

# FORM ADV PART IIA

Version Date February 15, 2015



**PER STIRLING**

CAPITAL MANAGEMENT, LLC

Performance • Perspective • Per Stirling

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This brochure provides information about the qualifications and business practices of PER STIRLING Capital Management, L.L.C. If you have any questions about the contents of this brochure, please contact us by telephone at (512) 335-4100 or by e-mail at [ops@perstirling.com](mailto:ops@perstirling.com). 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 on PER STIRLING Capital Management, L.L.C. is also available on the S.E.C.'s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update

The material changes to this brochure since its previous release on May 20, 2014 is reflected on Page 5 in the Principal Owners section. Indirect minority ownership was transferred from Mr. Paul Jacobs to Mr. Richard Alan Jacobs in February 2015. This change does not affect the operation of the firm.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (888) 355-6075 or by email at: [ops@perstirling.com](mailto:ops@perstirling.com).

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## Advisory Business

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### Firm Description

PER STIRLING CAPITAL MANAGEMENT, L.L.C. (hereafter PER STIRLING) is a Registered Investment Advisory (RIA) firm headquartered in Austin, Texas and registered with the Securities and Exchange Commission. Please note that being “registered” is simply the end result of a registration process, and does not imply any specific level of skill, training or achievement.

PER STIRLING was founded in 2009 and is led by a very experienced and proven management team. The company’s two Directors, John Per O’Sullivan and Robert Stirling Phipps, III, together average:

- Twenty-five Years of Industry Experience
- Nineteen Years Serving as President, Director, Chief Investment Officer, or Chief Market Strategist of Registered Investment Advisory and/or Broker-Dealer (i.e. brokerage) Firms
- Seventeen Years of Experience in Managing Portfolios Together, and
- Nineteen Years Managing Separate Accounts and/or Hedge Funds

PER STIRLING has three core competencies. They include 1) the management of custom-designed “supervisory” portfolios, 2) the provision of wealth management and financial planning services, and 3) the management of a series of proprietary growth portfolios (a.k.a. “Separately Managed Account programs”), which are described in the body of this writing.

In many instances, these custom-designed “supervisory” accounts are managed to produce current income or to manage the distribution of principal. Supervisory accounts are also employed in instances when clients want the monitoring of and advice on individual securities and less-liquid securities like hedge funds and limited partnerships. In addition, custom-designed accounts are used whenever the client and their personal advisor determine that the client’s needs are best addressed through an individually-customized investment program. Quite frequently, a client’s investment program is comprised of a combination of both custom-designed portfolios and PER STIRLING-sponsored “Separately Managed Account programs” (SMAs).

PER STIRLING’S wealth management and financial planning services may include, as examples, retirement planning, cash-flow planning, estate planning, college funding, risk analysis and insurance counseling, planned giving strategies, executive & employee benefit consulting, asset protection strategies, tax planning, and wealth transfer strategies.

PER STIRLING acts as a fiduciary, and is committed to always act in what it perceives to be in the best interest of its clients.

PER STIRLING provides confidential investment management and planning services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses.

PER STIRLING is strictly a fee-only Registered Investment Advisor firm, and does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. Indeed, no commissions in any form are accepted and no finder's fees are accepted. However, while Per Stirling Capital Management is fee only, some of our registered individuals are dually registered with a broker dealer and may accept commissions for products sold through the broker dealer.

PER STIRLING does not directly or indirectly compensate non-registered individuals for client referrals.

PER STIRLING does not act as a custodian of client assets. The client always maintains asset control. PER STIRLING places trades for clients in accordance with its Management Agreement.

PER STIRLING and its associates may on occasion recommend the services of other professionals (e.g., lawyers, accountants, insurance agents, etc.) However, any such professionals are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

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### **Principal Owners**

John Per (J.P.) O'Sullivan and Robert Stirling Phipps, III are majority stockholders of Per Stirling Capital Management. Richard Alan Jacobs is a minority stockholder in Per Stirling Capital Management.

Of note, Mr. O'Sullivan and Mr. Phipps are also among the principle owners of Per Stirling Investments, which operates as an Office of Supervisory Jurisdiction (essentially a self-supervising branch office) for B.B. Graham & Company (member of S.I.P.C. and FINRA), which is a broker-dealer firm that does sell financial products and securities.

Aside from this paragraph, any other reference to PER STIRLING refers to Per Stirling Capital Management, LLC.

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### **Types of Advisory Services**

PER STIRLING provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; provides wealth management and financial planning services, furnishes investment advice through consultations, and issues periodicals about capital markets and the global economy.

PER STIRLING is pleased to manage custom-designed ("supervisory") portfolios for clients. In many instances, these supervisory accounts are managed to produce current income or to manage the distribution of principal. In other instances, PER STIRLING manages custom-designed growth portfolios for its clients.

In addition to custom-designed portfolios, PER STIRLING manages a series of proprietary growth portfolios. These separate accounts are managed by PER STIRLING's two Directors and are made available to both clients of PER STIRLING and clients of

investment advisors at other investment advisory firms, where they are offered through both sub-advisory and private-labeling agreements. These portfolios are described below:

### **PER STIRLING Core Growth Portfolio**

### **PER STIRLING Growth Portfolio**

### **PER STIRLING Conservative Growth Portfolio**

The “Core Growth” and “Conservative Growth” portfolios employ a primarily dynamic, asset allocation-based approach to portfolio management that seeks to maintain an optimal allocation between asset classes (stocks, bonds, real estate, cash, etc.). Fundamental and statistical analysis; along with economic research, are at the core of the decision-making process in these portfolios.

The “Growth” portfolio is a primarily tactical, “best ideas” portfolio, where allocations are concentrated in the specific sectors, asset classes, and geographic regions (parts of the world) that PER STIRLING’S management team believes offer the most compelling investment opportunities. Fundamental and technical analysis is emphasized in the management of this portfolio.

#### **TYPES OF MARKET ANALYSIS**

Fundamental analysis is based upon fundamental news such as market valuations, earnings growth rates, economic data, currency trends, the interest rate outlook, and the prospects for fiscal and monetary policy.

Technical analysis is based on mathematical models and chart patterns. It is intended to provide insight into a market’s internal condition by gauging factors such as investor sentiment, price momentum, and technical valuation.

Statistical analysis and back-testing helps the management team to anticipate how various portfolio allocations might perform based upon historical relationships and statistical factors such as absolute volatility, relative volatility, risk-adjusted return, and price correlation.

The one characteristic that is common to each of these portfolios is management’s goal of creating “excess alpha”. In plain English, this means that management attempts to produce high risk-adjusted returns. We describe it as “producing a level of long-term return that is higher than would reasonably be expected in light of the amount of risk in the portfolio”.

These portfolios operate as Separately Managed Accounts (SMAs), which are also known as “model portfolios”. This means that all clients who adopt one of these strategies will experience virtually the same experience and returns as all other clients in the same portfolio strategy.

It is noteworthy that the firm’s Directors and portfolio managers maintain a significant majority of their liquid net worth in these PER STIRLING Separately Managed Accounts.



At the same time, it should be noted that there is a potential conflict of interest in recommending these portfolios, as clients who invest in these portfolios are often more profitable to the firm than those who do not.

Detailed information on each of these portfolios is available upon request, and is easily accessible on our web site [www.perstirling.com](http://www.perstirling.com).

As of February 15, 2015, PER STIRLING managed approximately \$216,820,000 in assets for approximately 344 clients. Virtually all of the firm's assets under management are managed on a discretionary basis.

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### **Tailored Relationships**

The goals and objectives for each client are documented in the company's new account documentation. Clients in custom-designed "supervisory" accounts may impose restrictions on investing in certain securities or types of securities. Any such restrictions must be agreed to in writing by both the client and the Investment Advisor Representative (i.e. the client's personal advisor). Clients who are invested in any of PER STIRLING'S three Separately Managed Account programs (noted above) may not impose such restrictions due to the fact that all clients in each respective program must have virtually identical allocations.

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### **Types of Agreements**

The following agreements define the typical client relationships.

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#### **Financial Planning Agreement**

PER STIRLING maintains that investment management is best provided within a well-defined set of financial objectives and timeframes, and that the core components of the financial planning and wealth management processes provide an excellent format for establishing the parameters for an optimal investment program.

We believe that there are a great many other benefits to a client working with a financial advisor to craft a financial program, and thus encourage our clients to discuss the potential benefits of designing a financial plan with their personal advisor.

At the same time, we recognize that all clients are unique, and that some clients have a greater need for the planning process than do other clients. Further, we recognize that every client's needs, and thus the components of every financial plan, are different, which is why we do not pre-define the components and/or cost of the wealth management services provided by PER STIRLING'S advisors. Instead, we maintain both the flexibility of our advisors to work with their clients in whatever way best meets their clients' needs, and the negotiability of the fees for said services. In all instances, an estimated fee (or range of potential fees) will be disclosed and agreed upon in writing before any services are provided.

In those instances when a client and their personal advisor determine that more comprehensive planning services are not required, PER STIRLING will work with its clients to determine, at minimum, a client's risk tolerance, investment time horizons, and return-related needs. This process is used to help to determine which portfolios, portfolio strategies, and investment objectives are optimal for each individual client. In almost all instances (and unless specifically agreed to by the client in advance), this basic needs analysis is provided at no cost to the client beyond the normal asset management fees.

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### **Advisory Service Agreement (a.k.a. Per Stirling Management Agreement)**

Most clients choose to have PER STIRLING manage their assets in order to obtain ongoing investment advice and continuous portfolio management.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship.

For clients receiving only portfolio management services, the annual Advisory Service Agreement fee is based on a percentage of the investable assets under management. The management fee is a function of two components. The first is the advisor fee which is determined between the client and their individual investment advisor associate. These advisor fees, which average 1.0% of assets under management per annum, may be negotiable under certain circumstances.

For PER STIRLING clients who elect to participate in PER STIRLING'S Separately Managed Account Programs there is an additional management fee of one-half of one-percent per annum (0.5%). This fee may be negotiable at the discretion of PER STIRLING'S executive management team.

Current client relationships may exist where the fees are higher or lower than those noted above. Clients in custom-designed "supervisory" accounts may pay higher or lower fees than clients participating in PER STIRLING'S model portfolio programs (i.e. Separately Managed Account programs) depending primarily on the investment objectives of the client and the amount of assets under management.

PER STIRLING, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Advisory fees paid to PER STIRLING by institutional clients (clients of other investment advisory firms who utilize PER STIRLING'S portfolios), normally range between 40 and 50 basis points per annum (0.40% to 0.50% per year). Institutional client fees are negotiated between PER STIRLING and the retail advisory firm.

Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination of the Management Agreement, and upon the written request of the client, unearned management fees will be refunded to the client on a pro rata basis according to the following formula:

*The portfolio value at the completion of the prior full billing quarter (divided by 365) times the number of days remaining in the current calendar quarter.*

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### **Retainer Agreement**

In some circumstances, a *Retainer Agreement* is executed in lieu of an *Advisory Service Agreement* when it is more appropriate to work on a fixed-fee basis. The annual fee for a *Retainer Agreement* is negotiable.

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### **Solicitor Agreement**

PER STIRLING may utilize the services of solicitors who are paid a percentage of management fees as compensation for introducing clients to the firm. Any such fee-sharing arrangements are fully disclosed to the client. The role of a solicitor is different from that of an advisor associate and does not include providing investment and/or financial planning advice to clients. A solicitor may be a Registered Representative of an affiliated broker-dealer firm, but this does not mean or imply that said solicitor is an investment advisor representative of PER STIRLING.

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### **Investment Management Agreement**

An *Investment Management Agreement* governs the relationship between PER STIRLING and the client. See Advisory Service Agreement Section for more detail.

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### **Tax Preparation Agreement**

Tax preparation work is not included in the *Advisory Service Agreement* or *Retainer Agreement* scope of work.

We direct the client to their tax professional for any tax advice they may require.

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### **Hourly Planning Engagements**

PER STIRLING provides hourly consulting services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements will range from \$125 to \$350, depending on expertise of the advisor and the services provided. This hourly charged rate is entered into using the aforementioned Financial Planning Agreement and is negotiable.

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### **Asset Management**

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. PER STIRLING does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable annuity, variable life insurance, mutual funds shares), U. S. government securities, options contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available directly through PER STIRLING.

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### **Termination of Agreement**

A client may terminate any of the aforementioned agreements at any time by notifying PER STIRLING in writing. PER STIRLING will refund any unearned portion of the advance payment upon receipt of a written request for a refund from the client.

PER STIRLING may terminate any of the aforementioned agreements at any time by notifying the client in writing. PER STIRLING will refund any unearned portion of the advance payment upon receipt of a written request for a refund from the client.

## Fees and Compensation

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### Description

PER STIRLING bases its portfolio management fees on a percentage of assets under management.

Investment management fees will be debited from or billed to each account at the beginning of each quarter based on the value of the account as of the end of the prior quarter. The following formula will be used to determine the fee amounts to be assessed.

$$(\text{Account Value} \times \text{Management Fee}) \times (\# \text{ of days in the Quarter} / 365)$$

Example:

The quarterly assessment (for a 91-day quarter) on a \$100,000 portfolio with a 150 basis point (1.50%) annual management fee would be \$373.97 as shown:

$$(100,000 \times .015) \times (91/365) = \$373.97$$

Fees are payable in advance on the first day of the quarter and delinquent after the 15th day of the quarter. Any account in which fees are delinquent for more than 30 days is subject to termination of services hereunder, and any fees earned by the Advisor but unpaid by the Client will accrue at an interest rate equivalent to the prevailing Prime Rate as published by the Wall Street Journal plus 3%. Clients whose services have been terminated will be notified by phone, or by mail to the last known address. The firm will not automatically change an investment position in the event of termination of services regardless of the type of account (i.e. Supervisory or Portfolio Management Accounts).

Prorating for New Client Assets is calculated by the following formula:

$$\text{Quarterly Calculation} \times \{ \text{Days Remaining in Quarter} / \text{Total \# of Days in Quarter} \}.$$

Prorating for Terminating Accounts is calculated by the following formula:

$$\text{Most Recent Quarterly Fee Assessment} \times \{ \text{Days Remaining in Quarter} / \text{Total Number of Days in Quarter} \}.$$

In certain instances, where clients request services outside of PER STIRLING'S core asset management services, hourly charges or fixed fees may apply. Any such hourly charges or fixed fees would be specified in advance through separate agreements.

Some *Retainer Agreements* may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

In certain instances, fees may be negotiable.

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### **Fee Billing**

Investment management fees are billed quarterly, in advance, meaning that we invoice you, or debit your account, at the beginning of the three-month billing period. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

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### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain securities. These transaction charges are usually small and incidental to the purchase or sale of a security. PER STIRLING will never participate (i.e. benefit from) such transaction fees.

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### **Expense Ratios**

Mutual funds, exchange-traded funds and exchange-traded notes generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% per annum for their services. These fees are in addition to the fees paid by you to PER STIRLING.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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### **Past Due Accounts and Termination of Agreement**

PER STIRLING reserves the right to stop work on any account that is more than 30 days overdue.

## **Performance-Based Fees**

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### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

PER STIRLING does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Types of Clients**

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### **Description**

PER STIRLING generally provides investment advice to individuals, trusts, and estates both directly and through other investment advisors. As some investment services are being provided through sub-advisory and private labeling agreements, the investment Advisor may or may not be registered through PER STIRLING. While not its core market, PER STIRLING may also provide services to banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, charitable organizations, corporations or other business entities.

Client relationships vary in scope and length of service.

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### **Account Minimums**

The minimum account size is \$250,000 of assets under management per “household” or family unit living at the same physical address. PER STIRLING has the discretion to waive the \$250,000 account minimum, which applies only to clients of PER STIRLING.

The investment minimum for institutional clients (clients of other investment advisory firms who utilize PER STIRLING’S portfolios), is \$50,000 per household.

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

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### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, cyclical analysis, statistical analysis and back-testing.

The main sources of fundamental information include financial newspapers and magazines, CNBC, Bloomberg TV, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that PER STIRLING may use include, as examples, the Morningstar Institutional Workstation, Investools, and the World Wide Web.

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### **Investment Strategies**

PER STIRLING manages portfolios across an array of objectives and strategies. Objectives for custom-designed portfolios range from capital preservation and current income on one hand to long-term growth and tactical sector allocation on the other. As of the date of this brochure, approximately three-fourths of PER STIRLING’S assets under management are in these custom-designed “supervisory” portfolios.

The remainder of PER STIRLING’S assets under management are invested in the firm’s three growth strategies that are being offered as separately managed accounts. The one characteristic that is common to each of these portfolios is management’s goal of creating “excess alpha”.

In plain English, this means that management attempts to produce high risk-adjusted returns. We describe it as “producing a level of long-term returns that is higher than would reasonable be expected in light of the amount of risk in the portfolio”.

At PER STIRLING, we maintain that the creation of "excess alpha" is the key to long-term success in the management of an investment portfolio. Put another way, we believe that it is critically important not only to produce high units of return per each unit of risk in a portfolio (a.k.a. "excess alpha"), but also to proactively and tactically adjust portfolio risk levels in consideration of the anticipated market environment.

As such, a cornerstone of PER STIRLING’S investment strategy in its separately managed account (SMA) programs is to use our proprietary fundamental research and technical analysis to proactively increase portfolio risk when our managers identify opportunities for high risk-adjusted return, and to reduce market exposure and beta (portfolio volatility) when

our managers consider the markets to have unattractive risk-versus-return characteristics.

Across each of our SMA portfolios, we employ risk-aware and alpha-driven portfolio management strategies that are designed to produce high risk-adjusted returns and superior nominal performance over the intermediate and longer term. We endeavor to produce alpha for our clients on two fronts. The first is through our proprietary macroeconomic and technical analysis. Through this process we endeavor to determine the optimal asset mix and sector/geographic weightings for each of our strategies. The second front is our tactical securities selection process through which we identify opportunities that we believe should provide superior risk-adjusted returns in the anticipated environment.

The past successes of the PER STIRLING portfolio management team are not necessarily indicative of future results, and there is no guarantee that PER STIRLING will be successful in its efforts to produce “excess alpha”.

**The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. It is the responsibility of the client to discuss any such changes with their personal financial advisor.**

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will buy more than will a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment’s originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

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### **Legal and Disciplinary**

As of the date of this brochure, the firm has not been involved in legal or disciplinary events related to past or present investment clients. If, in the future, an advisor joins the firm who has a legal or disciplinary event in their history, or if a current advisor is, in the future, the subject of a legal or disciplinary event, the details of such an event will be disclosed in that advisor's Form ADV Part II-B, which will be provided to all current and prospective future clients of that advisor.

## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

PER STIRLING is not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

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### **Affiliations**

Certain associates of PER STIRLING are also Registered Representatives (brokers), licensed to sell securities through a registered Broker/Dealer, and may be licensed to sell insurance products through various insurance companies. Differing scales and terms of compensation between investment advisor and broker-dealer platforms create a potential conflict of interest in recommending one platform in lieu of another.

A company called Per Stirling Investments, which was founded in 2011, has the same owners and ownership structure as does Per Stirling Capital Management. Per Stirling Investments is not the subject of this brochure.

Per Stirling Investments, L.L.C. operates as an Office of Supervisory Jurisdiction (essentially a self-supervising branch office) of B.B. Graham & Company, which is a broker-dealer firm. Per Stirling Investments is a separate and distinct company from both Per Stirling Capital Management and B.B. Graham & Company, and was established for the benefit of any clients whose full or partial needs are better served by working with their advisor through a traditional brokerage relationship. Such instances might include situations where the client does not require continuous management of their accounts, where the client is holding illiquid securities, or where the client has a product-specific need such as insurance or a fixed annuity.

Any other mention of PER STIRLING in this brochure refers to Per Stirling Capital Management, LLC.



Aside from the above, PER STIRLING has no arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

Importantly, under no circumstances will either PER STIRLING or its associates receive commissions or other transaction-related compensation on any account managed by PER STIRLING.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

The employees of PER STIRLING have committed to a Code of Ethics that is available for review by clients and prospective clients upon request.

In summary, the Code of Ethics is based on the principle that PSCM and each of its employees owe a fiduciary duty to its clients and a duty to comply with federal and state securities laws and all other applicable laws. In recognition of this fact, PSCM requires that all representatives must place the interest of the clients first, and conduct themselves honestly and professionally. Representatives have a duty to take appropriate action if any illegal or unethical activity comes to their attention. Representatives must refrain from actions or activities that allow a person to profit or benefit from his or her position with respect to a client, or that otherwise bring into question the Representative's independence or judgment. This includes the obligation of Representative's to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise to take unfair advantage of their relationship with clients.

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### **Participation or Interest in Client Transactions**

PER STIRLING and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the PER STIRLING *Compliance Manual*.

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### **Personal Trading**

The Chief Compliance Officer of PER STIRLING is John Per O'Sullivan. He reviews all employee trades each month. His trades are reviewed by Robert Stirling Phipps, III. The personal trading reviews ensure that employees activities do not adversely affect the general market or clients of PER STIRLING.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

With the exception of the above-noted Per Stirling Investments disclosure, PER STIRLING does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. PER STIRLING recommends

custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

PER STIRLING recommends discount brokerage firms and trust companies (qualified custodians), such as Fidelity Investments, Charles Schwab and Vanguard.

PER STIRLING does not receive transaction fees or commissions from any of these arrangements.

PER STIRLING may be provided software or other benefits from vendors in order to execute trades in accounts associated with PER STIRLING.

The client ultimately decides which brokerage firm is selected as the custodian firm. However, certain services, such as PER STIRLING'S Separately Managed Account programs may not be available through all brokerage platforms.

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### **Best Execution**

PER STIRLING reviews the execution of trades at each custodian on an ongoing basis. Trading fees charged by the custodians is also reviewed on a quarterly basis. PER STIRLING does not receive any portion of the trading fees.

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### **Soft Dollars**

There are no "soft dollar" arrangements between Per Stirling and any of these custodial firms. The Investopedia.com web site explains "Soft Dollars" as follows:

"For example, a mutual fund may offer to pay for research from a brokerage firm by executing trades at the brokerage.

Let's say that Large-Cap Value Fund (LCV) wants to buy some research from XYZ Brokerage Firm. LCV may agree to spend at least \$10,000 in commissions for brokerage services in return for research from XYZ. This would represent a soft dollar payment. Alternatively, if LCV wanted to simply buy the research from XYZ and not agree to any kind of soft dollar fee, it might have to pay the brokerage firm \$7,000 in "hard dollars" (cash) for the service."

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### **Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

## **Review of Accounts**

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### **Periodic Reviews**

All accounts are reviewed on a firm level at least quarterly. Firm-level reviews of accounts are performed more frequently when market conditions dictate. In addition, custom-designed, supervisory accounts are monitored on an ongoing basis by each respective investment advisor representative and company-sponsored portfolios, such as those described on pages five and six of this brochure, are normally reviewed daily and always at least weekly.

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### **Review Triggers**

Other conditions may trigger a review, including changes in the tax laws, new investment information, and changes in a client's own situation.

The PER STIRLING Investment Policy Committee (IPC) is charged with reviewing and providing oversight with regard to the Per Stirling model portfolios and non-model portfolio (i.e. supervisory) assets which will be reviewed by the IPC at least quarterly and more frequently during volatile market periods.

Reviewers: IPC consists of John P. O'Sullivan and Robert S. Phipps. IPC members may be added and/or changed in the future at the company's discretion.

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### **Regular Reports**

PER STIRLING provides quarterly reports to advisory households reflecting a current market appraisal of the client's account as well as year-to-date, one-year, three-year, five-year and lifetime returns (when available). The statements detail the customer's beginning and ending balances and any withdrawals or deposits during the period. PER STIRLING provides these reports for illustrative purposes only.

As a client, you should ultimately rely upon the statements provided by the custodian broker-dealer (where your assets are actually held), and use those statements to verify the information provided to you in the reports generated by PER STIRLING.

Additionally, the firm provides, on a monthly basis and at no additional cost, an investment writing entitled the *Per Stirling Capital Outlook*, which discusses current investment markets and offers Per Stirling's global capital markets and economic outlook.

Moreover, clients who participate in the company-sponsored model portfolios described on pages five and six of this brochure receive e-mail communications called "e-lerts" that detail any allocation changes to said portfolios and the rationale for and impact of said changes.

The company also produces brochures referred to as "portfolio profiles" that detail the objectives, historical returns and important statistical information on the company-sponsored model portfolios described on pages five and six of this brochure.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

PER STIRLING and its associates have been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

*For information regarding our solicitors, please see the previous section, "Solicitors Arrangement"*

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### **Referrals Out**

PER STIRLING does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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**Other Compensation**

Employees or associated individuals of Per Stirling Capital Management, LLC may be compensated for the referral of clients to Per Stirling Capital Management, LLC.

**Custody**

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**Account Statements**

All assets are held at qualified custodians, which means the custodians also provide account statements directly to clients at their address of record at least quarterly.

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**Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by PER STIRLING. PER STIRLING provides these reports for illustrative purposes only.

As a client, you should ultimately rely upon the statements provided by the custodian broker-dealer (where your assets are actually held), and use those statements to verify the performance information provided to you in the reports generated by PER STIRLING.

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**Net Worth Statements**

Unless provided as a component of general wealth management services, PER STIRLING does not provide net worth statements to its clients.

**Investment Discretion**

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**Discretionary Authority for Trading**

PER STIRLING accepts discretionary authority to manage securities accounts on behalf of clients. PER STIRLING has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

The client approves the custodian to be used. PER STIRLING does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in a client's accounts on their behalf so that we may promptly implement the client's investment objectives.

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**Limited Power of Attorney**

A Management Agreement provides the trading authorization for this purpose. You sign a Management Agreement so that we may execute trades in pursuit of the objectives that you have approved.

## **Voting Client Securities**

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### **Proxy Votes**

PER STIRLING does not vote proxies on securities. Clients are expected to vote their own proxies. You will receive proxies directly from the custodian firm (the broker-dealer where your account is actually held).

When assistance on voting proxies is requested, PER STIRLING will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

## **Financial Information**

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### **Financial Condition**

PER STIRLING does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because PER STIRLING does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## **Business Continuity Plan**

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### **General**

PER STIRLING has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people. A copy of the PER STIRLING business continuity plan is available upon request.

### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

### **Loss of Key Personnel**

PER STIRLING has taken the steps necessary to ensure that company operations will continue unabated in the event of the death or serious disability of key personnel.

## Information Security Program

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### Information Security

PER STIRLING maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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### Privacy Notice

PER STIRLING is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the goal-setting process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

We share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you of any changes affecting our privacy policy as applicable. We are required by law to deliver our *Privacy Notice* to you at the beginning of your business relationship with PER STIRLING, and annually, in writing, thereafter.

## Brochure Supplement (Part 2B of Form ADV)

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### **Education and Business Standards**

PER STIRLING requires that advisors in its employ have work experience and/or an educational background that demonstrates their aptitude for securities research, investment management, and financial consulting.

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### **Professional Certifications**

Certain PER STIRLING employees have either earned or are in pursuit of certifications and credentials that are required to be explained in further detail.

Certified Financial Planner (CFP): Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.