

# Kenjol Capital Management, LLC

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**This brochure provides information about the qualifications and business practices of Kenjol Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (512) 506-9395 or [info@kenjol.com](mailto:info@kenjol.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 about Kenjol Capital Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Kenjol Capital Management, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to Kenjol Capital Management, LLC's disclosure statement since last year's Annual Amendment filing on February 27, 2012.

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#### Item 4            **Advisory Business**

- A. Kenjol Capital Management, LLC (the “Registrant”) is a limited liability company formed on January 9, 2001 in the State of Texas. The Registrant became registered as an Investment Adviser Firm in November 2002. The Registrant is principally owned by Kenneth J. Landgraf. Mr. Landgraf is the Registrant’s Managing Member.
- B. As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) discretionary investment advisory services. The Registrant ***does not*** hold itself out as providing financial planning, estate planning, or insurance planning services. To the extent specifically requested by a client, the Registrant *may* provide limited consultation services to its investment management clients on investment and non-investment related matters that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which the Registrant shall usually not receive any separate or additional fee.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s asset allocation programs. The Registrant’s asset allocation programs include Dynamic & Strategic Asset Management programs, Fixed Income programs and Certificate of Deposit programs. For more information about these programs and their respective fee schedules, please see Item 5A below.

To the extent specifically requested by the client, the Registrant *may* provide limited consultation services to its investment management clients on investment and non-investment related matters that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which the Registrant shall usually not receive any separate or additional fee.

#### **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent specifically requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant’s services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Independent Managers.** The Registrant may also recommend that certain clients authorize the active discretionary management of a portion or all of their assets by and/or among certain independent investment manager[s], usually in accordance with the terms and conditions of the platform sponsored by Fidelity Investments (“*Fidelity*”). The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending independent investment manager[s] include the client’s designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Sub-Advisers/Research.** The Registrant may engage unaffiliated sub-advisers for the purpose of assisting the Registrant with its management (e.g., provide research, investment signals, sub-advisory management) of one or more of the Registrant’s asset allocation programs.

**Sub-Advisory Arrangements.** The Registrant may be engaged by other unaffiliated registered investment advisory firms (each, an “Unaffiliated Firm”) to assist such Unaffiliated Firms with the management of their clients’ accounts. The Registrant shall have discretionary authority for the day-to-day management of those assets allocated to it by the Unaffiliated Firms. The Registrant shall perform in that capacity until the arrangement is terminated in accordance with the respective agreement between the Registrant and the Unaffiliated Firm, which will provide the terms and conditions of Registrant’s compensation for those services. The Registrant’s Chief Compliance Officer, David H. Levy, remains available to address any questions concerning the Registrant’s sub-advisory arrangements.

**Variable Investment Products.** The Registrant may also be engaged to allocate client investment assets among the various subdivisions within a variable investment product (variable annuity and/or variable life) owned by the Client.

**Private Investment Funds.** If the Registrant provides investment advice relative to private investment funds, the following disclosure is applicable: Private investment funds generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in each fund’s offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Note: Inverse/Enhanced Market Strategies.** The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable

or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Trade Error Policy.** Registrant shall reimburse accounts for losses resulting from the Registrant's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Registrant's custodian firm account and Registrant retains the net gains and losses.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As December 31, 2012, the Registrant had \$106,157,701 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a non-negotiable (except as provided below) *fee-only* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's asset allocation programs as follows:

### **DYNAMIC & STRATEGIC ASSET MANAGEMENT**

The annual fee for Dynamic & Strategic Asset Management services (including equity strategies, blended equity and fixed-income strategies, and the High Yield Bond Program) will be charged as a percentage of assets under management, according to the schedules below:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee (%)</u></b>
First \$1,000,000	1.20%
Next \$1,000,000	1.00%
Next \$1,000,000	0.90%

Next \$2,000,000	0.80%
Over \$5,000,000	0.70%

**FIXED INCOME (excluding High Yield Bond Program and Bond Alternative Program)**

For clients electing to invest exclusively in fixed income (include Income Program and individual bond portfolios), services will be charged as a percentage of assets under management, according to the schedules below:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee (%)</u></b>
First \$500,000	0.80%
Next \$500,000	0.70%
Next \$2,000,000	0.60%
Next \$2,000,000	0.50%
Over \$5,000,000	0.40%

**SEPARATELY MANAGED ACCOUNTS**

For clients electing to invest in separately managed accounts, services will be charged as a percentage of assets under management, according to the schedules below:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee (%)</u></b>
All assets	0.80%

**CERTIFICATE OF DEPOSITS (CD's)**

For clients electing to only invest in the Certificate of Deposits (CD's), services will be charged as a percentage of assets under management, according to the schedules below:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee (%)</u></b>
First \$250,000	0.20%
Next \$250,000	0.15%
Over \$500,000	0.10%

Registrant will negotiate a fee schedule for the following: clients with more than \$5,000,000 in assets under management, clients with less than \$100,000 in assets under management, non-discretionary services, custom programs and services, sub-advisor services, and performance based fees.

**ACCOUNT SETUP / MONITORING FEES**

For those accounts which the Registrant utilizes ByAllAccounts to source data into the Registrant's SmartView Client Portal, there will be a one-time setup fee of \$500. The ongoing monitoring fee is \$80 annually per account. In the event the Registrant is also providing asset management services on the same account, the account monitoring fee associated with that account will be waived.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's

invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *Fidelity* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum fee requirement 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, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, high net worth individuals, business entities, other Registered Investment Advisory firms, trusts, estates and charitable organizations. The Registrant does not generally require an annual minimum fee but typically imposes a minimum asset level of \$250,000.00 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum fee requirement 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, negotiations with client, etc.).

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

- A. The Registrant shall utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear.

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.



In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend options transactions. This strategy has a high level of inherent risk.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant allocates client investment assets on a discretionary basis (in either cash and/or margin [to the extent specially authorized by the client] accounts- that invest in various types of investments and/or tactical strategies, including the purchase and sale of individual mutual funds, exchange traded funds ("ETFs"), equity and/or fixed income securities, options, including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices, in accordance with the client's designated investment objective(s), as described below:

## **DYNAMIC ASSET ALLOCATION PROGRAMS**

### **DYNAMIC MULTI-FUND ROTATION (FMF)**

**Objective:** *Aggressive Growth* - To outperform the S&P 500 Index over a multi-year period with a risk level that is lower than the S&P 500 index.

**Strategy:** The portfolio will typically invest in four to eight mutual funds or exchange-traded funds (ETFs) whose risk levels are often much higher than the S&P 500 Index. Fidelity Select funds, ProFunds and Rydex will be the fund families primarily used in this portfolio along with exchange-traded funds (ETFs), but no other fund family will be excluded from consideration. The portfolio may include short funds that rise in value when the market declines in value.

### **HIGH YIELD BOND PROGRAM (HYT)**

**Objective:** *Conservative Growth* - To outperform the Merrill Lynch High Yield Index.

**Strategy:** The Program consists of a money market account and a high yield bond instrument(s). Registrant allocates assets to the high yield bond

instrument(s) when Registrant's trend-following models determine an upward trend in the market. When Registrant detects that the market trend has turned negative, assets are allocated to the money market account to preserve capital. When a signal is generated, 100% of an account's assets are moved to either the high yield instruments(s) or the money market account. The funds considered will be those which primarily invest in high yielding fixed income securities also known as junk bonds.

### **SEASONAL ROTATION (SRX)**

**Objective:** *Moderate Growth* - To outperform the blended index of 50% S&P 500 plus 50% Barclays Aggregate Bond Index over a multi-year period with a risk level that is lower than the blended index of 50% S&P 500 plus 50% Barclays Aggregate Bond Index.

**Strategy:** The portfolio will typically increase its equity exposure in one or more mutual funds during the "in-season" months of the year, which KCM identifies as October thru April. KCM will decrease equity exposure and raise fixed income or cash allocations using one or more mutual funds during the "out-of-season" months of the year or the Spring and Summer months. KCM may also consider the presidential cycle and / or other market conditions when deciding whether to be invested.

### **COMMODITY (CMD)**

**Objective:** *Aggressive Growth* - To outperform the Dow Jones-UBS Commodity Index over a multi-year period with a risk level that is lower than the Dow Jones-UBS Commodity Index.

**Strategy:** The portfolio will typically invest in two to three exchange-traded funds (ETFs) or exchange-traded notes (ETNs) which provide exposure to a commodity or basket of commodities. The program utilizes the same methodology as the sector rotation programs but instead has an investment universe of commodity investments. The portfolio may include short funds that rise in value when the market declines in value.

### **DOW ROTATION (DOW)**

**Objective:** *Aggressive Growth* - To outperform the S&P 500 Index over a multi-year period with a risk level that is lower than the S&P 500 Index.

**Strategy:** The portfolio will typically invest in two individual stocks out of the 30 members of the Dow Jones Industrial Average, using technical indicators to rotate between those stocks exhibiting relative strength and momentum based on proprietary indicators. Given that this program invests in individual securities and not a basket of securities (i.e. mutual fund or ETF), the risk level is significantly higher than that of the S&P 500 index.

## **NO-LOAD INTERNATIONAL (INT)**

**Objective:** *Aggressive Growth* - To outperform the Morgan Stanley Europe, Australia, Far East Index (MSCI EAFE) over a multi-year period with risk levels lower than the MSCI EAFE.

**Strategy:** The portfolio will invest exclusively in global regions outside of the United States including both developed and emerging markets using mutual funds and exchange-trade funds (ETFs). The portfolio may include short funds that rise in value when international markets decline in value.

## **STRATEGIC ASSET ALLOCATION PROGRAM**

### **STRATEGIC CORE EQUITY (SCE)**

**Objective:** *Aggressive Growth* - To outperform the S&P 500 Index over a multi-year period with a risk level that is lower than the S&P 500 Index.

**Strategy:** The portfolio typically seeks to generate long-term capital gains as opposed to short-term capital gains by investing in multiple positions which cover both domestic and international regions. Investments are typically concentrated to four positions. Most positions will be purchased with a time frame of greater than one year, however if market conditions dictate, the desire to hold positions for greater than one year will not prevent REGISTRANT from selling a position.

### **STRATEGIC CORE (KSC)**

**Objective:** *Aggressive Growth* - To outperform the S&P 500 Index over a multi-year period with a risk level that is lower than the S&P 500 Index.

**Strategy:** The portfolio typically seeks to generate long-term capital gains as opposed to short-term capital gains by investing in multiple positions which cover both domestic and international regions. The portfolio typically invests in 8-10 positions and is more diversified than the strategic core equity program. Most positions will be purchased with a time frame of greater than one year, however if market conditions dictate, the desire to hold positions for greater than one year will not prevent REGISTRANT from selling a position.

### **STRATEGIC MODERATE (KSM)**

**Objective:** *Conservative Growth* - To outperform the blended index of 45% S&P 500 Index plus 55% Barclays Aggregate Bond Index over a multi-year period with a risk level that is lower than the blended index.

**Strategy:** The portfolio typically seeks to generate long-term capital gains as opposed to short-term capital gains by investing in multiple positions which cover both domestic and international regions. Approximately 50% of the portfolio will be allocated similarly to the Strategic Core portfolio. The remaining 50% will be allocated to conservative positions including but not

limited to income oriented equities, fixed income, and fixed income alternatives. Most positions will be purchased with a time frame of greater than one year, however if market conditions dictate, the desire to hold positions for greater than one year will not prevent Registrant from selling a position.

## **FIXED INCOME PROGRAMS**

### **BOND ALTERNATIVE (BAP)**

**Objective:** *Conservative Growth and Income* - To outperform the S&P 500 Index at a risk level similar to that of the Barclays Aggregate Bond Index.

**Strategy:** The portfolio will typically invest in fixed income, foreign currency, money markets, and alternative asset classes. Fixed income may include investment grade bonds, high yield bonds, preferred securities, real estate preferred securities, asset-backed securities, and international fixed income (including sovereign debt). Other asset classes are not excluded from consideration. The primary tools used include mutual funds, exchange-traded funds (ETFs), and individual issue securities.

### **INCOME (INC)**

**Objective:** *Income* – Seeks maximum total return through solely fixed-income investments.

**Strategy:** The portfolio typically invests exclusively in fixed income. Fixed income may include investment grade bonds, high yield bonds, preferred securities, real estate preferred securities, asset-backed securities, and international fixed income (including sovereign debt). Municipal bonds and cash or cash equivalents are also considered for investment. The primary tools used are mutual funds but exchange-traded funds (ETFs) and individual securities may be used.

### **INDIVIDUAL BONDS (BND)**

**Objective:** *Income* - To maximize current income.

**Strategy:** The portfolio typically invests in individual issue bonds which may be corporate or municipal securities depending on each account's specific objective. Investments in corporate bonds are typically investment grade although high yield bonds will not be excluded from consideration. Brokered Certificates of Deposit (CD) may also be used. If market conditions dictate, Registrant may substitute mutual fund positions for individual bond holdings.

## **COMBINATION INVESTMENT PROGRAMS**

**Objective:** To reduce overall portfolio volatility while maintaining the potential for above average returns by investing in a blend of Registrant programs. Refer also to the objective for each underlying program.

**Strategy:** The various combination programs attempt to allocate a target

percentage in each of the underlying programs. For a detailed strategy, refer to the strategies for the underlying programs. The current target percentages, which are subject to change, could include but are not limited to the following:

Registrant Blend - Dynamic Multi-Moderate (FMM)

- 30% - Dynamic Multi-Fund Rotation
- 20% - Income
- 20% - Seasonal Rotation
- 30% - Strategic Core Equity

Registrant Blend - Dynamic Multi-Conservative (FMC)

- 20% - Dynamic Multi-Fund Rotation
- 20% - High Yield Bond
- 20% - Income
- 20% - Seasonal Rotation
- 20% - Strategic Core Equity

Registrant Blend - Dynamic Seasonal Blend (DSF)

- 30% - Dynamic Multi-Fund Rotation
- 20% - Income
- 20% - High Yield Bond Program
- 30% - Strategic Core Equity

Registrant Blend - Seasonal Rotational Blend (SRF)

- 30% - Dynamic Multi-Fund Rotation
- 40% - Seasonal Rotation
- 30% - Strategic Core Equity

Registrant Blend - Dynamic Blend (DYB)

- 20% - Dow Rotation
- 30% - Dynamic Multi-Fund Rotation
- 20% - Seasonal Rotation
- 30% - Strategic Core Equity

\*The percentages for combination investment programs are approximate and may vary over time or change per Registrant's discretion.

Registrant's proprietary programs have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is specifically applicable to Registrant's management of client assets:

1. **Initial Interview** – at the opening of the account, the Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. **Individual Treatment** – the client's account is managed on the basis of the client's financial situation and investment objectives;
3. **Quarterly Notice** – at least quarterly the Registrant shall notify the client to advise the Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account;
4. **Annual Contact** – at least annually, the Registrant shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account.
5. **Consultation Available** – the Registrant shall be reasonably available to consult with the client relative to the status of the client's account;
6. **Quarterly Statement** – the client shall be provided with a quarterly report for the account for the preceding period;
7. **Ability to Impose Restrictions** – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct the Registrant not to purchase certain mutual funds;
8. **No Pooling** – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client's account;
9. **Separate Account** - a separate account is maintained for the client with the Custodian; and
10. **Ownership** – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

As disclosed above, the Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts. (*See* Item 4 B).

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

## **Item 10          Other Financial Industry Activities and Affiliations**

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.
- D. The Registrant does not recommend or select other investment advisors for its clients.

**Item 11            Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Fidelity*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is 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 broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Fidelity* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or



other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, David H. Levy, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, 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.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, David H. Levy, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

### Item 13      Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Registrant provides investment supervisory services may also receive a periodic report from the Registrant summarizing account activity and performance.

### Item 14      Client Referrals and Other Compensation

- A. As referenced in Item 12.1 above, the Registrant may receive an indirect economic benefit from *Fidelity*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Fidelity*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, David H. Levy, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

### Item 15      Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Registrant provides investment supervisory services may also receive a periodic report from the Registrant summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please also note:** that the account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

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

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc).

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

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

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

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, David H. Levy, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements**