
WELTON INVESTMENT CORPORATION

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This Brochure provides information about the qualifications and business practices of Welton Investment Corporation (“Welton”). If you have any questions about the contents of this Brochure, please contact us at (831) 626-5190. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Welton is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.

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

ITEM 2 – MATERIAL CHANGES

This is Welton's initial narrative brochure prepared in accordance with the new Form ADV Part 2A.

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ITEM 4 – ADVISORY BUSINESS

Welton is a Delaware corporation that was formed on May 19, 1997.

Welton is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator and a commodity trading adviser and is a member in good standing of the National Futures Association in those capacities. Welton operates under the direction of Dr. Patrick L. Welton, its Chief Executive Officer and President.

The Welton Family Trust dated January 28, 1992 is the principal owner of Welton and owns in excess of 25% of the outstanding shares of Welton.

Welton’s primary investment strategy involves trading commodity futures contracts and over the counter (“OTC”) foreign exchange products through managed accounts (collectively, “Separate Account Investors”) and private investments funds pursuant to Welton’s proprietary trading systems (the “Futures Trading Programs”). The Futures Trading Programs focus on the trading of futures and forward contracts at standard and enhanced trading levels through managed futures/global macro trading strategies that seek to invest across a diversified group of global futures markets and OTC foreign exchanges spanning four market sectors (traditional commodities (e.g., agriculture, energy, and metals), currencies, equity indices, and interest rates).

On a more limited basis, Welton provides discretionary investment management services and/or delegates and oversees such services regarding cash securities portfolios consisting of cash equivalents, including without limitation, obligations of the U.S. Government and its agencies and instrumentalities, United States (“U.S.”) & foreign bank liabilities, corporate obligations, repurchase agreements, money market accounts, and such other interest-bearing instruments or obligations to its private investment fund clients (collectively, “Fund Clients”).

In addition, Welton provides discretionary investment management services to a private investment fund comprised of a limited private group of investors (the “Closed Fund”). Welton’s investment strategy with respect to the Closed Fund differs from that of the Fund Clients and involves trading futures and forward currency contracts, equity securities and broad based exchange traded funds pursuant to systematic strategies that seek to achieve absolute returns uncorrelated with the U.S. equity market.

Information about the Fund Clients and the Closed Fund managed by Welton (collectively, the “Private Funds”), including information about investment strategies, investment policies and restrictions, fees, risks and other material information, is contained in each Private Fund’s respective offering documents (collectively, “Memorandum”).

As of February 29, 2012 Welton managed approximately \$275 million of regulatory assets on a discretionary basis in the Private Funds.

Welton, overall, manages approximately \$990 million, including its primary investment strategy involving trading commodity futures contracts and foreign exchange products through managed accounts and private investments funds.

ITEM 5 – FEES AND COMPENSATION

Welton does not have a standardized fee schedule with respect to its discretionary investment management services. Welton receives management/consulting fees generally of 2% per annum based on the net asset value of a Fund Client's account (and in certain circumstances, 4% per annum based on a 2:1 notional trading level). Welton receives performance-based compensation generally of up to 20% of the net realized and unrealized trading gains in a Fund Client's account above a "high water mark" (i.e., the previous highest net asset value at which performance-based compensation was paid). Management/consulting fees generally are charged monthly in arrears and performance-based fees generally are charged quarterly in arrears. Performance-based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"), as applicable. Fees may be negotiable depending upon, among other factors, the relationship between Welton and an investor in the Fund Client, the amount of investment, timing and length of time in which the investment has been pledged. Fees charged with respect to Welton's futures trading may be similar or different to those charged to its securities advisory clients. Fees are generally deducted from Fund Client assets, not billed separately. Welton does not charge any fees with respect to the Closed Fund, though it may do so in the future. The specific manner in which fees are charged by Welton is set forth in each Private Fund's written agreement with Welton or its governing Memorandum.

Fund Client advisory agreements are generally terminable upon 30 calendar days' prior written notice to Welton, without penalty. Upon termination of any account, for any partial period, fees charged to clients in arrears will be prorated. Redemptions and withdrawal by investors in a Private Fund are governed by such Private Fund's Memorandum.

Welton's fees do not include brokerage and transaction fees, costs and charges, and other costs and expenses related to the trading and maintenance of client accounts, including, but not limited to commissions, custodial fees and taxes. All such fees, costs and charges are borne by the client. Such fees, costs and charges are exclusive of and in addition to Welton's fee, and Welton does not receive any portion of these fees, costs and charges.

Item 12 describes the factors that Welton considers in selecting broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As set forth in Item 5 above, Welton's performance-based compensation is generally 20% per annum of the net realized and unrealized trading gains in a Fund Client's account above a high water mark and generally is charged quarterly in arrears. Please see Item 5 for more information.

Performance-based compensation arrangements may create an incentive for Welton to recommend investments which may be riskier or more speculative than those which would be recommended under a different compensation arrangement. Managing accounts that are charged performance-based compensation and accounts that are not may give rise to a potential conflict of interest, as a manager may have an incentive to favor the accounts of clients for which such

manager receives performance-based compensation over accounts for which it receives only an asset-based fee or no fee. Welton has established allocation procedures so that all clients are treated fairly and equally on an overall basis, and to prevent this potential conflict from materially influencing the allocation of investment opportunities among such clients.

ITEM 7 – TYPES OF CLIENTS

Welton generally provides investment advice to private investment fund clients. In addition, Welton provides trading advice with respect to commodity futures contracts and OTC foreign exchange products through managed accounts for certain U.S. and non-U.S. financial institutions. A standard minimum account size of \$10 million is generally required of Separate Account Investors; however, Fund Clients have a minimum investment requirement for investors of \$1 million, which may be waived or modified.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Welton's Futures Trading Programs as provided to its Private Fund clients and Separate Account Investors seek to follow an investment process using quantitative and statistical modeling in futures and forward contracts. Through the use of dynamic portfolio strategy, sector and time frame position exposures, Welton seeks to create alpha generating tendencies toward lower exposures in overextended trends and in non-directional markets, and toward higher exposures in either rapidly moving or longer sustained trending markets.

Welton also provides to its Fund Client discretionary investment management services and/or delegates and oversees such services regarding cash securities portfolios consisting of cash equivalents, including without limitation, obligations of the U.S. Government and its agencies and instrumentalities, U.S. & foreign bank liabilities, corporate obligations, repurchase agreements, money market accounts, and such other interest-bearing instruments or obligations.

With respect to the Closed Fund, Welton also provides discretionary investment management services involving equity securities that seeks to follow systematic strategies that look to achieve absolute returns uncorrelated with the U.S. equity market.

There can be no assurances that a Private Fund will achieve its investment objective or that the strategies pursued and methods utilized by Welton will be successful under all or any market conditions. Past performance is no guarantee of future performance.

Investing in securities involves risk of loss that clients should be prepared to bear. A brief explanation of the material risks associated with Welton's principal investment and trading strategies and methods of analysis follows. Additional risk factors are set forth in the Memorandum of each Private Fund.

Welton's cash securities portfolios include a limited amount of securities and therefore do not reflect a fully diversified portfolio. Investments may be made in cash equivalents and other short-term debt obligations that are subject to interest rate and market risks.

In addition, Welton invests or oversees the investment of Fund Client assets directly in short-term investments which may include money market instruments. Money market instruments generally are considered to be low risk, highly liquid short-term securities. Nonetheless, these instruments are subject to risk, including default risk, depreciation risk and liquidity risk. For example, commercial paper is not backed by collateral. Issuers of commercial paper are required to have high credit ratings and defaults have been rare but they have nonetheless occurred. As a result, they are subject to a risk of loss.

The Private Funds are subject to the risk of failures or inaccuracies in the Welton Futures Trading Programs. Trades for the Private Funds may be placed or executed in error due to: (a) technical errors such as coding or programming errors in software, hardware problems and inaccurate pricing information provided by third parties; or (b) execution errors such as keystroke, typographic or inadvertent drafting errors.

The foregoing does not purport to be a complete explanation of the risks involved in trading securities or with respect to any trading system or investment strategy.

ITEM 9 – DISCIPLINARY INFORMATION

Welton does not have any disciplinary or legal events to report.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Welton is registered with the CFTC as a commodity pool operator and a commodity trading advisor and is a member in good standing of the National Futures Association in those capacities. See also Item 4.

ITEM 11 – CODE OF ETHICS

Welton has adopted a Code of Ethics (the “Code”) which sets forth the ethical and fiduciary principles and related compliance requirements under which Welton operates and the procedures for implementing those principles. The Code includes provisions which govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

With respect to personal trading by its principals, employees and related accounts (collectively, “Employees”), Employees may be permitted to invest in Welton sponsored investment vehicles with the prior permission of the Chief Compliance Officer and Chief Executive Officer.

Employees are permitted to maintain personal securities accounts provided that such accounts are disclosed to Welton and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code, Employees and Welton may buy, sell or hold, for their own respective personal or proprietary trading accounts, securities that Welton also may buy, sell or hold for clients, although it is not expected that Employees will generally do so to

any great extent, which will help to mitigate any potential conflict of interest. Employees are not permitted to maintain personal futures trading accounts.

Certain Welton proprietary accounts may trade in the same securities or futures contracts with client accounts on an aggregated basis when consistent with the client's investment objectives. Given the liquid nature and availability of such securities and futures contracts, proprietary trading does not present a material conflict of interest.

The Code contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to clients;
- prohibit trading on the basis of material nonpublic information;
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and
- require initial and annual reports of securities holdings and monthly transaction reports by Employees.

Welton's Code of Ethics is available upon request to any client or prospective client by contacting Welton at (831) 626-5190.

Consistent with a clients' investment objectives and in accordance with applicable law, Welton may cause accounts it manages to effect, and will recommend to clients or prospective clients, the purchase or sale of securities in which Welton, directly or indirectly, has a position or interest. The potential conflict of interest regarding such relationship is disclosed to investors and prospective investors of a client prior to their making an investment in a client. See also Items 4 and 10.

Welton does not engage in principal transactions with client accounts.

ITEM 12 – BROKERAGE PRACTICES

In the course of a client's investment activities a client may incur substantial brokerage commissions and other transaction expenses. Welton has complete discretion in deciding which brokers, futures commission merchants, and other financial and depository institutions (each, a "Financial Intermediary") the Private Funds will use and in negotiating rates of brokerage compensation. In addition to using Financial Intermediaries as agents and paying commissions, the Private Fund may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns. Separate Account Investors are responsible for designating their own Financial Intermediaries.

For the most part, Welton looks to select Financial Intermediaries it considers to be reputable and creditworthy. In making its selection of Financial Intermediaries, Welton takes into account the Financial Intermediary's reliability, reputation, financial responsibility, stability, ability to

execute trades, arbitrage operations, nature and frequency of sales coverage, commission rate and responsiveness. Welton does not presently make use of any “soft dollar” arrangements.

From time to time, it may be appropriate for more than one of the accounts managed by Welton to trade in the same securities or futures contracts at the same time. As a general rule, such orders are combined (or bunched) and allocations among Welton’s clients acquiring the same instrument on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise on an allocation amount determined at the time of the order. When a bunched order results in a split fill, the highest fill price will be allocated to the client with the highest account number, and correspondingly, lowest fill price to lowest account number. While Welton’s goal is to be fundamentally fair on an overall basis with respect to all clients, there can be no assurance that on an overall or trade-by-trade basis that any particular client will not be treated more favorably than another.

ITEM 13 – REVIEW OF ACCOUNTS

Fund Client accounts, including portfolio positions, are generally reviewed monthly by middle office staff, including the Fund Accounting Manager, and are subject to the Chief Compliance Officer’s review. Investors in Fund Clients are provided with written monthly unaudited account statements and receive annual audited fiscal year-end financial information. Investors in the Closed Fund are provided annual unaudited compilation reports.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

In limited circumstances, Welton may compensate third parties, including Financial Intermediaries, for referring prospective advisory clients (or investors in the Fund Clients) to it. Such referral fees generally may be a percentage of the management/consultant fees and/or performance-based compensation earned by Welton or such other amount as agreed to between Welton and the referring third party. Referred investors in a Fund Client do not pay any referral fees. To the extent applicable, referral arrangements conform to Rule 206(4)-3 of the Investment Advisers Act of 1940, as applicable. See also Item 10.

Welton does not receive any economic benefit for providing advice to its clients from anyone other than its clients.

ITEM 15 – CUSTODY

Welton does not have actual custody of any client assets. As the managing member of certain of the Private Funds, Welton is deemed to have custody of Private Fund assets for its Private Fund clients. Notwithstanding, in accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940, audited financial statements are furnished annually to all investors in the Private Funds. Clients are urged to carefully review all statements and contact Welton if they have any questions.

ITEM 16 – INVESTMENT DISCRETION

Consistent with a client's investment objectives and in accordance with the applicable investment management agreement or, with respect to a Private Fund, the Memorandum, Welton has the authority to determine, without obtaining client consent, (1) securities to be bought and sold and (2) the amount of securities to be bought and sold. Limitations on Welton's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling clients' accounts, (ii) the investment strategies and objectives of its clients, and (iii) with respect to a Private Fund, the Private Fund's Memorandum.

ITEM 17 – VOTING CLIENT SECURITIES

Welton does not currently exercise discretion to vote proxies for client securities.

ITEM 18 – FINANCIAL INFORMATION

Welton has no financial condition that impairs its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.