Item 1: Cover Page

SVRN Asset Management, LLC

Part 2A of Form ADV: Brochure

CRD# 222518

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This brochure provides information about the qualifications and business practices of SVRN Asset Management, LLC, a registered investment adviser. **Registration does not imply a certain level of training or skill.**

If you have any questions about this brochure, please contact us at sam@svrn.co. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Item 2: Material Changes

We've adopted an assumed name, SVRN Asset Management, LLC. Our legal name is still Severian Asset Management, LLC. In addition, we've changed our primary domain to svrn.co from severianasset.com. However, severianasset.com still works for both email and the website, so there is no need to change anything on your end.

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Item 4: Advisory Business

Severian Asset Management LLC, d/b/a SVRN Asset Management LLC, was founded in 2015 by the firm's sole owner, Samuel Lee. Prior to founding the firm, Sam was an exchange-traded fund strategist at Morningstar, Inc., an investment research and data firm, where he specialized in asset allocation.

We are organized to minimize conflicts of interest: Our only business is providing investment advice as a fiduciary and our only source of income is our client fees.

Service

Our main service is asset management, where we craft for you an investment portfolio that attempts to achieve the highest expected risk-adjusted, after-tax returns possible, given your goals and constraints. We pay close attention to your financial capacity to withstand drawdowns and emotional capacity to tolerate being out of step with the common wisdom (or folly).

Our service begins with a series of consultations (either in person or through telecommunication) where we explore your goals, finances, behavioral makeup, time horizon, and so on. Using the information gleaned, we identify major risks to your financial and human capital. Then we recommend ways to mitigate them, including buying insurance, selling down concentrated equity holdings, and matching assets to known liabilities.

If asked, we will analyze your financial services and propose changes that will either lower costs or increase the value you obtain from them. Some simple but surprisingly profitable changes include using better credit cards, reviewing your insurance coverages, and switching to higher-yielding bank accounts. We will even provide advice on protecting you from fraud, cybersecurity risks, and identity theft. Our goal is to be as helpful as possible in all matters pertaining to money and risk.

We include financial planning gratis as we believe it is unwise to expend extraordinary efforts trying to beat the market (an uncertain and difficult endeavor) while neglecting simple, surefire ways to make money.

We are not estate, tax or insurance specialists; we will work with your existing providers or help you find them.

Restrictions

We restrict ourselves to selecting individual stocks and bonds, certificates of deposit, mutual funds, exchange-traded funds, closed-end funds, and hedge funds. We expect most of our investment selections to be mutual funds and exchange-traded funds.

Customization

Our service is customized to account for your behavioral makeup, investment knowledge, health, family structure, human capital, tax situation, spending needs, liquidity needs, and financial assets and liabilities. You may impose restrictions on investing in certain securities or types of securities.

Wrap Program

We do not participate in wrap programs.

Assets Under Management

As of February 28, 2017, we have approximately $36,070,000 under advisement. Of that, about $15,500,000 is managed on a non-discretionary basis.

Item 5: Fees and Compensation

We charge a one-time fee of $5,000 that pays for the initial review of your portfolio and financial situation. In addition, we charge an ongoing annual asset-based fee: 0.65% for the first $2 million, 0.45% for the next $3 million, and 0.25% for the rest.

Fees are payable in advance at the beginning of each quarter based on the market value of the assets under management, *minus any borrowings*, as of the last day of the previous quarter. We subtract borrowings from consideration in order to align our interests with yours. We would never want to be paid more simply because you are more leveraged.

For the first and last quarters of an engagement, the fee is prorated based on a 365-day year. Fees may either be billed to you or be withdrawn directly from your account held by a qualified custodian. We will promptly refund you any unearned fees at the end of our relationship.

Our fee is negotiable. At our discretion we may lower our fee, particularly for early clients.

You are responsible for all other fees, including custodial, legal, and accounting. The investment funds we recommend will directly charge you management, brokerage and other fees. You are also responsible for brokerage costs. However, we prefer to keep turnover low, so we don't expect to incur big brokerage costs. See "Item 12: Brokerage Practices" for more information. We don't receive any portion of fees charged to you by other service providers.

Neither SVRN nor any employee or officer accepts compensation for the sale of any investment product.

Note that unless you have received this brochure at least 48 hours prior to signing the investment advisory contract, you may terminate the contract within five business days of signing without incurring any advisory fees.

Item 6: Performance-Based Fees and Side-by-Side Management
We do not charge performance-based fees.

Item 7: Types of Clients
We offer asset management and financial planning services to high net worth individuals, their families and their trusts. However, we may accept other types of clients at our discretion. There is no account size minimum.

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

Principles

Investing well is hard. We approach the challenge with humility, and try to learn from the best thinkers we can find. Two of our biggest influences are Warren Buffett and Ray Dalio, who both stress that predictions about the future should be based on a sound understanding of economic fundamentals and human nature, not on the mindless use of historical data. We take their warnings seriously: Our approach is based on economic principles that we believe are both true and important.

First and foremost, we believe an asset's true worth is determined by the cash you can pull out of it, discounted by the appropriate interest rate. Over the long run, price converges on intrinsic value. Because valuation is so important, for every asset we invest in we try to come up with our best guess for its expected long-run real return.

Second, we believe most investors should diversify as much as possible. As Buffett says, "diversification is protection against ignorance." This should not be interpreted as a condemnation of the practice. We are blind to what the future holds, so we want to maximize the protection diversification affords. To that end, we spend a lot of time thinking about a client's concentrated risks. An obvious one is a big equity position in a single company. A less obvious but hugely important source of risk is one's job. For example, a client whose income is tightly linked to a particular industry should usually be underweight assets linked to it, because his human capital is already concentrated in that sector. Once we've identified these big risks, we seek to mitigate them to the extent that's desirable and possible, and then we build our portfolios around them. Taking the logic of diversification to its extreme, we believe investors should not only diversify across stocks, industries, geographies, and asset classes, but also across strategies. You should hold a concentrated portfolio only if you've done a good job of researching your investments and are justifiably confident you know something the market doesn't.

Third, we believe risk and reward are usually, but not always, positively related. Stocks are usually priced to offer higher expected returns than bonds, and bonds are usually priced to offer higher expected returns than cash. History and economic reasoning show that, of the three major asset classes, equities are the best way to build long-term wealth. The drawback is equities occasionally suffer sickening losses and, when bought at inappropriately high prices, may never recoup them in a reasonable time frame.

Despite equities' attractive historical returns, stock investors have managed to destroy fortunes by buying high and selling low. To avoid this unfortunate outcome, we scale your equity exposure to your behavioral makeup, as well as your time horizon and goals. Are you an aggressive, pro-cyclical investor who wants to buy when things look good, and sell when things look bad? If so, we will recommend lower equity holdings to work against your impulses.

Finally, we're confident that the market makes errors, but exploiting them is hard. So hard that the vast majority of investors who make active bets (that is, deviate from market-cap weights) and incur high costs will underperform, sometimes dramatically, a passive portfolio that incurs minimal fees and taxes. While we believe skilled managers exist, the obviously talented managers are either inaccessible or charge high-enough fees to consume most of their expected outperformance. We are willing to pay up for good managers, but we set the hurdle high, demanding exceptional quality of thought, reasonable fees in relation to expected outperformance, and outstanding integrity. In addition, we require managers to display credible evidence of skill that can't be replicated by mechanical implementations of their strategies. For example, a value-oriented stock-picker who can't outperform a simple stock-selection strategy that buys statistically cheap stocks would fail our test.

Factor Analysis

These principles have led us to adopt a style of analysis that places *factors* at the center of many of our investment decisions. Crudely speaking, a factor is a characteristic or group of related characteristics that explains asset returns. Factor investing is what you get when you apply the scientific method to investing. The grand scientific enterprise that has culminated in *factor theory* is important because it provides a framework for assessing active managers, constructing portfolios with superior risk-adjusted returns, and identifying and managing risks.

Researchers have identified a handful of important *risk factors* that generate expected returns as compensation. An investor who owns equities or junk bonds bears economic growth risk and, if the market is functioning properly, is expected (not guaranteed) to earn a return for bearing that risk. It is often called *market risk*. Understanding an asset's factor exposures is more important than its label. Investors who diversify by asset class without paying attention to factor exposures may end up taking on more risk than they had expected—a lesson many learned too late when the financial crisis shredded the returns of supposedly uncorrelated strategies and asset classes.

In addition, researchers have identified a handful of dynamic *investment factors*, or styles, that explain away much of the excess returns active managers have produced. The most famous are value-growth and market capitalization (more commonly known as value and size). Historically, value stocks have outperformed growth stocks and small-cap stocks have outperformed large-cap stocks. Many managers who seemingly outperform their benchmarks do not outperform after their exposures to value-growth and size factors are accounted for.

Factor research is ongoing. Researchers have identified other investment factors that seem to produce returns independent of financial markets. We think that the most interesting investment factors are value, momentum, trend, quality and low beta, and seek exposure to them through the most efficient means possible.

Strategies and Their Risks

We use both active and passive investing strategies. By active, we mean a strategy that deviates from its market-weighted benchmark at a point in time or over time. By passive, we mean a strategy that closely tracks its market-weighted benchmark at a point in time and over time.

Our most basic strategy is strategic asset allocation. For each client we tailor a benchmark portfolio comprised of passive funds allocated among the following asset classes: U.S. stocks, foreign stocks, and high-quality bonds. The portfolio is simple, cheap and conventional by design. The goal is to find a conventional allocation of passive funds that will produce the highest risk-adjusted returns given your financial and emotional capacities to withstand losses. The passive portfolio measures the effectiveness of our active investment decisions. Ideally, we will only change the passive benchmark portfolio when your risk tolerance changes.

The benefits of a passive benchmark-style portfolio include low expenses, low turnover, tax efficiency, simplicity and robustness to human error. However, such a strategy may exclude useful information, such as current valuations, and is largely reliant on equities to generate real returns. Barring the past three decades, fiat-currency-based bonds have provided miserly after-inflation, after-tax returns—they are mostly added to soften the volatility of equities. While high-quality bonds do well during disinflationary recessions, when both economic growth and inflation fall, they do poorly during inflationary recessions (or stagflations), when economic growth falters and inflation rises. The conventional stock-bond portfolio is exquisitely tuned to inflict pain when stagflation strikes.

We typically overlay active views on the passive portfolio. The magnitude and complexity of these active bets are scaled to your understanding of them, your tolerance for complexity, and your ability to tolerate being out of step with the benchmark. Broadly speaking, there are three active strategies we pursue, usually in combination.

Our *valuation-based strategic asset allocation strategy* slowly tilts to assets with higher risk-adjusted expected returns based on fundamental measures of expected return including price-to-earnings ratio, price-to-book ratio, yield, and so on. Because asset class prices do not reliably revert to historical valuations, we are cautious in tilting to seemingly cheap assets. Regime shifts can up-end long-standing historical relationships. One of the biggest regime shifts occurred in the early 1980s, when interest rates and inflation switched from experiencing a secular rise to a secular decline, a process that still seems to be underway over thirty years on. An investor who had tried to time the market over this period based on historical valuations would have ended up underinvested through a multi-decade bull market. The threat of a long-lived regime shift is perhaps the biggest risk to our valuation-conscious strategic allocation strategy.

Our *momentum-based tactical asset allocation strategy* exploits momentum, arguably the most powerful and pervasive anomaly found in financial markets. Momentum is the tendency for price changes to persist and can be measured in many ways. Absolute momentum (also known as trend-following) compares an asset's price against itself or against a fixed benchmark, like the 3-month Treasury-bill return. Relative momentum compares an asset's returns against other assets. However, momentum-chasing is a high-turnover strategy that is most suitable in tax-deferred accounts and in liquid assets with low transaction costs. The main risk is trendless, "whipsaw" markets, which can inflict substantial losses on momentum-chasers.

Our *manager selection strategy* attempts to identify exceptional managers with superior prospective returns. This is a hard task—much of what passes off as skill is either the product of dumb luck or mechanically replicable tilts. In order to distinguish luck from skill, we look for evidence of sustainable edges. The best such edge is the quality of people. We look for managers with plenty of brains, creativity, and independent thinking. Just as important, we will only deal with managers who treat their clients as partners, not adversaries. This means reasonable fees in relation to expected outperformance, skin in the game, exceptional transparency, critical self-assessment, and a clean regulatory record. In general, asset managers directly controlled by publicly traded financial institutions have failed to meet our criteria, but there are some notable exceptions. In addition to asset-class specific risks, some of our chosen managers will use leverage and derivatives to obtain their target exposures, which may add to the complexity and riskiness of the portfolio. Active managers pose additional due diligence challenges, such as the possibility of fraud and hidden conflicts of interest.

Investing is risky. As an investor, you are paid to bear the possibility that something terrible will happen to your portfolio. Though we take steps to mitigate risk, you cannot avoid it. In fact, you are all but guaranteed to suffer losses at some point, perhaps gut-wrenching losses.

Item 9: Disciplinary Information
We have no disciplinary information to report.

Item 10: Other Financial Industry Activities and Affiliations
We are not affiliated with any other financial company. Our only source of income is our client fees.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading
Our code of ethics is freely available on our website, and we encourage you to read it. We will also happily provide it to you if you ask. It is summarized by the Golden Rule: treat others as you would want them to treat you. Don't lie, cheat, or steal. Keep client information confidential. Don't exploit information you have to the detriment of the public or clients. Obey the law.

Our code of ethics addresses the following areas of our business: procedures for personal securities transactions of directors, officers and employees; and initial public offerings and private offerings. Each officer, director and employee is required to certify annually that he or she has read and understands the code of ethics.

Neither SVRN nor its employees have any material interest in the securities we recommend. That said, we often invest in the same funds and securities we recommend to our clients. However, since we mostly invest in liquid, publicly traded securities, we think it is unlikely for our ownership to have a material impact on your investments. In the case where conflicts may arise—say we recommend an illiquid stock—we will ensure client and our trades are done on the same terms (that is, we will get the same prices you do).

Our chief compliance officer is responsible for ensuring that we receive duplicate confirmations and account statements for anyone associated with our firm who has a securities account with a broker-dealer. A review of the trading activity of our personnel with such securities accounts will be conducted quarterly to ensure that the personnel comply with our personal trading policy.

Item 12: Brokerage Practices
We are willing to use your existing broker. However, we may recommend brokers in accordance with the principle of best execution, meaning we judge them mainly (but not exclusively) by their ability to efficiently execute our trades at the lowest all-in cost. Note that we can only recommend you brokers registered in your state.

We don't accept soft dollars, nor do we care about broker-provided "research," which in our experience is rarely helpful and often harmful.

When efficient, we will aggregate trades in order to obtain volume discounts. However, in some cases, aggregation is not possible, such as when your accounts are spread over different brokers. In other cases, aggregation is not desirable, such as when trading an illiquid security.

Item 13: Review of Accounts
Each quarter we review client accounts and provide performance reports.

Item 14: Client Referrals and Other Compensation
We do not pay anyone to refer clients to us, nor do we refer clients for pay. We may refer clients to other professionals we admire and trust, and receive referrals from them.

Item 15: Custody
All discretionary assets under management are held with qualified custodians selected by the customer. We may recommend a custodian, but you will ultimately be responsible for selecting the custodian for the assets under management. You will receive quarterly or monthly statements from them. You should carefully review your custody statements and compare them to the statements we provide.

Item 16: Investment Discretion
We manage assets on both a discretionary and non-discretionary basis. With discretionary authority, we can make trades in your investment accounts without consulting you first. You must sign a limited power of attorney form from your custodian before we can exercise this authority.

Item 17: Voting Client Securities
We do not vote proxies for you. Your custodian will provide you proxy voting materials.

Item 18: Financial Information
We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to you. Because we do not have custody of client funds or securities or require prepayment of more than $500 in fees per client six months in advance, we are not obligated to disclose our balance sheet.

Item 19: Requirements for State-Registered Advisers
A. Samuel Y. Lee, born 1986, graduated with a bachelor of arts in economics from Grinnell College in 2008, whereupon he joined investment data and research firm Morningstar, Inc. He spent two years as a data analyst, researching ways identify and avoid errors in the firm's data. In 2010 he joined the exchange-traded fund research team as an analyst, where he wrote about asset allocation, valuation and factor investing. In 2012 he took over the editorship of the *Morningstar ETFInvestor*, a paid monthly newsletter. In 2013 he was promoted to strategist, his last role at Morningstar before founding SVRN Asset Management in 2015.

B. We and our employees are not engaged in any business other than providing investment advisory services.

C. We and our employees are not compensated through performance fees.

D. Our owners and employees have never been found liable in an arbitration claim, civil suit, self-regulatory organization suit, or administrative proceeding.

E. We have no relationship with any issuer of securities.