

Item 1 – Cover Page

June 26, 2012 Update

ADV Part 2 Brochure

Fortuna Asset Management, LLC

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As Of June 26, 2012

This Brochure provides information about the qualifications and business practices of Fortuna Asset Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (949) 476-2872. 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.

Fortuna Asset Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Fortuna Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Item discusses only specific material changes that are made to the Brochure since the last annual update of the Brochure on March 31, 2011 and provides clients with a summary of such changes. No Material Changes since the Annual Update Brochure dated March 31, 2011.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to State of California Regulations, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Fortuna Asset Management, LLC at (949) 476-2872.

Additional information about Fortuna Asset Management, LLC is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Fortuna Asset Management, LLC who are registered, or are required to be registered, as investment adviser representatives of Fortuna Asset Management, LLC.

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Item 4 – Advisory Business

Fortuna Asset Management, LLC (“FAM”) provides investment advice and/or management to individually managed accounts, limited partnerships, and limited liability companies for the past 25 years. As of December 31, 2011 FAM has discretionary management of all client accounts with a total of client assets under management of \$53 Million.

Clients retain FAM to provide investment management services and to manage their securities in a client's investment account (the "Account"), subject to the client's investment restrictions. Fortuna Asset Management, LLC (“FAM”) holds a limited power of attorney to act on a discretionary basis with client funds. Client funds are deposited in either a brokerage firm or a bank custodian account

FAM's clients grant FAM full discretion to all investment decisions regarding the Account, including, but not limited to, authority to buy, invest in, hold for investment, own, assign, transfer, sell (long or short), exchange, trade in, lend, pledge, deliver and otherwise deal in (on margin or otherwise) stocks, bonds, options, repurchase agreements, commodities and all other securities and intangible investment instruments and vehicles of every kind and nature ("Securities") for the Account, and to exercise, in FAM's discretion, all rights, power, privileges and other incidents of ownership with respect to Securities in the Account. In connection therewith, FAM is authorized to select and engage for the Account one or more banks, trust companies and brokerage firms as custodians or brokers for funds and Securities held in the Account, and to instruct such custodians and brokers with respect to the purchase, sale, exchange, delivery or other disposition of such Securities and disbursements relating thereto. FAM may also provide to existing clients, on an hourly basis, investment advice regarding other investment opportunities including joint ventures or real estate propositions, purchase of trust deeds or other income producing assets not available to a brokerage house. Services will primarily be for investment evaluation to determine if and how the investment should be structured and whether it belongs in the client's portfolio. Other services provided on an hourly basis include advice for overall deployment of assets, determining goals and developing investment screens.

FAM generally requires a minimum of \$500,000 to open an individually managed account but reserves the right to waive these minimums. Limited partners in FAM's investment partnership clients are required to invest a minimum of \$250,000, but the general partner of such partnerships reserves the right to waive the minimum.

FAM acts as a General Partner for some direct investment pools created for the purpose of meeting specific client portfolio needs. Currently FAM serves as General Partner or a member of the General Partner for Fortuna Stream LP, a private issue loan portfolio; Tyche Real Estate LLC and Tyche Real Estate 07 LLC, private issue Health Care Real Estate Program; and Tyche Health Enterprises, LLC, a private investment in a Health Care Management Company.

Except as may be otherwise negotiated in particular cases, a client may terminate an individually managed account by giving 30 days' written notice. Relationships with FAM's investment partnership clients are terminable on expiration of the term of the partnership or dissolution of the partnership pursuant to the terms of its partnership agreement or on FAM's withdrawal as general partner of that partnership. In all cases, expenses, the pro rata portion of the annual fee and the performance fee or allocation through the date of termination are charged to the client. All prepaid but unearned advisory fees are refunded to the client on termination of an account.

FAM does not engage in wrap-fee programs.

Item 5 – Fees and Compensation

Compensation provided to FAM is negotiable and varies, but typically consists of the following components. First, except for the Tyche LLCs and as described otherwise below, FAM charges an annual fee of 1% of assets under management, which amount is payable in arrears in quarterly installments at the end of each calendar quarter based on the net market value of the client's account on the date the fee accrues and becomes payable. Second, FAM typically receives from each individually managed account a performance fee equal to 20% of net profits of the account that are greater than a negotiated cumulative annual return (including both realized and unrealized gains and losses) on equities, special situations, and partnerships, and is allocated from each limited partner in an investment limited partnership a performance allocation equal to 20% of net profits that are greater than a negotiated cumulative annual return (including both realized and unrealized gains and losses) otherwise allocable to that limited partner. Performance fees and performance allocations are assessed in arrears on a quarterly or annual basis, and are only applied to profits that exceed the cumulative losses previously incurred by or allocated to the respective clients.

FAM receives for its services to the Tyche LLC entities, a fee which amounts to 0.5% annual management fee, payable monthly, and half of the performance fee allocated from each limited member in each Tyche LLC entity equal to 10% of net profits (half of the stated 20%)

that are greater than a 7% cumulative annual return (including both realized and unrealized gains and losses) otherwise allocable to that limited partner. Performance fees and performance allocations are assessed in arrears on a quarterly or annual basis, and are only applied to profits that exceed the cumulative losses previously incurred by or allocated to the respective clients.

Advisory fees, performance fees, and performance allocations may be deducted from the account where assets are held.

FAM currently charges \$350 per hour plus 15% overhead charge for the following services: investment advice regarding other investment opportunities including joint ventures or real estate propositions, purchase of trust deeds or other income producing assets not available to a brokerage house, advice for overall deployment of assets, determining goals and developing investment screens. These fees are typically not deducted from an account and are billed directly to the client.

Client may incur fees due to brokerage houses, custodians, banks and other entities that are typical for the transactions performed by FAM in their behalf. Examples include brokerage transaction fees, wire fees, and brokerage account fees. Please see section 12 for more detail.

Lower fees for comparable services may be available from other sources.

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

Described in Item 5 above, Fortuna Asset Management, LLC enters into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Performance fees will be charged in accordance with Section 260.234 CCR. In measuring clients' assets for the calculation of performance-based fees, Fortuna Asset Management, LLC shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for Fortuna Asset Management, LLC to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Fortuna Asset Management, LLC has procedures designed and implemented to ensure that all clients are treated fairly and

equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients:

FAM may enter into an advisory contract with one or more clients to provide non-discretionary advisory services or discretionary broker-directed accounts to such clients. Because FAM cannot control the purchase or sale of securities for non-discretionary accounts, FAM ordinarily already will have effected transactions in a particular security on behalf of discretionary clients before it recommends a transaction to non-discretionary clients. Additionally, for broker-directed accounts, trade execution, results of trade execution, trade fees, account fees, and other broker related fees and services may not be the same. Such practice may result in the execution of securities transactions for non-discretionary accounts at a less favorable price than the price obtained for discretionary accounts.

Item 7 – Types of Clients

Fortuna Asset Management, LLC provides portfolio management services to individuals, high net worth individuals, foundations, and private investment funds.

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

If FAM is engaged to provide investment advice, the client's current cash flow, financial situation, needs, goals, objectives, and risk tolerance are first evaluated. Security selection decisions are then made, in FAM's best judgment, to help the client achieve their overall financial and cash flow objectives while balancing their risk exposure. Cash flow and management of downside risk are the two key components of investment portfolio design.

FAM believes that the development of passive cash flow is the critical element in the long-term success of a client's portfolio being able to meet the client's financial objectives. Downside risk is managed by maintaining and re-evaluating stop loss levels.

Employing a variety of investment strategies (see section below), FAM recommends both publicly traded securities and private placements that meet client portfolio objectives. FAM usually executes the publicly traded securities recommended on a discretionary basis. The Client must execute all documents required to purchase private placements.

There are substantial risks involved in investing in securities. It is the client's responsibility to read the recommended securities' filings and prospectuses before investing.

Additionally, there are complexities and risks associated with trading securities including but not limited to: execution or trading errors, price volatility, bid/ask spreads, order types (such as “market” and “limit” orders), deviation from net asset value, and “execution price slippage” caused by lack of order book depth.

INVESTMENT STRATEGIES

FAM intends to use the following strategies in managing client portfolios, provided the strategies are appropriate to the objectives and constraints for each client.

Multi-Asset Risk Managed Portfolio: An ETF and mutual fund portfolio composed of multiple asset classes employing a proprietary risk model to measure variables commonly associated with market turmoil and valuation. The model combines measures of technical and volatility analysis as well as fundamental research to gauge the relative attractiveness of having exposure to risk assets in different environments.

A risk of this portfolio is the liquidity of some of the ETF's used to gain exposure in certain asset classes may decline under pressure of extreme selling.

Long-term core purchases: By holding assets for a long period, FAM increase the probability of generating positive absolute returns by reducing transaction costs (commissions, spreads, etc.). Also, the presence of taxes, it is imperative that an investor benefit from the tax-free compounding and the lower long-term capital gains tax rate to generate an acceptable after-tax rate of return.

A risk in a long-term purchase strategy is that by holding the security for this length of time, FAM are forgoing possible short-term gains that might be attainable.

Short-term opportunistic purchases: From time to time FAM may identify opportunities that are unlikely to be long-term in nature. In some of these situations, FAM may judge the higher expenses (commissions, spreads, taxes, etc) to be justified by the magnitude and likelihood of the potential benefit.

Short sales: If authorized by a client, FAM may use short sales to profit from an anticipated decline in a stock or to hedge a portfolio against anticipated volatility. In a short sale, FAM borrow the intended stock from a broker and sell it with the proceeds deposited to your account. At a later date FAM will close the position by buying the shares back and returning them to the broker. If bought back at a lower price than originally sold, the client earns a profit. If bought back at a higher price, the client suffers a loss.

Margin Transactions: If authorized by a client, FAM may make investments or engage in other permissible transactions which may result in borrowing (margin transactions). Such transactions are utilized for client convenience only and not for the purpose of leverage.

Option writing: If authorized by a client FAM may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset at a specific price on or before a certain date. An option is a security (just like a stock or bond is a security) and a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts. A call gives the holder the right to buy an asset at a certain price within a specific period of time. A put gives the holder the right to sell an asset at a certain price within a specific period of time.

FAM intends to use two option strategies:

- FAM may buy a put to limit the downside of a security FAM purchased for a portfolio.
- FAM may sell a call on a security you own, either to help pay the cost of a put FAM purchase or to generate additional income to the portfolio.

Income Generation Strategies: In addition to the strategies employed above, FAM specifically screens marketable securities and private placements for cash flow generation alternatives including:

- Marketable Securities including master limited partnerships, real estate investment trusts, royalty trusts, high yielding common and preferred stocks
- High Yield Bonds – usually below investment grade bonds with demonstrated cash flow and collateral coverage.
- Private Placements purchased from third parties or internally developed which meet portfolio objectives and meet appropriate risk/reward objectives

Risks associated with these investments include the potential decline of principal in a rising interest rate market, declining principal due to reduced liquidity of collateral and the disappearance of a functioning market place

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

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 Fortuna Asset Management, LLC or the integrity of Fortuna Asset Management, LLC's management. Fortuna Asset Management, LLC has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Karen Brenner, Manager of FAM may engage in other services of companies in which clients have invested. In consideration of these services, Ms. Brenner may receive compensation in the form of fees, shares of stock, stock options, warrants, and other forms of compensation. Any compensation received by Ms. Brenner for providing these services may be retained by such person and may not be allocated to or otherwise benefit clients.

Ms. Brenner may also serve on the Boards of Directors of companies in which clients have invested or to whom Ms. Brenner provides other services. Any fees or other compensation (including shares of stocks, stock options, and warrants) received by Ms. Brenner for serving on the Board of Directors may be retained by them and may not be allocated to otherwise benefit clients. Currently, Ms. Brenner serves on the Board of SunLink Heath Care Systems.

Due to activities of Ms. Brenner as discussed above, Ms. Brenner may learn non-public information about companies in which clients have invested, which may limit or curtail trading in such companies for clients.

FAM acts as a general partner of investment limited partnerships formed to invest and trade in the multiple types of securities and solicits investors who may or may not be clients of FAM to invest in such partnerships. Potential conflicts of interest may arise when FAM, as general partner, would act in the best interest of the partnership and not necessarily in the best interest of the individual investors in the partnership.

Item 11 – Code of Ethics

Fortuna Asset Management, LLC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Fortuna Asset Management, LLC must acknowledge the terms of the Code of Ethics annually, or as amended.

FAM and its managers, members and employees may personally invest in securities of the same classes as are purchased for clients and may own securities of issuers whose securities are subsequently purchased for clients. Except as described below in Item 12 regarding aggregating securities transactions, if an issue is purchased or sold for clients and any of FAM and its managers, members and employees on the same day, either the clients and FAM and its managers, members and employees shall pay or receive the same price, or the clients shall receive the more favorable price. If the amount of any security purchased or sold is insufficient to fill all trade orders for both clients and FAM and its managers, members and employees, client orders will be filled first. FAM and its managers, members and employees may also buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which FAM does not deem appropriate to buy or sell for clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Fortuna Asset Management, LLC's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Fortuna Asset Management, LLC will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order.

Fortuna Asset Management, LLC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting 949.476.2872.

It is Fortuna Asset Management, LLC's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Fortuna Asset Management, LLC will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a

transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

With respect to most clients, FAM has complete discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. Because FAM engages in an investment advisory business and manages more than one account, there may be conflicts of interest over FAM's time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by FAM. FAM attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. FAM may give advice and take action with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any particular client so long as it is FAM's policy, to the extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients. FAM is not obligated to acquire for any account any security that FAM or its managers, members or employees may acquire for its or their own accounts or for the account of any other client, if in the absolute discretion of FAM, it is not practical or desirable to acquire a position in such security for that account.

FAM also has complete discretion over the selection of the broker to be used and the commission rates to be paid. In selecting a broker for any transaction or series of transactions, FAM considers safety of assets first and foremost, other factors which may be considered include for example, net price, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, offering to FAM on-line access to computerized data regarding clients' accounts, the availability of stocks to borrow for short trades and other matters involved in the receipt of brokerage services generally.

A client may pay a brokerage commission in excess of that which another broker/dealer might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services. In such a case, however, FAM determines in good faith that such commission is reasonable in relation to the value of brokerage, research and other services provided by such broker/dealer, viewed in terms of either the specific transaction or FAM's overall responsibilities to the portfolios over which FAM exercises investment authority. An account may, however, pay higher brokerage commissions than are otherwise available or

may pay more brokerage commissions based on account trading activity. In addition, some clients may direct FAM to use a broker. Nevertheless, the research and other benefits resulting from the brokerage relationship would benefit all accounts managed by FAM or FAM's operations as a whole.

FAM does not receive any Research or Soft Dollar Benefits from broker-dealer or third party connected to client securities transactions.

FAM may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts managed by FAM or with accounts of affiliates of FAM. In such event, the average price of all securities purchased or sold in such transactions may be determined and a client may be charged or credited, as the case may be, the average transaction price. As a result, however, the price may be less favorable to the client than it would be if similar transactions were not being executed concurrently for other accounts.

If a client directs FAM to use a specific broker, FAM has not negotiated the terms and conditions (including, but not limited to, commission rates) relating to the services provided by such broker; FAM does not have any responsibility for obtaining for the client from any such broker the best prices or particular commission rates with or through any such broker, and the client may not obtain rates as low as it might otherwise obtain if FAM had discretion to select broker-dealers other than those chosen by the client.

FAM regularly reviews the commission rates paid by its advisory clients to determine that they are competitive with commissions paid by clients of investment advisers that provide services similar to FAM.

FAM does not receive any client referrals, research, or soft dollar benefits for directed brokerage accounts.

Item 13 – Review of Accounts

All accounts are reviewed by Karen Brenner, Manager, monthly, or more frequently as positions demand. Factors that may trigger a review include a draw down of equity of greater than 5%, increase of equity for an annual yield of 22% or more and a change in tax picture relative to the portfolio. Review includes numerous fundamental factors involving a particular client, a particular client's objectives and the assets in the portfolio.

Reports are sent quarterly to the client or on a schedule as requested by client. Reports include the initial balance, interest earned during the month, interest paid during the month, disbursements, security positions, ending balance, realized gains and losses, total return for the period, and annualized return for the period. Special reports are available upon request

Item 14 – Client Referrals and Other Compensation

FAM appreciates client referrals. Please note, whether a referral is accepted as a client is at the sole discretion of FAM.

FAM may also engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the client and FAM complies to the extent required by applicable law.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Fortuna Asset Management, LLC urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Fortuna Asset Management, LLC usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Fortuna Asset Management, LLC observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Fortuna Asset Management, LLC's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Fortuna Asset Management, LLC in writing.

Item 17 – Voting *Client* Securities

As a matter of firm policy and practice, Fortuna Asset Management, LLC does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Fortuna Asset Management, LLC may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Fortuna Asset Management, LLC's financial condition. Fortuna Asset Management, LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisers

Registered investment advisers are required in this Item to provide you with information related to State-Registration, if so registered. FAM is in the process of registering with the State of California.

Item 20 – Management Staff

Karen Beth Brenner, Managing Member

1970-1975 University of Pennsylvania, Philadelphia, PA, BA/MS Biology/Education
1978-1980 University of California, Los Angeles, CA, MSPH/MBA Health Planning/Finance
1985-1995 Karen Beth Brenner, Investment Adviser, Sole Proprietor
1995-2000 Fortuna Advisors, Inc., Investment Adviser, President and Portfolio Manager
2000-Present Fortuna Asset Management, LLC, Investment Advisor, President and Portfolio Manager

Item 21 – Disclosure

To the best of our knowledge, all material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the Fortuna Asset Management, LLC, its representatives, or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.