

## **Part 2A of Form ADV: Firm *Brochure***

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**This brochure provides information about the qualifications and business practices of Fusion Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at one of the numbers listed above and/or send a message to [info@fusionamllc.com](mailto:info@fusionamllc.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 Fusion Asset Management, LLC also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).**

## **Material Changes**

Since we filed our last annual updating amendment, there has been one material change to our ADV Form:

An addition of a registered advisor to our Firm, Fay Elaine Groves , Feb 28, 2012

The date of our last annual update of our brochure was done March 22, 2012.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting us at, (775) 657-8065 or or by email at [info@fusionamllc.com](mailto:info@fusionamllc.com)

Additional information about Fusion is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Fusion who are registered, or are required to be registered, as investment adviser representatives of Fusion.

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## Advisory Business

- A. Fusion Asset Management, LLC (Fusion) registered with the Securities & Exchange Commission as an investment advisor in 2006 and is headquartered in Reno, Nevada.
- B. Fusion operates as an asset management firm – providing investment advisory services and managing assets directly in separately managed accounts.

Fusion provides investment advisory services to the plan sponsors of self-directed retirement plans to plan, develop, design, implement and administer an investment program based on the client's goals and needs. This typically includes providing the client with a formal investment policy statement, analyzing and recommending the mutual funds, equities, ETF's (Exchange Traded Funds) and asset allocation portfolios to be included on the investment menu, monitoring those selections on an ongoing basis, and providing investment advice through individual meetings or phone consultation. The plan sponsor is sent a report each quarter and investment data and financial tools are available to participants. For high net worth investors, trustee-directed plans (typically defined benefit pension plans), trusts, and corporations, Fusion manages accounts directly based on client needs. The cornerstone of Fusion's individual management philosophy is our Risk Managed Active Portfolio (RMAP) approach, where we combine fundamental and technical analysis building top down sector rotation portfolio that will keep the client invested in those sectors which exhibit the best relative strength versus the overall market. Depending on the level of active management desired by the client, raising cash levels or hedging the portfolio in defensive markets may be an integral part of the strategy. The portfolio may be implemented on a standalone basis or as part of a "core satellite" strategy where a portion of the portfolio remains in a fixed, diversified asset allocation regardless of what is happening in the sector rotation portion. These portfolio parameters are all decided in consultation with the client, accounts are reviewed periodically. Performance reports are normally sent to the client on a quarterly basis and face to face meetings or phone consultations to discuss results and ongoing objectives are encouraged on a semi-annual basis. Discretionary trading authority does not permit Fusion to withdraw with cash or securities from the clients account.

- C. Once the client's risk and return objectives are determined through consultations and/or investment policy questionnaires, the appropriate asset allocation will be implemented. Clients with similar risk and return objectives will have these allocations implemented uniformly using individual securities, exchange traded funds, mutual funds, or various combinations thereof. Fusion can further tailor a portfolio to a client's specific needs as it may apply to restricting certain types of securities or holding legacy assets. Typically clients stipulate any restrictions or special instructions in Fusion's written investment management agreement entered into with the client.

- D. Fusion currently sub-advises separate accounts through their sub advisory agreement with Wespac Advisors, LLC, following the same procedures stated above for high net worth investors, trustee-directed plans, trusts and corporations. This same investment management approach or Risk Managed Active Portfolio is implemented through a sub-advisory basis. Please refer to other sections in the brochure which discuss important information regarding these sub-advisory relationships.
- E. Fusion does not take part in any wrap fee programs.
- E. As of 12/31/2011, Fusion managed \$65,000,000 on a discretionary basis, and \$00.00 on a non-discretionary basis.

## Fees and Compensation

Maximum Fee Schedule: As full compensation for investment advisory services, Fusion charges the following maximum investment management fees based on an annual percentage of total asset values:

	Portfolio Asset Value	Annual Fee Rate
First	\$1,000,000	1.25%
Next	\$1,000,000	1.00%
Next	\$1,000,000	1.00%
Next	\$2,000,000	0.75%
Over	\$5,000,000	% negotiable

Fees are negotiable and may be waived in certain circumstances, such as is the case for employee accounts. Higher negotiated fees may be charged to a client depending on the complexity of the client's financial situation.

Fees are billed quarterly and calculated based on the market value of each client account as of the last day of the applicable quarter.

Fusion's fees do not include brokerage commissions or securities transaction fees charged by client's custodian (the custodian must be a "qualified custodian" as required by applicable regulatory requirements) and/or broker-dealer. Investment companies (mutual funds, ETFs, etc.) in which a client's assets may be invested charge additional management fees and other expenses as described in the fund's prospectus. Please refer to our brokerage and trading practices in this brochure for more information.

Clients typically grant Fusion authority to deduct its fees directly from client's account. Client's custodian and/or broker-dealer will provide quarterly account statements directly to the client that reflect all transactions in client's account(s), including the amount of any advisory fee deducted. Client is responsible for verifying the accuracy of the fee calculation, as Client's custodian does not determine whether or not the fee was properly calculated. Fusion will also bill directly for fees if that is a client's preferred option.

Fusion does not accept physical custody of clients' securities or cash. Clients will retain ownership of all securities and cash in their accounts. Fees are based on the portfolio market values provided by the custodians. Accounts managed by a sub-advisor are also valued by the custodians' market values. There are no hard-to-price holdings and Fusion itself does not price any holdings.

In connection with Fusion managing a client account, clients will be subject to brokerage fees charged by our custodians (Charles Schwab & Co., Inc. and TD Ameritrade). In cases where clients are set up to receive electronic confirmations, clients will generally pay an \$8.95 flat commission rate for equity trades. However, if the client is not set up for electronic confirmations or does not have household assets of \$1 million or more with the custodian, higher brokerage fees may apply. Fusion will provide a detailed commission schedule upon request. For fixed income trades, clients may pay a \$25 fee to trade away under a prime brokerage arrangement where Fusion may choose to utilize outside fixed income brokers to obtain better pricing for the client. To the extent that Fusion uses any mutual funds in the management of a client account, the internal operating expenses of the mutual funds will be netted out of any returns that accrue to the client.

**Disputes:** In the event of a dispute between a client and Fusion, a good faith effort will be made by Fusion to come to an agreement the client will find satisfactory. If no agreement can be reached, disputes shall be resolved by arbitration. Any award rendered by the arbitrator shall be final, and judgment may be entered in any court of competent jurisdiction.

**Additional Fees:** Investment advisory services of a non-discretionary, non-continuous nature are offered on a flat fee basis and on an hourly basis; fees are negotiable, but the standard rate is \$150 hour. Fees are invoiced and payable immediately after the services are rendered.

**Termination:** Termination of the investment advisory agreement may be initiated by either the client or Fusion at any time by notification in writing. In the event of non-payment of management fees for a period of 30 days after invoice date, Fusion reserves the right with written notice, to cease performance of account supervision and management functions.

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

Fusion does not have any arrangements where we charge performance fees.

### **Types of Clients**

Fusion works with a variety of different types of clients – the plan sponsors of self-directed and trustee-directed retirement plans, individuals, testamentary trusts, and corporations and other forms of business entities. Exceptions may be made, but the minimum capital for starting an account is generally \$250,000 for an individual or trustee-directed retirement plan, or \$250,000 for a self-directed retirement plan.

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

Fusion engages in various types of analysis and research to assist us in formulating investment advice for clients through the strategies that Fusion manages. We utilize fundamental research obtained through Standard & Poor's, William O'Neil, Deutsche Bank, and Schwab among others. We also use technical research obtained through Dorsey, Wright & Associates, one of the primary proponents of point & figure charting, a type of technical analysis that looks at the movements of security prices on charts. The synthesis of these types of analysis help us decide in which securities we want to invest based on their overall valuation levels and growth stories. In addition, it also helps us to determine price targets, good entry points for various securities, areas of relative strength in the financial markets, and proper price levels to set stop loss points in portfolios where we may to engage in risk management. We will use inverse ETF's as one of our risk management tools.

Clients need to be aware that investing in portfolios of equity securities exposes them to the risk of substantial loss. In fact, 3 times in the past 10 years (2001, 2002, and 2008) many market participants heavily invested in equity securities experienced double-digit losses, with 2 of those being losses of 20%+.

## **Disciplinary Information**

Neither Fusion nor any of its management personnel have any legal or disciplinary events material to a client's or prospective client's evaluation of our firm to report that would have occurred in the past 10 years. The details of which can be found on FINRA's BrokerCheck system at [www.finra.org/brokercheck](http://www.finra.org/brokercheck) or at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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

One associate in Fusion, Kenneth Roberts, is a registered representative with V-Trader, LLC., a broker-dealer who carries Ken's series 7 license.

Fusion and its related persons will refer clients who request qualified retirement plan administrative and record-keeping services to WESPAC Plan Services, LLC ("WPS"). WPS is owned by the persons who also own WESPAC Advisors, LLC. WPS and its clients enter into an administration agreement and the clients pay WPS a separate fee. Fusion and its related persons may receive fees from these plans for supervising the plan's portfolio and recommending investments to be made available to plan participants. Advisory clients are under no obligation to utilize these services.

Fusion: Over the past several years, has sub-advised to WESPAC Advisors, LLC to manage client portfolios.



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

Fusion has adopted a Code of Ethics (the “Code”) for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. Fusion and its personnel owe a duty of loyalty, fairness, and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code of Ethics covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes, gifts and entertainment reporting responsibilities. Fusion will provide a copy of the Code of Ethics to any client or prospective client upon request.

1. Associated persons of Fusion may not trade in securities for their own accounts in a manner contrary to recommendations made to or action taken on behalf of clients of Fusion, where the effect of such trading, recommendations, or action may be to affect the price of the securities involved;
2. Associated persons of Fusion may not purchase or sell securities for their own accounts or for client accounts which would involve the use of material, non-public information in violation of applicable laws; and
3. Associated persons of Fusion will at times buy or sell securities that are also recommended to clients. In situations where Fusion employees purchase or sell securities for their own accounts on the same day that transactions in such securities are affected for clients of Fusion, the price paid or realized by Fusion employees may not be more advantageous than the worst price at which the Client transactions are affected.

## **Brokerage Practices**

Fusion has a long standing relationship with Charles Schwab & Co., Inc. (Schwab) and most of our client accounts are custodied there. Schwab is primarily where Fusion has placed client accounts since we started as an RIA in 2006. Over the past few years or so, we have begun to do business with TD Ameritrade (TDA) Institutional and have started to build a relationship there. We also have some accounts custodied at TDA.

Aside from any other factors why we would choose Schwab or TDA as our custodians, their order execution is excellent. The most recently available statistics from this past year show that both firms surpassed the market maker averages in virtually every measurable way, from execution speed to percent of shares priced improved.

In addition, Fusion through both custodians has access to various tools and research that helps us to help our clients. Through Schwab, we have

access to some of the most respected research in the industry, including Schwab's own equity research, as well as research from Credit Suisse, Standard & Poor's, and Ned Davis. In addition, because of Schwab's pioneering mutual fund supermarket, we have access to literally thousands of mutual funds from hundreds of fund families. Schwab also has their own in-house mutual fund research and provides a "select list" of mutual funds that trade on their platform that can sometimes assist in screening funds for clients.

TDA offers many of the same services to advisors that Schwab does, including access to various research services like S&P, First Call, and Argus. They actually offer more mutual funds on their fund supermarket platform and you can trade many ETF's with no commission charges. Both firms are currently offering Fusion an \$8.95 flat trading commissions, which are among the lowest in the industry.

### **Research and Other Methods of Analysis**

Fusion through its association with various national investment consulting firms as described herein, receives capital markets research, asset allocation, and other investment planning technologies, investment manager due diligence information and performance evaluation services.

### **Brokerage for Client Referrals**

Fusion may receive client referrals from T D Ameritrade (TDA) through Fusion's participation in their Select Advisor Exchange (the "Service"). The Service is designed to help investors find an independent investment advisor. TDA is a broker-dealer independent of and unaffiliated with Fusion. TDA does not supervise Fusion and has no responsibility for Fusion's management of clients' portfolios or Fusion's other advice or services. Fusion pays NO fees to TDA to receive client referrals through the Service. Fusion's participation in the Service does not raise any potential conflicts of interest.

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### **Directed Brokerage**

Generally, Fusion is retained by clients on a discretionary basis and authorized to determine and direct execution of portfolio transactions, without consultation with the client on a transaction by transaction basis. However, the client may limit discretionary authority in terms of type or amount of mutual funds and other securities to be bought or sold. Fusion does not request the discretionary authority to determine the broker dealer to be used or the commission rates (or markups/markdowns in the case of fixed income securities) to be paid in these situations.

Fusion, however, does not have discretion as to the broker dealer to be used for executing trades. Clients must direct Fusion as to the broker or dealer to be used. In directing the use of a particular broker or dealer, it should be understood that Fusion generally does not have authority to negotiate commissions among various brokers or obtain volume discounts; however, from time to time depending on the circumstances, Fusion may be able to negotiate lower commissions through certain brokerage houses and prime brokers.

As a business practice, Fusion prefers to use Charles Schwab and TD Ameritrade Institutional as its custodians and brokers and usually requests that the client direct Fusion, in writing, to use one of these firms, as part of our investment management agreement. Furthermore, clients should understand that Fusion may receive referrals from TDA and that such referrals could create a conflict of interest.

Although the commissions paid by Fusion's clients shall comply with Fusion'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 Fusion determines, in good faith, that the commission 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 a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Fusion will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Clients should understand that as a result, they may pay higher commissions than available with other broker dealers as a result.

For clients who are invested in the same strategies, we aggregate the purchase and sale of securities through block trading.

### **Review of Accounts**

Investment Management accounts are reviewed quarterly or more often, as requested by the client or as dictated by certain triggering events. Triggering events include, but are not limited to: changes in clients' circumstances, federal or state legislation, regulatory and political events such as changes in monetary policy, interest rates, large market fluctuations, mergers, rating agency changes and corporate restructuring.

Generally speaking, the client's assigned consultant will review the client accounts, but this may also be done by the portfolio manager. Clients will receive from their custodian trade confirmations and monthly statements. Fusion provides clients with a quarterly report that typically includes the following information: Portfolio value at the beginning and end of the quarter, contributions, withdrawals, realized capital gains and losses, interest, dividends, management fees, and time-weighted rate of return for the quarter and year to date. Reports may (but not always) include a letter written to the client and/or market commentary. The custodial broker

dealer or trust company will provide the client with a form 1099 after the close of each calendar year.

### **Client Referrals and Other Compensation**

From time to time, Fusion enters into written agreements with certain individuals and entities who will act as solicitors of client accounts for Fusion in accordance with the requirements of SEC Rule 206(4)-3 of the Advisors Act. The individual or entity who solicits the client account will receive a portion of the total fee paid to Advisor for managing the account. Unless the solicitor is an officer, director or employee of Fusion, he or she will provide each client with certain disclosure documents including a "Solicitor's Disclosure Statement" which, among other things, sets forth the amount of the fee paid by Advisor in connection with the client referral.

The referral agreements between Fusion and its solicitors are designed to comply with SEC Rule 206 (4)-3 of the Investment Advisors Act of 1940. Rule 206(4)-3 specifies certain standards that must be met by an investment advisor and any person who solicits any client for, or refers any client to, such advisor prior to the payment of a cash fee directly or indirectly, for client solicitation or referral. The fees paid to solicitors are a portion of the advisory fee paid to Fusion. Clients do not pay a higher fee as a result of this relationship.

### **Custody**

Fusion does not have physical custody of client assets, but does usually have the authority to debit fees directly from client accounts. Because Fusion uses third party custodians like Schwab and TD Ameritrade for client accounts, clients will receive account statements from those entities and should carefully review them. We urge clients to compare the portfolio performance reports that Fusion offers on a quarterly basis to the account statements that they receive from the custodians and to review custodial statements for their management fee activity.

### **Investment Discretion**

Generally, Fusion is retained on a discretionary basis and authorized to determine and direct execution of portfolio transactions, without consultation with the client on a transaction by transaction basis. However, the client may limit discretionary authority in terms of type or amount of mutual funds and other securities to be bought or sold. Prior to Fusion assume discretionary authority, we will have client execute a client service agreement, an investment policy questionnaire (or statement of suitability), and a limited power of attorney.

## **Voting Client Securities**

Clients may choose to have Fusion vote proxies on its behalf. This is the standard arrangement that we have with clients whose accounts we vote on a discretionary basis. In this regard, Fusion has a proxy voting responsibility and written policy, Fusion's policy is to vote proxies in the best interest of its clients Fusion attempts to consider all aspects of its vote that could affect the value of the underlying securities held in client accounts and will vote proxies in a manner it believed consistent with efforts to maximize the value of the client's portfolio. From time to time conflicts may arise in the proxy voting process. When this occurs, Fusion will follow its written procedures to resolve any conflicts and vote in the best interests of the client accounts, or by having the clients vote directly when there is a conflict. Upon request, at any time a client may receive a copy of Fusion's Proxy Voting Policy as well as a record of how each proxy pertaining to a Client account was voted. Client may request the proxy voting policies as well as the voting record via written request to Fusion Asset Management, LLC, 689 Sierra Rose Dr, Suite A-2, Reno, NV 89511.

## **Financial Information**

Fusion does not require or solicit prepayment of more than \$1,200 in fee per client, six months or more in advance. In addition, Fusion has no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. The SEC requires advisers who require prepayment of advisory fees of \$1,200. or more, six months in advance, to provide a balance sheet. Finally, we have not been the subject of a bankruptcy petition anytime in the past 10 years.

## **Requirements for State-Registered Advisors**

This is not applicable since Fusion is not registering with any state securities authorities.