



# ADVOCATE WEALTH MANAGEMENT, LLC.

MANAGE YOUR RISK WITH OUR CONSERVATIVE, FEE-BASED INVESTMENT SOLUTIONS

Form ADV, Part 2A

March, 2012

The information contained herein is provided for clients and prospective clients in accordance with Form ADV, Part II, Uniform Application for Investment Adviser.

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

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.

*Advocate Wealth Management, LLC. is an independent, fee-based, registered investment advisory firm, offering tax-efficient, low-cost investment solutions intelligently tailored to meet the unique needs of clients across Washington State.*



## Advisory Business

Advocate Wealth Management, LLC. has been providing clients with direction and advice since 2004.

In the journey for financial independence we aim to make a dramatic, positive impact in our clients' lives. We do this by having a laser like focus on their needs and by maintaining a high level of client contact, education, and ethics in all that we do.

We help our clients meet their financial goals through a process that is built upon the foundation of solid financial principles and with solutions that are tailored to their needs.

As clients meet with us they experience a level of ethics, competence, service, and commitment to their needs that transcends all of their previous financial encounters.

No matter whether you're saving for a big event like retirement or just interested in making the most of your investments, we have the comprehensive solutions to help you achieve your goals.

As of March 31, 2012 Advocate Wealth Management, LLC. manages approximately \$50,466,622 in discretionary assets. Advocate Wealth Management, LLC. is registered with the SEC and is licensed in the state of Washington. Registration does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Advocate Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 360-683-7654 or email us at [sholloway@advocatewealth.com](mailto:sholloway@advocatewealth.com).

Feel free to visit us at 528 N. Fifth Ave. Sequim, Washington or find us on the internet at [Advocatewealth.com](http://Advocatewealth.com)



**Steve Holloway, CFS**  
**Founder / Owner**

Born in 1959, Steve has received no college education. He has been in the financial services industry since 1985. He has served as a Financial Consultant with

E.F. Hutton, Smith Barney, and Merrill Lynch.

Steve worked as a Financial Advisor with Great Western Financial Securities. He was promoted to Regional Manager serving in the Los Angeles, Long Beach, and San Diego regions. He was promoted to Division Manager for southern California and was a member of the executive management team. As Southern Division Manager Steve managed over 200 staff and 225 brokers with 6 regional managers reporting to him.

He was a Senior Vice President and Complex Manager with Wachovia Securities in Washington state. He earned his Certified Fund Specialist (CFS) designation in 1995.

In 2004, Steve founded Advocate Wealth Management, LLC. to offer investors a firm that does not have the conflict of interest that are all too common in the financial services industry.

He desired to bring to the investment arena a process founded on economic principles while recognizing the real world in which we live.

Steve is active in church and the community. He and his wife, Catherine, have been married for twenty-seven years. They have a large family and devote their time and energy to keeping up with the children. Although it is demanding, they find it extremely rewarding.

**Material Changes**

Since our last filing of 04/21/2010, Advocate Wealth Management, LLC. purchased the investment firm American Capital Management.

Steve purchased Matt Ferrin's interest in Advocate Wealth Management, LLC. and is now the sole owner.

**Fees and Compensation**

Compensation is fee based. Current fee schedule is as follows:

Initial amount to \$250,000	2.00% per year
\$250,000 to \$500,000	1.75% per year
\$500,000 to \$1,000,000	1.50% per year
\$1,000,000 to \$2,500,000	1.25% per year
Over \$2,500,000	0.75% per year

Fees are negotiable based on the size and complexity of the relationship. Fees are deducted from clients' accounts on a quarterly basis. We bill in arrears for the previous quarter.

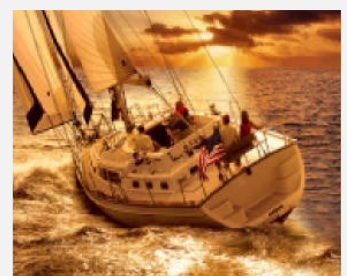
Clients are responsible for the payment of any and all costs associated with the management of their accounts. This includes, but is not limited to, all trading costs, trade away fees, commissions, mutual fund fees, and/or other expenses as incurred.

Clients may terminate their agreement with us without penalty upon our receipt of written notice. Clients are free to use other brokers or agents not affiliated with us to implement our advice.

Steve Holloway is a licensed insurance agent. As such, Advocate Wealth Management, LLC. may receive normal and customary sales commissions and other income from the sale of insurance products. We typically do not recommend insurance products as viable investments.

**Performance-Based Fees and Side-by-Side Management.**

We do not participate in performance based or side-by-side management fees nor do we choose to participate in wrap fee accounts.



## Type of Clients:

We provide investment advice to:

- Individuals
- Trusts, Estates
- Retirement Plans
- Pension and Profit Sharing Plans
- Charitable Organizations
- Corporations or Business Entities

## Methods of Analysis, Investment Strategies, and Risk of Loss

*We begin by establishing a risk profile for the client which determines their capacity to bear risk and their need for returns given their financial objectives.*



We seek to recognize the inherent risks in different areas of the markets and the overall economy. We then attempt to establish a blend of investments that reflect the risk profile of the client and current economic conditions seeking to produce the needed returns to meet the client's desired investment objectives.

While we attempt to minimize risk, investing in securities involves risk of loss and investors should be prepared to bear this risk.

Past performance of investments recommended by Advocate Wealth Management, LLC, should not be construed as an indication of future results, which may prove to be better or worse than past results.

Clients' investments will go up or down, depending on market conditions. Advocate Wealth Management, LLC, makes no promises, guarantees, or warranties that any of our services will result in a profit or prevent losses. The client may rely on information furnished by us to be reasonably accurate and reliable.

One of the methods of selection that we utilize to manage risk is **Modern Portfolio Theory** (MPT). MPT is a theory of finance which attempts to maximize portfolio expected returns for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return by carefully choosing the proportions of various assets.

MPT is a mathematical formula based on the concept of diversification in investing with the aim of selecting a collection of investment assets that has collectively lowered risk more than any individual asset.

This can be seen intuitively because different types of assets often change in value in opposite ways. For example, prices in the stock market move differently from prices in the bond market. A collection of both types of assets can in theory face lower overall risk than either individually.

Our allocations are not static as the market environment is always changing. As such we utilize another strategy known as **Tactical Asset Allocation** (TAA). TAA is a dynamic investment strategy that actively adjusts a portfolio's asset allocation on an infrequent basis. TAA strategy seeks to improve the risk-adjusted returns of passive management investing.

For example, an investor modifies his asset allocation according to the valuation of the markets, in which they are invested. Thus, someone invested in stocks might reduce their position when they perceive that other securities, such as bonds, are poised to outperform stocks. Unlike stock picking, in which the investor predicts which individual stocks will perform well, tactical asset allocation involves only judgments of the future return of complete markets or sectors.



Our TAA strategies use quantitative trend analysis, such as moving averages, relative strength, and other such indicators in an effort to produce excess investment returns. Other factors that affect our analysis include Federal Reserve policy, price relative to earnings ratios, unemployment and other leading economic indicators.

We seek to diversify portfolios using a core and satellite approach. The core of the portfolios are invested in bonds and conservative stocks, depending on the risk profile of the client. A smaller portion of the portfolio is invested in more aggressive investments based on the clients investment objectives and risk profile.

When possible we prefer the use of individual bonds and equity indexes, however this does not preclude the use of bond ETFs, stock, bond mutual funds, and individual stocks when appropriate.

*Often in the core strategy we will utilize aspects of the Efficient-Market Hypothesis*



Efficient-Market Hypothesis (EMH) asserts that financial markets are generally “informationally efficient.” In consequence of this, one cannot consistently achieve returns in excess of average market returns on a risk-adjusted basis, given the information available at the time the investment is made.

As such we often employ the use of indexes for a broad exposure to equity markets in the client portfolios.

However, as opportunity presents itself we will seek to generate excess returns by selecting individual stocks and bonds and occasionally mutual funds in portions of the portfolio. We do this to increase return to the overall portfolio based on market conditions and to restrict the risk to a smaller portion of the assets.

## Disciplinary Information

There are no legal or disciplinary events to disclose.

## Other Financial Industry Activities and Affiliations

*We are not prevented in anyway from using other custodial firms as the need may arise thus maintaining our independence and objectivity.*



Advocate Wealth Management, LLC. primarily uses TD Ameritrade as a custodian for client assets. We do not receive any compensation from them and there is no contractual relationship between our two firms.

We do business with other bond trading desks to find the best prices for our clients.

Steve Holloway owns a controlling interest in All About Storage, LLC. and in its management group Strait Equity, LLC. This requires less than 10% of his time.

All About Storage, LLC. is a non-public offering which owns a storage facility located in Sequim, WA. Steve is one of the founders of All About Storage and owns 14 shares of 100 authorized shares of All About Storage, LLC.

When appropriate and suitable Advocate Wealth Management, LLC. may recommend investment in All About Storage, LLC. to our qualified clients. This could present a conflict of interest. Consequently before any investment is made in All About Storage, LLC. this relationship is fully disclosed both verbally and in the investment documents provided.

To further avoid any conflict of interest Advocate Wealth Management, LLC. does not charge investment management fees for investments in All About Storage, LLC. Nor does Steve receive any cash compensation for his management role of all about Storage, LLC.



*Our code of ethics recognizes that we are a fiduciary to our clients and requires its officers and employees to act as such.*



### Code of Ethics

We ensure our clients get investment advice they can trust by abiding by the following code of ethics:

- **Integrity.** We will always tell our clients what we know and what we do not know. Our honor is our power to bring about lasting positive change in the lives of our clients.
- **Objectivity.** We maintain an environment that does not compel or entice us to suggest any one direction. We maintain a constant vigilance of our independence.
- **Competence.** We place a high value on competence. We have developed this high level of competence through training and experience. We continue to educate ourselves to create an even greater level of competence for our clients.
- **Fairness.** We embrace the golden rule. We represent our clients' best interests and act as a fiduciary in their lives.
- **Confidentiality.** We safeguard the information that is given to us. We employ the latest technologies and methods to safe keep the information and records of our clients.
- **Professionalism.** We strive to demonstrate the type of values that reflect the best of our profession.
- **Diligence.** We seek the best solutions for our clients by utilizing a thorough and ongoing due diligence process on all of the products and services that we offer.

### Participation or Interest in Client Transaction and Personal Trading

On occasion, Steve Holloway may buy or sell securities that he recommends to clients. There is no conflict of interest as the securities are widely held and publicly traded and he is too small an investor/advisor to affect the market. He places clients interests before his own.

A restriction is placed on each officer or employee's personal securities transactions including (a) prohibition on purchases of initial public offerings (b) a requirement for all Access Persons to obtain prior approval of most of their personal securities transactions.

### Brokerage Practices

Advocate Wealth Management LLC often recommends TD Ameritrade as the broker / dealer. We feel that TD Ameritrade's costs, skills, reputation and dependability benefits our clients.

We receive research from brokers which we make available to all of our clients. We do not receive any compensation or other services from any broker and/or custodian.

Clients wishing to implement our advice are free to select any broker they wish, and are so informed. Those wishing for us to recommend a broker will get a recommendation based on the broker's costs, skills, reputation, dependability and compatibility with the client.



## Review of Accounts

Client reviews are conducted on a quarterly basis or when requested by the Client. Clients may choose as to how often they would prefer to have a portfolio review.

These are oral reviews. We review the portfolio, the economic environment and any changes that may have occurred in the clients life that would have a bearing on the portfolio.

## Client Referrals and Other Compensation

*AdvocateWealth Management welcomes client referrals and this is primarily how we have built our firm.*



We feel that compensating for referrals is a poor business practice and as such we do not compensate clients for referrals.

When we make referrals to other professionals, where possible we strive to recommend more than one such person in order to avoid any conflict of interest.

## Custody

Advocate Wealth Management, LLC does not take custody of client assets. We use broker / dealers to hold client assets.

Clients receive monthly statements, confirmations and internet access to their accounts directly from the broker / dealer. Upon receipt of these statements clients should carefully review them.

Any performance reporting given to clients by Advocate Wealth Management LLC should be carefully reviewed and compared with statements received directly from their broker / dealer.

## Investment Discretion

Advocate Wealth Management LLC requires limited trading authorization. This is fully disclosed to clients. Clients sign a contract agreeing to discretion for trading and the withdrawal of fees with Advocate Wealth Management LLC and the broker / dealer.

The client authorizes Advocate Wealth Management, LLC to act as the clients Financial Advisor to the broker / dealer to access, view and inquire about the transaction history, balances, holdings, and activity in the account.

The client authorizes Advocate Wealth Management, LLC. to make investment decisions concerning their accounts without prior consultation with the client.

Our general practice is to consult with clients before any transactions. However, we reserve the right to utilize discretion when we deem it necessary.

The client authorizes Advocate Wealth Management, LLC to be the clients agent and attorney-in-fact, and in that capacity, to give instructions to the broker / dealer for transactions in the account and to take all other actions necessary or incidental to the execution of such instructions.

The client authorizes the broker / dealer to follow all Advocate Wealth Management, LLC's oral, written, or electronically transmitted instructions without the broker / dealer obtaining the clients approval, counter-signature or co-signature.



Clients may be able to obtain lower commissions and fees from other broker / dealers. The value of products, research and services given to us could be a conflict of interest. These services are not peculiar to any custodian and we do not feel they represent a conflict of interest. The research provided is not a factor in determining the selection of broker/dealers or the reasonableness of their commissions.

*We seek the best price available for our clients stock and bond transactions and many times aggregating orders will provide us that opportunity.*



Although each clients account will be individually managed, when it is beneficial for the client and when occasion permits we will purchase and/or sell the same securities for many accounts in a block transaction to reduce costs and /or enhance trade price.

When such an occasion presents itself, we will aggregate the same transactions in the same securities for many clients who have the same brokerage firm as custodian.

Clients in an aggregated transaction will each receive the same price per share, bond or unit.

If we have to place more than one order to fill all orders in an aggregated transaction, each client in the aggregated transaction will receive the average price paid in all orders placed for clients in the same aggregate transaction in the same security on that day.

If we are unable to fill an aggregated transaction completely, but receive a partial fill of an aggregated transaction, we will allocate the partially filled transaction to clients based on an equitable rotational system. that considers size of account, size of the partially filled order, and other factors.

Certain clients may not be included in certain aggregated transactions because of cash availability. As a result, it is possible in a rapidly changing market that all client accounts might not receive allocations of a purchase or sale of securities before Advocate Wealth Management, LLC. determines to change its action for client accounts.

In such a situation, certain client accounts might not participate in gains or losses that were made by other client accounts with similar investment objectives.

In addition, if a client account is in custody at a brokerage firm that is not a selling group member for an underwriting, such a client account may not be able to participate in the purchase of securities in the underwriting. Furthermore, generally, we do not purchase new issues for client accounts.

### *Voting Client Securities*

Advocate Wealth Management, LLC does not vote client securities.

### *Financial Information*

Advocate Wealth Management, LLC does not require any pre-payment of fees. We charge fees in arrears for services that have already been rendered.

