may have an incentive to select or recommend a broker based on our interest in receiving these research services, rather than achieving the most favorable execution.
- Because different client accounts are charged different fees, and some accounts pay a performance fee, we have a conflict of interest that may result in us allocating investment opportunities to accounts that pay us higher fees or to allocate riskier investments to accounts charged a performance fee.
- We manage a hedge fund. We may recommend that you invest a portion of your portfolio in this proprietary fund.

Our Firm will act in your best interest at all times. We have established policies to mitigate any conflicts of interest. For more detailed information on our conflicts, [see Item 11 of the ADV](#).

Conversation Starter: How might your conflicts of interest affect me, and how will you address them?

How do your financial professionals make money?

Each of our financial professionals is a partner in the firm and is compensated based on the net profits of the company. In addition, our President Eric Meyer is also a lawyer and has a law firm that we and our fund use for litigation issues that arise. We pay Eric a rate negotiated at arm's length for his attorney services, however, this does create a conflict of interest.

Do your financial professionals have legal or disciplinary history?

No, visit Investor.gov/CRS for a free and simple search tool to research our firm and our financial professionals.

Conversation Starter: As a financial professional, do you have any disciplinary history? For what type of conduct?

For additional information on our advisory services, see our Form ADV brochure on IAPD on Investor.gov or on (<https://adviserinfo.sec.gov/>) and any brochure supplement your financial professional provides. You can also request up-to-date information by calling us at (646) 927-6089 or by emailing us at cjzuech@esminvestors.com.

Conversation Starter

Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?

Addendum of Changes to the ADV Part 3

| Date of Change | Information Updated |
|----------------|---|
| March 23, 2021 | As part of our annual ADV amendment, we reviewed and updated the Form CRS to make the links more noticeable. We made the brochure more concise by deleting information not required under the instructions. We made the headers more noticeable by changing the color. We added our proprietary fund to the conflict-of-interest section. Added additional information on account monitoring, trading authority, and limitations to services provided. We also updated the pay section to include Eric's attorney fees. |