
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

On May 1, 2012 Welton became a registered investment adviser with the SEC. This Brochure updates Welton's initial Brochure. Material changes have been made to include certain operational fees and expenses separate and distinct from the fees paid to Welton (Item 5), futures and forward trading risks (Item 8), enhanced disclosures relating to personal, proprietary and related person trading accounts (Item 11) and a revised description of Welton's allocation procedures (Item 12).

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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 certain series or classes of certain of its private investment fund clients (collectively, “Advisory Fund Clients”). Information about the Advisory Fund Clients managed by Welton, including information about investment strategies, investment policies and restrictions, fees, risks and other material information, is contained in each Advisory Fund Client’s respective offering documents (collectively, “Memorandum”).

Currently, Welton’s only “investment advisory clients” are the Advisory Fund Clients. The Separate Account Investors and other private investment funds are not “investment advisory clients” for purposes of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Therefore, the Separate Account Investors and other private investment funds are generally not discussed in this Brochure except in the context of conflicts of interest that may arise between Welton’s management of its Advisory Fund Clients and the Separate Account Investors and other private investment funds (collectively, “Clients”).

As of December 31, 2012, Welton managed approximately \$195,856,402 of regulatory assets on a discretionary basis in the Advisory Fund Clients.

Welton, overall, manages approximately \$700 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 an Advisory Fund Client's account. Such management/consulting fees are shared by Welton and Welton Global Funds Management Corporation (which acts as the commodity pool operator to certain of Welton's private investment funds). Welton receives performance-based compensation generally of up to 20% of the net realized and unrealized trading gains in an Advisory Fund Client's account above a "high water mark" (i.e., the previous highest net asset value at which performance-based compensation was paid), net of fees and expenses. 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 Advisers Act, as applicable. Fees with investors in the Advisory Fund Clients may be negotiable depending upon, among other factors, the relationship between Welton and an investor in the Advisory Fund Client, the amount of investment, timing and length of time in which the investment has been pledged.

In addition to the foregoing fees, Advisory Fund Clients are subject to a range of certain operational fees, generally not more than 15 basis points, with respect to (i) cash management and custody fees paid to Brown Brothers Harriman & Co. ("BBH") related to the assets held in the cash securities portfolio and (ii) management and fund charges paid to managers of those money market accounts in which Welton invests on behalf of its Advisory Fund Clients. Investors in Advisory Fund Clients should therefore be aware that all such operational fees and expenses are separate and distinct from the fees paid to Welton resulting in an additional layer of fees and expenses on such investments.

Fees are generally deducted from Advisory Fund Client assets, not billed separately. The specific manner in which fees are charged by Welton is set forth in each Advisory Fund Client's written agreement with Welton or its governing Memorandum. Fees charged with respect to Welton's Separate Account Investors may be similar or different to those charged to its Advisory Fund Clients.

Advisory 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 an Advisory Fund Client are governed by such Advisory Fund Client'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 administrative fees and costs, directors' fees, 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 an Advisory Fund Client’s account above a high water mark, net of fees and expenses, and generally is charged quarterly in arrears. Fees charged with respect to Welton’s Separate Account Investors may be similar or different to those charged to its Advisory Fund Clients. 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, and/or accounts that are charged different levels of management fees, 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 or higher management fees over accounts for which it receives no performance based fee or lower asset-based fees. 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 Clients. Please see Item 12 for more information.

ITEM 7 – TYPES OF CLIENTS

Welton generally provides investment advice to private investment fund clients. Investors in the private investment funds may include institutional clients, multi-manager funds, family offices and high net worth qualified individual investors. 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. Advisory Fund Clients have a minimum investment requirement for investors of \$1 million, which may be waived or modified. For those Clients that are not “investment advisory clients” (*i.e.*, Separate Account Investors), a standard minimum account size of \$10 million is generally required.

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

Welton’s Futures Trading Programs 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 Advisory 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.

There can be no assurances that an Advisory Fund Client 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 Advisory Fund Client.

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 Advisory 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 Advisory Fund Clients are subject to futures, forward and options trading risks. Futures and forward contracts have a high degree of price variability, are subject to periodic rapid and substantial changes and cannot always be liquidated at the desired price. Futures and forward trading is a risk transfer economic activity. For every gain there is an equal and offsetting loss rather than an opportunity to participate over time in general economic growth. United States commodity exchanges may limit fluctuations in futures contracts prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits."

The Advisory Fund Clients are subject to the risk of failures or inaccuracies in the Welton Futures Trading Programs. Trades for the Advisory Fund Clients 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. Welton has appointed BBH as the Advisory Fund Clients' independent cash manager and custodian to provide discretionary portfolio management services with respect to any such cash, money market or bond instruments. BBH's cash management activities are subject to certain investment guidelines consistent with the foregoing that are established by Welton and may be revised and modified by Welton from time to time. As noted in Item 5 above, investors in the Advisory Fund Clients are subject to an additional layer of fees by way of the Advisory Fund Clients paying fees to BBH and the managers of those money market accounts invested in by the Advisory Fund Clients.

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.

In that Welton's primary investment strategies include or may include the trading of commodity futures contracts and over the counter ("OTC") foreign exchange products ("Commodities"), Employees may not engage in the trading of Commodities.

Employees are permitted to engage in personal securities transactions, such as, the trading of equities, equity ETFs, equity indices and their related options, and cash securities ("Securities") 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, cash securities that Welton may also buy, sell or hold for Clients. However, due to the liquid nature and availability of cash securities, Employee trading in such securities should not present material conflicts of interest.

Certain Welton proprietary accounts and related person accounts may trade in the same Securities or Commodities, and in different directions, with Client accounts on an aggregated

basis. Given the liquid nature and availability of such securities and futures contracts, such trading should not present material conflicts of interest between Clients and Welton proprietary accounts and related person accounts.

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.

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 Advisory Fund Clients will use and in negotiating rates of brokerage compensation. In addition to using Financial Intermediaries as agents and paying commissions, the Advisory Fund Clients may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns.

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.

Often 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. In those situations, Welton aggregates (or bunches) such orders for Clients acquiring the same instrument on the same day. Welton allocates such trades on a pro rata basis, based on the relative value of the accounts, or otherwise on a fair allocation amount determined at the time of the order. At times, certain accounts will be excluded from the aggregated trade order due to account limitations or market restrictions. In such an instance, the equity traded that is related to such accounts would be excluded from the total assets under management that is used to determine the bunched order being placed.

In addition, at times, Welton will not aggregate an order but, rather, will place an order directly for the benefit of specified accounts. This includes any orders placed to address material additions or withdrawals made to such accounts, as instructed by the account owners or other situations where a specific need of an account needs to be addressed.

When a bunched buy or sell order results in a split fill Welton allocates split fills on both buy and sell orders with the highest fill price to highest account number, and correspondingly, lowest fill price to lowest account number on all orders. When a bunched buy or sell order results in a partial fill Welton uses a partial fill rotational list to determine the allocation for the trade. This list is updated weekly. All accounts are placed in numeric and alphabetical order initially, and receive partial fill allocations based on this order for one week. Beginning with the first day of the next week, the account that was located in the first position is placed at the bottom of the list and the rest of the accounts move up in the rotation. At the next trading opportunity, Welton will attempt to obtain the remainder of the contracts not filled, at or near the same price, or at the market, so that the accounts that did not receive a fill the preceding day will be provided the opportunity to follow the Welton trading signal as if they were filled on the previous day. When trading begins in a new account, this new account will be placed in the list according to numeric and alphabetical order.

To monitor that all accounts are treated fairly and that there is no material difference in performance, Welton performs parity analysis on a monthly and rolling 12-month basis to review that all accounts are obtaining relatively equal performance and that certain accounts are not be advantaged over other accounts based on Welton's allocation decisions or for other reasons. 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 a trade-by-trade basis that any particular Client will not be treated more favorably than another.

ITEM 13 – REVIEW OF ACCOUNTS

Advisory 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 Advisory Fund Clients are provided with written monthly unaudited account statements and receive annual audited fiscal year-end financial information.

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 Advisory 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 an Advisory Fund Client do not pay any referral fees. To the extent applicable, referral arrangements conform to Rule 206(4)-3 of the Advisers Act.

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 under Rule 206(4)-2 of the Advisers Act. Nonetheless, Welton is deemed to have custody of Advisory Fund Client assets. In accordance with Rule 206(4)-2 of the Advisers Act, audited financial statements are furnished annually to all investors in the Advisory Fund Clients. Investors are urged to carefully review all account 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 an Advisory Fund Client, 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 an Advisory Fund Client, the Advisory Fund Client'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.