

# Persky Financial Management, Inc.

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Persky Financial Management, Inc. (“Persky”). If you have any questions about the contents of this brochure, please contact us at 310-442-5200. 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 Persky is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

Persky's most recent update to Part 2 of Form ADV was made in March 2010. Persky's business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by Persky in prior years.

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## Advisory Business

Persky Financial Management, Inc. ("Persky") provides investment supervisory services. Persky invests on behalf of clients in global equities and fixed income securities.

Persky emphasizes a value approach toward investing and seeks to find securities which appear undervalued. The management style produces relatively little turnover, although the underlying assets are generally reviewed on a daily basis.

Persky was founded in February 1998 and is owned by Steven David Persky. Persky became an SEC registered investment adviser in May 2007. As of March 1, 2011 Persky managed \$9.4 million on a discretionary basis on behalf of approximately 1 client. Currently, Persky does not manage any non-discretionary accounts.

## Fees and Compensation

Fees for investment supervisory services are computed at a percentage of assets under management. The fee structure is negotiable. These fees are for advisory services only and do not include any transaction fees or commissions. Fees paid to Persky for investment supervisory services are separate and distinct from any fees and expenses charged by mutual funds to their

shareholders. Clients invested in mutual funds will pay applicable mutual fund management fees and/or other mutual fund operating expenses in addition to any applicable investment supervisory or performance fees.

Fees for private funds managed by Persky vary and are disclosed in the respective fund's offering documents.

Fees are generally payable either monthly or quarterly in arrears. The first payment is assessed and due at the end of the first calendar month or quarter. The payment is assessed pro rata (or waived at the option of Persky) in the event the agreement is executed at any time other than the first day of the current calendar month or quarter. Subsequent payments are due and will be assessed on the first day after the end of each calendar month or quarter based on the average value of the account assets under management as of the close of business on the last business day of each month or quarter.

Payment of fees may be remitted directly by the client or by a qualified custodian holding the client funds and securities. When payment is made by the custodian, the client shall generally pre-authorize the payment in writing prior to a remittance. Should there be an instance of standing instruction to deduct fees, Persky shall directly instruct the custodian to deduct such fees out of the client account. From time to time, Persky may sponsor a Fund and serve as its adviser. Any such entity will be audited on an annual basis. Additionally, Persky associates may serve as director of one or more sponsored entities. Persky associates do not have physical possession of client funds. One or more qualified custodians, which may include foreign financial institution, will hold client assets. The qualified custodians will send statements to the client at least quarterly.

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

In addition, Persky may charge performance-based fees which may be negotiated. The performance fees are generally calculated and payable annually in arrears. Persky principals or fund directors may, at their discretion, negotiate redemption terms, incentive fees, management fees, or any other terms regarding investments in the funds. Also, Persky, at its discretion, may engage and compensate subadvisers or co-advisors.

With regard to performance-based compensation, the SEC requires the following disclosure: (1) the fee arrangement may create an incentive for Persky to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee; (2) Persky may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client account; and (3) one year periods are used to measure investment performance throughout the term of the agreement because a one year period provides a more realistic measure of performance than quarterly calculations. Performance based compensation applies only to persons or companies who have at least \$750,000 under management with Persky, or whose net worth at the time of entering into the agreement exceeds \$1,500,000. The applicant will be in compliance with Rule 205-3.

Differing fee arrangements negotiated by clients could create an incentive to favor one account over another. Persky has instituted procedures to help ensure that no account is favored at the expense of another account.

## **Types of Clients**

Persky generally provides investment advice to private funds.

In most cases Persky requires a minimum account value of \$250,000.

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

Persky's security analysis methods include fundamental and technical on all securities recommended for client accounts. The main sources of information Persky uses include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases.

The investment strategies used to implement any investment advice given to clients include long term purchases, short term purchases, trading, short sales, margin transactions and option writing, including covered options, uncovered options, or spreading strategies. Additionally, on behalf of clients, Persky may acquire swaps, derivative securities, or collateralized debt obligations.

All of Persky's strategies involve the risk of loss. Investing in certain securities, such as those traded in foreign markets and distressed securities also presents additional risks.

## **Disciplinary Information**

Persky employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

Mr. Persky is a Managing Member of Dalton Investments LLC a registered SEC investment adviser which manages private funds, institutional separate accounts, and private client accounts.

Persky Financial Management, Inc. serves as General Partner to Convergent US Fund LP.

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

### **Employee Trading**

Members, employees and control persons of Persky Financial Management, Inc. are eligible to invest and may invest in one or more of the investment funds managed by the firm.

To avoid potential conflicts of interest involving personal trades, Persky Financial Management, Inc. has adopted a Code of Ethics, including a Personal Securities Transaction Policy, and an Insider Trading Policy. Persky's Code of Ethics requires, among other things, that all Employees:

- Act with integrity, competence, diligence, respect and in all ethical manner with the public, clients, prospective clients, employers, colleagues in the investment profession, and other participants in the global capital markets;

- Place the integrity of the investment profession, the interests of clients, and the interest of Persky above one's own personal interest;
- Adhere to the fundamental standard that you should not take inappropriate advantage of one's position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect favorably on them and the profession;
- Promote the integrity of, and uphold the rules governing capital markets;
- Maintain and improve professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the federal securities laws.

Persky's Personal Security Transaction Policy also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of Persky's Code of Ethics shall be provided to any client or prospective client upon request.

### **Cross Trades**

From time to time, transactions may be executed between clients, provided that the transactions are in the best interest of both parties. In executing such cross transactions, Persky obtains fair transaction costs and pricing.

### **Client Conflicts**

Persky may invest client assets in companies which may have engaged Persky as an investment adviser or may have invested in a Persky fund. Any such investments must adhere to the specific guidelines and trading restrictions of Persky's Insider Trading Policy. Additionally, Persky may recommend to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.

### **Brokerage Practices**

Persky's primary consideration in effecting a securities transaction for its clients is to obtain best execution. In selecting a broker-dealer to execute each particular transaction, Persky takes the following into consideration: the best net price available; the reliability, integrity and financial condition of the broker-dealer; the size of and difficulty in executing the order; and the value of the expected contribution of the broker-dealer to the investment performance of Persky's clients on a continuing basis. Accordingly, the price to a particular client in any particular transaction

may be less favorable than that available from another broker-dealer if the difference is reasonably justified by other aspects of the execution services offered.

Persky may require that certain clients (high net worth individuals) establish accounts with the Schwab Institutional division of Charles Schwab & Co., Inc., a registered broker-dealer, to maintain custody of client assets and to effect trades for their accounts. For Persky's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by the account holder through commissions or other transaction-related fees for trades that are executed through Schwab or that settle into Schwab accounts. Persky expects that most transactions executed in these accounts will be executed through Schwab.

Brokers who effect securities transactions for Persky's accounts may provide Persky with research and other brokerage services, which supplements Persky's own research. Research services received by Persky through the placement of securities transactions of clients are available for the general benefit of all accounts managed by Persky, and in some cases research may be utilized in connection with managing accounts that have not placed securities transactions for the purpose of obtaining the research. Research and other services paid for with soft dollars will not necessarily benefit all clients equally, and some clients whose commissions are not used to generate soft dollar credits may benefit. In some cases, the research services are available only from the broker-dealer providing such services. In other cases, the research services may be available from alternate sources in exchange for cash payments.

Research products and services, which are generally written or on-line, include, but are not limited to, investment reports, pricing and financial information, investment periodicals, financial reports, company reports, regulatory filings, news services, industry reports, economic reports, company recommendations, interview services, analyst reports and comments, political and regional analyses. Reports, services and products may or may not contain specific recommendations about a company, sector, region or time horizon, but shall contain information to assist in the investment decision-making process.

All arrangements for the provision of research and other brokerage services, whether oral or in writing, are subject to the following conditions: (i) Persky's compliance officer must approve the arrangement; (ii) the arrangement must be documented by Persky; (iii) the services provided by the broker-dealer must be of benefit to Persky's accounts; and (iv) no such arrangement shall commit an account of Persky to pay a specified rate of commission to, to generate a specified amount of commission with, or to make any payments to, any particular broker-dealer.

Persky may cause a particular client to pay a broker or dealer that provides brokerage and research services to Persky an amount of commission for executing a securities transaction in excess of the amount of commission that another broker or dealer would have charged for effecting the same transaction. The portfolio manager at Persky will have determined, however, that the particular amount of commission in this event will be reasonable in relation to the value of brokerage and/or research services provided by the executing broker-dealer. In making this determination, the benefits of research services are evaluated to define the product or service provided in making investment decisions on behalf of Persky clients. Persky reviews soft dollar services generally on a bi-annual basis.

## **Review of Accounts**

Steven D. Persky and subadvisers review all accounts. The underlying assets are generally reviewed daily. Each client account is reviewed for its net portfolio value and content on a monthly basis.

## **Client Referrals and Other Compensation**

Persky may enter into agreements with third party consultants referring clients to the firm. As a result of client referrals, consultants may be paid a share of the management fee and performance fee earned from the assets under management of one or more clients or such other compensation as may be agreed upon between Persky and such consultants. The consultants operate independently from Persky and generally have developed relationships with suitable investors. Additionally, Persky employees may be compensated for client referrals. Third party consultants generally perform independent due diligence reviews of Persky. Persky may receive research and other brokerage services from non-client broker-dealers who affect securities transactions for Persky's accounts.

## **Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks; however Persky may be deemed to have constructive custody of the assets of certain private funds that it manages. Investors in these funds do not receive statements from the custodians; rather they receive monthly NAV statements from an independent administrator. The funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the fund's fiscal year end.

## **Investment Discretion**

For all client accounts over which Persky has investment discretion, it generally will have full authority and sole discretion to place orders for the transfer of securities or other property on behalf of its clients with any brokers or dealers. Clients may, however, in writing at any time, direct Persky to (or not to) place orders with any particular broker or dealer. If a client designates a particular broker or dealer to execute securities transactions, Persky shall seek to obtain best execution but may be unable to do so. Persky clients may also place restrictions with respect to the management of their accounts in writing.

Persky may provide investment advisory services to clients whose ownership structure comprises publicly traded securities. Clients who execute discretionary investment advisory agreements should be aware that from time to time Persky may recommend the purchase or sale of securities that are issued by another one of its advisory clients. Persky recognizes that it has a fiduciary duty to act in the best interests of all of its clients and takes steps necessary to ensure that recommendations of securities that are issued by other clients do not inappropriately favor one client over another.

Persky may acquire positions in the securities of certain issuers on behalf of its clients. As a result of these positions, one or more Persky associates may serve in certain capacities, such as on

boards of directors, creditor committees, etc. These activities may expose certain Persky associates to non-public information. To the extent that such information is acquired, Persky may become restricted with respect to trading specific securities and therefore may be unable to buy or sell specific securities for clients. Persky associates will act as directors, credit committee members or other positions when Persky feels that such activity is in the best interest of Persky's clients.

## **Voting Client Securities**

It is Persky's policy to vote client proxies in the interest of maximizing shareholder value. To that end, Persky will vote in a way that it believes will most increase investor value. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote. Persky is constantly monitoring for potential conflicts of interest between the client's interest and its own within the proxy voting process.

Nevertheless, if Persky's Chief Compliance Officer determines that Persky, its affiliates or its affiliated persons are facing a material conflict of interest in voting a proxy, Persky's procedures provide that outside legal counsel will be consulted concerning the best course of action.

Persky's complete proxy voting policy and procedures are memorialized in writing and are available for review. In addition, Persky's complete proxy voting record is available upon request. For further information, contact Persky at the phone number listed on the front of this document.

Additionally, should Persky inadvertently receive proxy information for a security held in a client's account for which Persky does not vote proxies, then Persky will immediately forward such information on to the client, and will not take any further action with respect to the voting of such proxy. In case of termination of its agreement with a client, Persky shall make a good faith and reasonable attempt to forward proxy information inadvertently received by Persky on behalf of the client to the forwarding address provided by the client to Persky.

If "Class Action" documents are received by Persky on behalf of its funds, Persky will ensure that the Funds either participate in, or opt out of, any class action settlements received. Persky will determine if it is in the best interest of the funds to recover monies from a class action. The Portfolio Manager/Analyst covering the company will determine the action to be taken when receiving class action notices. In the event Persky opts out of a class action settlement, Persky will maintain documentation of any cost/benefit analysis to support its decision.

## **Financial Information**

Persky has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.