

## AICA Member Profile:

# SCG Asset Management

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SCG Asset Management LLC (“SCGAM”), founded in 2020, is an employee-owned investment advisory firm with offices in Chicago, Miami, Nashville, and New York. Gregory H. Sachs, the company’s Founder, CEO, and CIO, previously managed more than \$17 billion in fixed income arbitrage and other strategies as Founder and former Chairman and CEO of Deerfield Capital Management.

Building on that history, Sachs and the SCGAM team recognized an opportunity to build an investment strategy around advanced, derivative-based solutions that capitalizes on market opportunities and creates custom exposures through rigorous, proprietary analytical modeling, qualitative analysis, and prudent risk management.

Under normal market conditions, SCGAM

seeks to provide attractive risk adjusted returns by taking advantage of volatility in the equity markets. It seeks to construct a diversified portfolio of structured notes in which the individual portfolio investments do not exhibit significant correlation to each other and do not draw down losses simultaneously.

SCGAM creates optionality by laddering short-term structured notes (that is, purchasing notes with different maturity dates) that can generate attractive coupon yields when the underlying reference asset trades within a predetermined price range. Each investment seeks to generate income while providing a cushion before loss of principal can occur.

As of December 31, 2022, SCGAM had approximately \$129.6 million in AUM across various investments, including its first product, The Alternative Strategies Income Fund.

## The Alternative Strategies Income Fund

SCGAM manages The Alternative Strategies Income Fund (the “Fund”), a listed closed-end interval fund with the Nasdaq ticker symbols LTAFX (Class A), LTCFX (Class B), and LTIFX (Class I). The Fund’s investment objective is to seek attractive risk-adjusted returns with low-to-moderate volatility

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and low correlation to the broader markets through a concentrated alternative investment approach that emphasizes income generation.

SCGAM replaced Ladenburg Thalmann Asset MGMT as the Fund's advisor on December 10, 2021. The Fund, which was first launched in 2010, has a total of approximately \$17.2 million in assets across all three share classes as of December 31, 2023.

SCGAM spent most of 2023 replacing the Fund's illiquid assets with equity-linked structured notes issued by all the major banks, SCGAM President Ian Merrill tells AICA. "We can't find a fund like this in Europe or anywhere else," he says. "Most funds tend to be index-based or in the credit or real estate space, so we think we're on to a new delivery vehicle for these structured notes."

The Fund's portfolio of structured notes is diversified across time, industry, sector, and historical pricing patterns. The Fund's investment industries and sectors include application software, renewable energy equipment, life insurance, auto retailers, steel producers, base metals, and more.

Merrill says he tells advisors that, even if they use some of the Fund's structured notes already, they should consider investing in the Fund as part of a larger income portfolio to take advantage of the listed product's client statements and other perks.



***"In wrapping a strategy like this in a fund, we take away the hassles for the investor. If a particular note is called, redeemed, or matures, they don't have to worry about one company being acquired by another or any credit risk implications; we manage all that within the vehicle."***

*Ian Merrill, President, SCG Asset Management*

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## Q&A with Ian Merrill

### ***What are SCGAM's plans for the immediate future?***

We have plans to use our optimized portfolio approach in several ways, including as customized funds for clients seeking lower targeted income and for large RIAs. We find the separately managed account space attractive, and I expect SCGAM will explore those opportunities in 2024. Additionally, as we grow our Fund's AUM, we expect to attract reverse inquiries that we hope will lead us to launch other products.

### ***Name one thing that most investment professionals regularly misunderstand.***

How closed-end funds work. Sometimes there's this notion that closed-end means you can never exit a position or that there are real penalties for doing so. The reality is that these instruments make a lot of sense in a number of contexts, so advisor education is important. We want advisors to explore different types of wrappers for their clients beyond using inexpensive exchange-traded funds in a 60-40 portfolio.

### ***Why did you decide to join AICA?***

To share our story that there's innovation happening in the closed-end fund space. We also look forward to participating in AICA events and meeting other managers.

### ***Who inspires you?***

People who shake up and disrupt industries and don't just rely on the same old approaches. That includes guys like Greg Sachs who had a vision and took a risk launching a new venture. It's hard to innovate and get your message heard, so it's our job to execute and expand on that vision.

Learn more about [SCGAM](#), its [leadership team](#), and [The Alternative Strategies Income Fund](#).

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