

# Disclosure Brochure

February 22, 2013



This brochure provides information about the qualifications and business practices of Stringer Asset Management, LLC (hereinafter "Stringer Asset Management" or the "Firm"). If you have any questions about the contents of this brochure, please contact Gary Stringer at (901) 405-4505. 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. Additional information about Stringer Asset Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Stringer Asset Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## **Item 2.      Material Changes**

This Item discusses only the material changes that have occurred since Stringer Asset Management's last annual update. As this is the firm's initial Disclosure Brochure, there are no material changes to report.

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### Firm Disclosure Brochure

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## Item 4. Advisory Business

Stringer Asset Management is a registered investment adviser that generally provides services through model portfolios on a sub-advisory basis. When acting as a sub-advisor the Firm's relationship is generally with the institution that designates Stringer Asset Management to manage such assets. Throughout this Disclosure Brochure, any reference to the institution that designates Stringer Asset Management to manage assets is referred to as the "institutional client" as distinguished from the beneficial owner of the assets being managed. In addition, the Firm may provide investment management services to certain family members or friends of Stringer Asset Management (hereinafter, "friends and family clients").

Prior to engaging Stringer Asset Management to provide any of the foregoing investment advisory services, all clients are required to enter into one or more written agreements with Stringer Asset Management setting forth the terms and conditions under which Stringer Asset Management renders its services (collectively the "*Agreement*").

Stringer Asset Management was formed in October 2012 and is wholly owned by Laurus Principal Group, LLC. As this is the Firm's initial application for investment adviser registration, the Firm does not currently have any assets under management to report.

This Disclosure Brochure describes the business of Stringer Asset Management. Certain sections may also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Stringer Asset Management's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on the Firm's behalf and is subject to Stringer Asset Management's supervision or control.

### Investment Management Services

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Institutional clients can engage Stringer Asset Management to manage all or a portion of their assets on a discretionary basis. The Firm offers model portfolios to institutional clients through a sub-advisory relationship. Pursuant to that relationship, the institutional client is generally responsible for conducting an initial assessment and reviewing the investment needs, goals, objectives and risk tolerance of the beneficial owner of the assets (or end-client). Thereafter, funds are allocated to Stringer Asset Management for discretionary management services.

Friends and family can engage Stringer Asset Management directly to manage all or a portion of their assets on a discretionary basis. Stringer Asset Management tailors its advisory services to the individual needs of these clients. Stringer Asset Management consults clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Stringer Asset Management seeks to ensure its investments are suitable given these factors.

Stringer Asset Management primarily allocates clients' investment management assets among exchange-traded funds ("ETFs") and secondarily among mutual funds. In addition, Stringer Asset Management may allocate assets among individual debt and equity securities, corporate debt securities, municipal securities, U.S. government securities and investment company securities. When appropriate and desirable, the Firm will also research and offer advice pertaining to other types of investments as needed to meet a client's needs.

Both institutional and friends and family clients are advised to promptly notify Stringer Asset Management if there are changes in their clients' or their own financial situation or investment objectives, respectively, or if they wish to impose any reasonable restrictions upon Stringer Asset Management's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in the Firm's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Item 5. Fees and Compensation

### Investment Management Fee

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Stringer Asset Management provides investment management services for an annual fee based upon a percentage of the market value of the clients' assets being managed by the Firm. In the case of institutional clients, Stringer Asset Management is paid for its investment management services directly by the institutional client. The Firm's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Stringer Asset Management does not, however, receive any portion of these commissions, fees, and costs. Stringer Asset Management's annual fee is prorated and charged quarterly, in advance, based on the last day of the previous quarter. The annual fee for all clients varies (between 0.50% and 1.00%) depending upon the market value of the assets under management and scope of services provided.

Stringer Asset Management, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), Stringer Asset Management generally recommends that clients utilize the brokerage and clearing services of an independent broker-dealer for investment management accounts.

Stringer Asset Management may only implement its investment management recommendations after the client has arranged for and furnished Stringer Asset Management with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to any broker-dealers recommended by Stringer Asset Management, broker-dealers directed by the client, trust companies, banks, etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Stringer Asset Management’s fee.

The Firm’s *Agreement* and the separate agreement with any *Financial Institutions* may authorize Stringer Asset Management to debit the client’s account for the amount of the Firm’s fee and to directly remit that management fee to Stringer Asset Management. Any *Financial Institutions* recommended by Stringer Asset Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Stringer Asset Management. While friends and family clients may elect to have Stringer Asset Management send an invoice for payment, Stringer Asset Management generally does not permit institutional clients to be invoiced directly.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Stringer Asset Management and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Stringer Asset Management’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to the Firm’s right to terminate an account. If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets may be adjusted or prorated based on the number of days remaining in the quarter. Institutional clients may impose different requirements on the end-client. Additions may be in cash or securities provided that Stringer Asset Management reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to Stringer Asset Management, subject to the usual and customary securities settlement procedures. However, Stringer Asset Management designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s

investment objectives. Stringer Asset Management may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

Stringer Asset Management does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7. Types of Clients**

Stringer Asset Management primarily provides its services to institutional clients on a sub-advisory basis as well as to certain individual friends and family clients.

#### **Minimums**

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The Firm does not impose a minimum account size or minimum fee as a condition for starting and maintaining a relationship.

### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Investment Strategies**

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The Firm's investment management process seeks to be investor-specific and incorporate current and forward-looking ideas to define appropriate portfolios for a given set of investor circumstances. Stringer Asset Management believes that investors can benefit from both active and passive investing as well as strategic and tactical asset allocations. The Firm also believes that there are times when investors may benefit by increasing the level of cash in their portfolios. In general, the Firm adheres to the following principles:

- Utilize proprietary tactical elements in the overall investment approach in order to take advantage of market opportunities as they present themselves and as one means of becoming more defensive when seen fit.
- Utilize active managers who are benchmark agnostic. In other words, the managers can pursue opportunities across their respective range of expertise. When analyzing these active managers, the Firm likes to think along the lines of Warren Buffett when he wrote in his 2010 letter to Berkshire Hathaway shareholders, "our only style box is 'smart.'"

- Recognize there are certain periods of time when the financial markets cease to function properly. There are occasions when sellers dominate the markets causing prices to decline precipitously. Through a systematic process, the Firm has developed its Cash Indicator, which seeks to not only raise cash in order to position portfolios more defensively when markets break down, but also to reinvest that cash at more attractive valuations.
- Primarily utilize ETFs and other similar investments in portfolios to minimize costs while seeking to boost performance and create tax efficiency.

### Methods of Analysis

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Stringer Asset Management generally analyzes investments using an asset allocation strategy based on Modern Portfolio Theory ("MPT").

MPT is a mathematical based investment discipline that seeks to quantify expected portfolio returns in relation to corresponding portfolio risk. The basic premise of MPT is that the risk of a particular holding is to be assessed by comparing its price variations against those of the market portfolio. However, MPT disregards certain investment considerations and is based on a series of assumptions that may not necessarily reflect actual market conditions. As such, the factors for which MPT does not account (e.g., tax implications, regulatory constraints and brokerage costs) may negate the upside or add to the actual risk of a particular allocation. Nonetheless, Stringer Asset Management's investment process is structured in such a way to integrate those assumptions and real life considerations for which MPT analytics do not account.

### Risks of Loss

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#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

#### *Market Risks*

The profitability of a portion of Stringer Asset Management's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Stringer Asset Management will be able to predict those price movements accurately.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Management Through Similarly Managed Accounts*

For certain clients, Stringer Asset Management may manage portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, Stringer Asset Management buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

Stringer Asset Management's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to Stringer Asset Management's clients may be limited. For example, various mutual funds or insurance companies may limit the ability of Stringer Asset Management to buy, sell, exchange or transfer securities consistent with its *investment strategy*.

## Item 9. Disciplinary Information

Stringer Asset Management is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Stringer Asset Management does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

Stringer Asset Management is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Stringer Asset Management has described such relationships and arrangements below.

### Related Investment Adviser

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Stringer Asset Management is under common control with Snow Capital Management L.P., an SEC registered investment adviser.

## Item 11. Code of Ethics

Stringer Asset Management and persons associated with the Firm ("Associated Persons") are permitted to buy or sell securities that the Firm also recommends to clients consistent with Stringer Asset Management's policies and procedures.

Stringer Asset Management has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). Stringer Asset Management's *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by the Firm or any of its associated persons. The *Code of Ethics* also requires that certain of Stringer Asset Management's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Stringer Asset Management is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Access Person is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact Stringer Asset Management to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

Factors which Stringer Asset Management considers in recommending *Financial Institutions* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Certain *Financial Institutions* may enable Stringer Asset Management to obtain mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by a particular *Financial Institution* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Stringer Asset Management's clients comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Stringer Asset Management determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Stringer Asset Management seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Stringer Asset Management periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Stringer Asset Management in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Stringer Asset Management will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by

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Stringer Asset Management (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Stringer Asset Management may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Stringer Asset Management decides to purchase or sell the same securities for several clients at approximately the same time. Stringer Asset Management may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Stringer Asset Management's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Stringer Asset Management's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Stringer Asset Management determines to aggregate client orders for the purchase or sale of securities, including securities in which Stringer Asset Management's *Supervised Persons* may invest, Stringer Asset Management generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Stringer Asset Management does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Stringer Asset Management determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Stringer Asset Management may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Stringer Asset Management in its investment decision-making process. Such research generally will be used to service all of Stringer Asset Management's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research

products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Stringer Asset Management does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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Stringer Asset Management may receive from *Financial Institutions*, without cost to the Firm, computer software and related systems support, which allow Stringer Asset Management to better monitor client accounts maintained at a *Financial Institution*. Stringer Asset Management may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at *Financial Institution*. The software and support is not provided in connection with securities transactions of clients (i.e. not “soft dollars”). The software and related systems support may benefit Stringer Asset Management, but not its clients directly. In fulfilling its duties to its clients, Stringer Asset Management endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Firm’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Stringer Asset Management’s choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

## **Item 13. Review of Accounts**

For those institutional clients to whom Stringer Asset Management provides investment management services, Stringer Asset Management monitors those portfolios as part of an ongoing process while regular reviews are conducted on at least a quarterly basis. Such reviews are conducted by an investment adviser representative of the Firm. However, the institutional client will be responsible for reviewing individual account performance with the beneficial owner of those assets. All institutional clients are encouraged to discuss the needs, goals, and objectives with the beneficial owners and to keep the Firm informed of any changes thereto. Institutional clients and/or beneficial owners are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the accounts.

For those friends and family clients to whom Stringer Asset Management provides investment management services, the Firm monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by an investment adviser representative of the Firm. All friends and family clients are encouraged to discuss their needs, goals, and objectives with Stringer Asset Management and to keep the Firm informed of any changes thereto. Stringer Asset Management contacts investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives. Unless otherwise agreed upon, friends and family clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those friends and family

clients to whom Stringer Asset Management provides investment advisory services will also receive a report from Stringer Asset Management that may include account and/or market-related information including an inventory of account holdings and account performance as they may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from Stringer Asset Management.

### **Item 14. Client Referrals and Other Compensation**

Stringer Asset Management is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

In addition, Stringer Asset Management is required to disclose any direct or indirect compensation that it provides for client referrals. The Firm does not provide any direct or indirect compensation for client referrals.

### **Item 15. Custody**

Stringer Asset Management's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Stringer Asset Management through such *Financial Institution* to debit the client's account for the amount of Stringer Asset Management's fee and to directly remit that management fee to Stringer Asset Management in accordance with applicable custody rules.

The *Financial Institutions* recommended by Stringer Asset Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Stringer Asset Management. In addition, as discussed in Item 13, Stringer Asset Management also sends periodic supplemental reports to friends and family clients. All clients should carefully review the statements sent directly by the *Financial Institutions* and, where applicable, compare them to those received from Stringer Asset Management.

### **Item 16. Investment Discretion**

Stringer Asset Management is given the authority to exercise discretion on behalf of clients. Stringer Asset Management is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. The Firm is given this authority through a power-of-attorney included in the agreement between Stringer Asset Management and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Stringer Asset Management takes discretion over the following activities:

- The securities to be purchased or sold;

- The amount of securities to be purchased or sold; and
- When transactions are made.

### **Item 17. Voting Client Securities**

Stringer Asset Management is required to disclose if it accepts authority to vote client securities. Stringer Asset Management does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### **Item 18. Financial Information**

Stringer Asset Management does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Stringer Asset Management is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Stringer Asset Management has no disclosures pursuant to this Item.



Prepared by:

