



GFM
ASSET MANAGEMENT LLC

GFM Asset Management LLC

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Disclosure Brochure

Dated: 5 March 2018

Item 1: Cover Page

This brochure provides information about the qualifications and business practices of GFM Asset Management LLC (referred to in this brochure as “GFM” or the “Firm”). If you have any questions about the content of this brochure, please contact Tariq Dennison at the website, email address, or telephone number listed above. The information in this brochure has **not** been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about GFM is available on the SEC’s website at www.adviserinfo.sec.gov.

GFM Asset Management LLC is a registered investment advisor. Registration does not imply any level of skill or training.

Item 2: Material Changes

This item is required to disclose and highlight any material changes since the last version of the brochure. Since the last version of GFM's brochure for its initial filing of form ADV, part 2 dated 30 March 2017, the following has changed:

1. The contact information on the front page has been updated. For updated contact information, please see GFM's website www.gfmasset.com
2. The minimum account size guideline has been redefined as a single plan to reach US\$250,000 within 10 years.
3. Client profiling has been separated from the service agreement, and organized along risk, tax, and ESG+ dimensions.
4. The description of the investment approach in Item 8 has been re-written to be shorter and more "plain English".
5. Tariq can now manage Vanguard accounts through limited agent authorizations.
6. Updated the description of the affiliated Singapore company "GFM Technologies Pte Ltd" in Item 10.
7. The personal trading policy has changed from a procedural "pre-approval and recording" process to a set of requirements summarized as "we invest our own money the same way we invest client money, executing with or after client orders".
8. Item 17 on voting client securities has been updated to clarify the client's and GFM's responsibilities on un-forwarded proxies.

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Item 4: Advisory Business

GFM Asset Management LLC (“GFM” or the “Firm”) is a Delaware limited liability company formed in April 2016 as a US-organized and registered affiliate of Hong Kong based GFM Group Limited, primarily to manage and advise on retirement investments for US investors overseas and overseas investors in the US.

Investment Portfolio Management

GFM’s primary business is running investment portfolios for clients as separately managed accounts on a discretionary basis, primarily with a retirement/pension objective. Terms of this service are specified in signed agreements with each client (each referred to as an “Agreement”), where the managed accounts are opened in the client’s name at an independent broker/custodian and GFM is assigned limited power of attorney to trade the account. GFM profiles accounts based on the client’s retirement objectives and suitable balance of risk vs return.

GFM-managed accounts generally contain individual stocks and bonds (including securities of REITs, partnerships, etc that trade like stocks and bonds) as well as futures, exchange-traded funds (ETFs), and foreign currencies.

Other Professional Services

In addition to managing portfolios, GFM may also offer financial planning, advisory, consulting, and other services. These services may be bundled with portfolio management services or charged separately on a fixed fee or hourly basis as negotiated on a client-by-client basis.

Item 5: Fees and Compensation

Assets Under Management (AUM) Fees

On client investment assets under management (AUM), GFM charges an accrued fee calculated as a percentage of the market value of the account managed by GFM. For accounts with no performance fee, this percentage generally starts at 1.5% of the account value per year, and may be

negotiated or reduced for larger-balance or reduced-service accounts. AUM fees may be subject to a minimum annual dollar amount depending on the total service effort involved, the level of AUM, whether or not any performance-based fees (Item 6) have been negotiated, or other factors.

AUM fees may be calculated prorated and applied daily, monthly or quarterly, depending on the broker/custodian arrangement. The client generally authorizes the broker/custodian, either directly or in the service agreement with GFM, to directly debit the client's account for the amount of any fees due and to directly remit those fees directly to GFM. These financial institutions generally send a monthly or quarterly account statement to the client, providing information including account balance, portfolio compositions, amounts deposited into or withdrawn from the account, and any fees paid to GFM.

Brokerage and Other Costs

GFM's fees are exclusive of and in addition to brokerage commissions, transaction fees and other related costs and expenses incurred by the client's account. GFM does not receive any portion of these commissions, fees or costs.

As further discussed in response to Item 12 (below), GFM has long recommended that clients utilize the brokerage and clearing services of Interactive Brokers Group, Inc. ("Interactive Brokers") for investment management accounts due to its relatively low cost, extensive product access, and level of technical support, but GFM may also manage accounts at other brokerage firms. GFM receives does not receive any form of compensation from Interactive Brokers or any other brokerage firm for recommending account opening or execution with any broker. Clients can also personally appoint Tariq Dennison to manage an individual or IRA account at Vanguard online through a limited agent authorization.

GFM may only begin portfolio management services after the client has arranged for and furnished GFM with all information and authorization regarding accounts with appropriate financial institutions.

Termination

Agreements between GFM and the client will continue in effect until terminated by either party pursuant to the terms of the agreement. Fees

shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate.

Hourly and Fixed Fees

GFM may also offer other professional services, which may be negotiated on an hourly or fixed fee basis separate from AUM fees. Such fees will only be charged upon prior agreement with clients, and only if the work involved is outside the scope of the portfolio management agreement.

For advisory services regarding portfolios held at Vanguard or other brokerage firms without direct debit capabilities, GFM will generally invoice clients in advance for service fees.

Funding and Securities Transfers

Clients may fund their accounts in cash or by transferring securities, provided that GFM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. GFM may consult with its clients about the implications of transferring securities; however, clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, and/or taxes.

Item 6: Performance Based Fees

GFM may negotiate with clients a performance-based fee of up to 30% of the total return (including realized and unrealized gains, dividends, and coupons) earned by the account over an agreed upon high watermark or benchmark schedule.

This performance fee may be calculated quarterly, annually, or on a longer term basis and is charged in arrears as a percentage of the dollar value of the total return of the account over said high watermark or benchmark, as defined in the Agreement. Early termination or change of the agreement or liquidation of the account may trigger a mark to market and one-time calculation of a performance fee from the previous high watermark or benchmark to the date of change, termination, or liquidation.

For clients with accounts at participating broker/custodian firms, GFM instructs the broker/custodian to calculate and remit performance fees automatically according to terms in a signed agreement submitted to the

broker/custodian. Other broker/custodian firms may require GFM to calculate and invoice for management and/or performance fees, in which case GFM will serve as sole calculation agent in good faith.

Detailed explanations and illustrations with examples on how performance-based fees in any given agreement are calculated are available from GFM on request.

Item 7: Types of Clients

GFM clients include individuals (mostly working professionals, entrepreneurs, and retirees), trusts, retirement accounts, and pension plans. GFM specializes in serving US investors along the Pacific Rim and foreign investors looking to diversify, especially in the US and Asia.

GFM sets a minimum guideline for clients to have a concrete, realistic plan to accumulate at least US\$250,000 under GFM's management within 10 years, which may be achieved with a variety of up-front lump sum and regular contributions over that period. GFM reserves the right to accept or refuse account sizes or clients case-by-case basis, and the broker/custodian may impose other initial minimum account balance requirements to maintain or allow GFM to trade the account. GFM profiles each account based on the client's financial situation and objectives.

As of early 2018, GFM began working with an administrator to open and manage 401(k) and other group retirement plans for employers of US taxpayers living and working outside the US, to be advised and managed similar to IRA accounts, but with lower individual minimums.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Client Profiling: Risk, Tax, and Qualitative Parameters

Client accounts are generally profiled along two dimensions:

1. Risk/return profile: trade-off between the need for long-term growth vs current income vs capital preservation, and
2. Tax profile: whether the account is US Taxable, US Retirement (e.g. IRA), non-US with a tax treaty, or non-US without a tax treaty

The risk/return profile may be judged based on questionnaires or interviews about the client's financial situation and objectives and scored at GFM's discretion on a scale from the most conservative (with emphasis on capital preservation and Libor+1-3% income target), to the most aggressive (with the goal of doubling the account every 5-10 years on average vs a risk of a 20-40% drawdown being likely).

Tax profile is based on the account type and account owner's nationality, residence and legal status. The purpose of tax profiling is to keep in mind withholding taxes, capital gains taxes and other taxes that may affect which investment choices would maximize risk-adjusted after-tax returns for the client on a best efforts basis, but GFM does not give tax advice.

In addition to risk and tax factors, qualified accounts may also include qualitative investment guidelines based on religious, ethical, or environmental, social or governance (ESG+) factors at GFM's discretion.

Investment Process and Analysis Methods

GFM runs diversified investment portfolios within separately managed accounts using a combination of rules-based quantitative factors and experience-based judgement. Smaller accounts may have this global diversification implemented through ETFs until each respective allocation is large enough to be replaced by direct positions in stocks and bonds.

GFM's "organic" investment approach, rather than a one-size-fits all or model portfolio approach, means that **similar accounts may be invested differently for a number of reasons** including, but not limited to: account size, timing of account funding, currency of cash or margin limits within the account, existence and tax basis of other positions, and the account's tax / risk / ESG+ profile. Portfolios are constructed by screening securities through proprietary checklists evaluating both "the numbers" and qualitative factors, and placing buy and sell orders accordingly, not all of which will be filled or allocated evenly or proportionately.

GFM strongly believes that diversification into foreign assets enhances the sources of returns while reducing overall portfolio risk compared with purely domestic portfolios, despite the outperformance a home market may see over short periods. During the early 21st century, the Asia-Pacific region especially offers a wide variety of mature and emerging and

frontier investment opportunities not available in North America. GFM's headquarter location in Hong Kong and Tariq's frequent travels around the Asia-Pacific region provides an on-the-ground advantage in understanding and checking on nearby opportunities, supplemented by the founder's experience serving clients on both sides of the Pacific.

GFM follows best practices in global investing and strives to ensure that its client assets are invested as well as, if not better than, mutual funds and other available vehicles at competitive prices.

Tariq explains asset allocation and major asset classes, strategies, and foreign markets in his book "Invest Outside the Box", due to be published by Palgrave-McMillan in 2018. Additional educational materials on investing are available on request.

Asset Allocation and Accumulation Approach

Each account's allocation between stocks, bonds, alternatives, and cash is based on the account's risk and tax profile. In general, conservative accounts with priority on capital preservation and current income will be allocated mostly to bonds. On the other end of the spectrum, more aggressive accounts will allocate more to stocks, and balance with bonds and possibly leverage with the objective of doubling invested capital on average every 6-12 years.

Use of Exchange Traded Funds ("ETFs")

Exchange traded funds ("ETFs") provide low-cost access to diversified portfolios or specific sub-sectors of liquid asset markets. GFM generally buys ETFs in client accounts in the following cases:

1. To invest cash balances too small to hold a properly diversified portfolio of similar assets,
2. As a placeholder for market exposure while accumulating positions,
3. To access a foreign market the account cannot access directly,
4. To access fixed income portfolios in which the account would not be able to get a proper allocation or execution, and/or
5. In specific cases where GFM has explicitly agreed to run an ETF allocation program and not expand into individual securities.

Bonds and Fixed Income Approach

“Fixed Income” in GFM portfolios generally refers to government bonds and liquid investment grade bonds providing a high level of safety of principal and, as importantly, diversification of risk away from stocks. These include inflation-indexed bonds, and for US taxable accounts, US tax-exempt municipal bonds, but excludes high-yield bonds, which are treated more like equities.

GFM may allocate the fixed income portion of portfolios to individual bonds, bond ETFs, bond futures, money market futures (e.g. Eurodollar futures), or options on any of the above, as GFM believe best suits each account’s risk, tax and ESG+ allocation. GFM allocates to foreign fixed income to diversify sources of return and risk exposure, and considers currency exposure separately, as described in the currency section below.

Long Equity Accumulation and Investment Process

“Equity” generally refers to common stocks of companies, but may also include preferred stocks, convertible and high-yield bonds, real estate investment trusts (REITs), and master limited partnerships (MLPs) with equity-like risk/return characteristics, as well as options on the above.

GFM selects equity investments using rules-based, “by the numbers” checklists combined with qualitative, experience-based judgement. The three core questions considered when deciding whether to buy a stock for an account are:

1. G – is it a good quality asset?
2. F – is it fairly priced?
3. M – is it a match for the account’s risk, tax, and ESG+ profile?

The “G” and “F” tend to favor shares in companies that consistently return cash to shareholders through buybacks, cash dividends, and debt repayments, and trade at relatively inexpensive multiples to these and other fundamentals. Conversely, GFM portfolios tends to avoid owning companies that issue large amounts of new shares or debt, or whose shares price in high growth expectations. This means GFM portfolios tend to own a diverse group of relatively “boring” value businesses rather than in more “glamorous” high-growth businesses, which may underperform in years like 1999 and 2017, but GFM expects these cash-returning shares to provide higher returns with less risk over longer periods.

The “M” factor is often checked before the “G” and “F” factors to narrow down in which accounts, if any, should own a particular stock even if it passes the “G” and “F” factors. Examples of this “M” check along the three dimensions of the account profile include:

1. Risk – adding a stock should not increase a portfolio’s overall risk exposure, nor concentration of risk exposure within a specific company / sector / country, beyond acceptable limits.
2. Tax – for example, taxable bonds and REITs are better held in IRA accounts, IRAs should avoid tax-exempt municipal bonds and K-1 issuing MLPs, and beware of high-dividend foreign stocks not covered by a favorable double-tax treaty.
3. ESG+ - Many ESG+ factors are already considered when decided on the “G” factor above (deciding whether a company is good quality), but here, a few additional account-specific ethical filters may apply.

In building portfolios, GFM accumulates or sells out of positions sequentially as candidate companies are run through this process. This means that:

1. Accounts may take months to be fully invested in a complete portfolio of individual securities,
2. “Large cap” and more liquid stocks may be accumulated before smaller and less liquid stocks, even though the latter tend to provide higher long-term returns, and
3. Accounts opened or funded at different times, or with different profiles, may hold significantly different positions, or different percentage allocations to the same positions.

A GFM-managed stock portfolio is typically diversified across as few as 20, and as many as 200, individual names, each weighted 0.5 – 5%.

Equity “Short Selling” Approach

Aggressive profile GFM portfolios may include short positions to either reduce the overall portfolio’s exposure to a broader stock market decline, or when such a short position presents an opportunity to profit from a decline in an overvalued stock or sector. Short positions are selected and diversified with a mirror image of the process for accumulating long stock positions.

See “Risk of Loss” below for in-depth information on GFM’s risk management of short positions.

Foreign Exchange / Currency Management

Foreign assets and even many US-listed stocks are exposed to the risk that foreign currencies may fall in value on foreign exchange (FX) markets and adversely affect their value to US dollar based investors. Conversely, the US dollar may also decline in value against a foreign currency, in which cases exposure to foreign currency would enhance returns.

Each client account is defined in terms of a “base currency”. For many US clients, the base currency is often US dollars, but the base currency may differ on an account-by-account basis. GFM generally avoids taking any view on whether any currency will move up or down versus another, and applies a combination of three approaches when investing in a foreign asset:

1. Converting only enough foreign currency to buy the foreign asset, with the view that the long-term net return from the investment, measured in the base currency, would still be attractive,
2. Buying the foreign asset on margin, so that the foreign currency margin balance offsets most of the currency risk, but at the cost of the margin interest rate, or
3. Using currency futures contracts to hedge currency exposures, typically in multiples of US\$100,000
4. Using foreign stock, bond and interest rate futures contracts to directly access foreign asset exposure, with the currency exposure limited to the futures margin requirement.

Clients are advised that there may be tax consequences to using different instruments to take currency positions. GFM does not provide tax advice, but keeps US tax consequences in mind on a best efforts basis when managing currency positions for accounts of US persons.

Risk of Loss

Investing involves risks. GFM prioritizes clients' understanding of the many different risks involved, and makes educating clients and helping define appropriate risk parameters a primary step in the account management process. Investment risks, in GFM managed accounts or elsewhere, generally include but are not limited to:

Market Risk: An asset may decline in value after purchased in an account, or rise in value after being sold short, either way, resulting in decline in mark-to-market account value.

Liquidity Risk: A stock, bond or other asset may not be quickly convertible into cash, or may require a substantial reduction in price to convert into cash quickly. Exchanges may also "halt" trading in certain instruments, making it impossible to exit a position at any price, and possibly resulting in a substantial change in price if/when trading resumes.

Interest Rate Risk: Interest rates, whether short-term interest rates controlled by the US Federal Reserve or foreign central bank or longer-term interest rates determined by the bond market, move up and down. Changes in interest rates directly affect the market price of bonds, the rates earned on cash deposits and the rates paid on borrowed funds, and indirectly tend to affect stock prices and currency exchange rates.

Foreign Exchange Rate / Currency Risk: Foreign currency exchange rates move up and down. Declines in the value of a foreign currency means it is possible to lose money on a foreign asset that rises in value if the currency risk is not hedged or improperly hedged and the loss in the currency position exceeds the gain in the foreign asset. The US and/or foreign countries may also impose capital controls restricting the conversion or transfer of money across borders, which could impact the value and/or liquidity of international portfolios.

Credit Risk: Bonds and other debt instruments are subject to the risk that the borrower of the money / issuer of the bond may not pay back the promised interest and principal on time.

Dividend Risk: Stocks that pay dividends may cut their dividends, making the cash flows from owning them different than expected.

Tax Risk: The US or foreign governments may change the tax rates they impose on dividends, capital gains, interest payments, trades, or account balances, or they may invent and impose new taxes, or change how or where they apply them. Changes in tax law can directly affect the after-tax returns of an investment and indirectly affect the market value of investments. In extreme cases, changes in tax law may trigger bonds and other capital instruments to be redeemed, liquidated, or restructured.

Legal Risk: Changes in law may affect the rights of foreign or domestic investors in owning or benefiting from certain investment products.

Risks Specific to Short Selling: Accounts that borrow stock to sell short are exposed to risks including that of the lender raising the loan rate or calling back the stock loan altogether, which may force liquidation of the short position at an unfavorable price.

Operational Risk: While GFM has carefully thought-out back-up plans for all of its key people, computer systems, and third party service providers (including brokerage firms and custodians), it is possible that a disruption in one of the steps in the investment management process may result in an unexpected disruption of service.

GFM maintains a priority to prepare for and manage its business and client accounts bearing all of these risks in mind, and balancing risks and returns in the best interest of clients, while helping educate clients on these risks.

Item 9: Disciplinary Information

Neither GFM nor any of its personnel have ever been subject to any disciplinary action, either material or immaterial (other than minor traffic violations), from any federal, state or local government agency. Nor has GFM or any of its personnel ever been subject to any disciplinary action from any exchange or other financial institution or self-regulating body.

Item 10: Other Financial Industry Activities and Affiliations

Tariq Dennison, 100% owner and sole member of GFM Asset Management LLC, also owns 50% of Hong Kong based GFM Group Limited, a Type 9 Licensed Asset Management Firm regulated by the Hong Kong Securities or Futures Commission. Tariq Dennison also owns 100% of Singapore-based GFM Technologies Pte Ltd.

Neither GFM nor its personnel currently have any other material arrangements or relationships in the financial industry. GFM personnel may, from time to time, refer clients to accountants, lawyers, insurance agents or brokers, tax and other professionals as a courtesy based on their own networks and experience, but GFM and its personnel must fully disclose any and all compensation from such referrals.

Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading

GFM has a written *Code of Ethics* and provides electronic copies on request. GFM personnel must read and attest to the *Code of Ethics* at least once per year.

Core to the *Code of Ethics* is GFM's fiduciary duty to act in the best interest of clients, and most importantly to **invest client money the same way we invest our own money**. GFM also places a high level of importance on transparency, disclosure, and ensuring a maximum of clarity and understanding when possible.

GFM and its personnel will generally have their brokerage accounts managed by GFM, allowing the centralized execution process to ensure that trades for GFM and GFM personnel accounts are executed concurrently with or after trades for client accounts. GFM personnel are permitted to hold "outside" brokerage accounts not managed by GFM provided that the account is fully disclosed to GFM, duplicate statements are made available to GFM on request, and most importantly the principle that "we invest our own money the same way we invest client money, and execute our personal orders with or after client orders".

Item 12: Brokerage Practices

GFM so far mostly recommends that clients utilize the brokerage and clearing services of Interactive Brokers Group, Inc. (“Interactive Brokers”) for investment management accounts due to its relatively low cost, extensive product access, and level of technical support. GFM primarily manages multiple accounts through Interactive Broker’s application programming interface (“API”), for which GFM has written customized software to monitor and risk manage portfolios, download financial statements for analysis, follow quotes and execute trades. GFM may manage accounts on other brokerage platforms, but will focus on describing the process in detail with Interactive Brokers as most GFM-managed accounts are currently there.

GFM’s software may execute trades through the Interactive Brokers API, which may allocate trades to accounts in different ways. GFM ensures that any such algorithms treat allocations to client accounts fairly before using them, and will make the business logic of allocation algorithms available on request.

GFM pays monthly fees to Interactive Brokers to receive market data, fundamental data, news, and other information services on the Interactive Brokers platform. To the extent that these charges are billed to GFM in general and not specific to any client account, GFM will bear these costs directly out of its own operating budget. GFM receives a waiver on its monthly fee for US market data in any month where it spends at least \$10 on trading commissions, which it expects to do practically every month any way and so does not expect to cause any conflict of interest. Other than that, GFM receives no other “soft dollar” services from Interactive Brokers.

Clients may request assets be held at a 3rd party custodian, in which case all fees charged by the custodian for that client’s account shall be borne by the client.

GFM may be able to accommodate and manage accounts held at other brokerage firms, but may be limited by the other broker’s product capabilities and API support. In any case, clients are advised that accounts at brokerage firms other than Interactive Brokers may have their orders executed manually and after those of accounts held at Interactive Brokers. GFM reserves the right to decline or terminate agreements to manage accounts at other brokerage firms.

Besides Interactive Brokers, clients may appoint Tariq Dennison to personally manage their individual or IRA accounts at Vanguard. The client does this online by logging into their Vanguard account and granting Tariq limited agent access to trade their Vanguard account, which Vanguard is only set up to grant to Tariq as an individual and not to GFM as a company.

GFM seeks to help open and manage accounts at other brokerage firms that provide product access (say to a different country), API features, or an administrative set up with a pension administrator that Interactive Brokers may not offer. Such arrangements will be detailed in future versions of this brochure.

GFM does not receive any commissions or other referral fees from brokers, but may pay referral fees to brokers referring clients to GFM (see Item 14).

Item 13: Review of Accounts

Accounts are reviewed at least quarterly to check risk parameters and limits and any needs for rebalancing. Clients consult with GFM as needed to review progress of the account towards the client's objectives. GFM regularly communicates with clients through periodic updates in addition to one-on-one interactions.

Item 14: Client Referrals and Other Compensation

GFM may offer and pay referral bonuses and fees to clients, brokers and other service providers in the form of discounts, cash or non-cash items so long as they are fully disclosed to the referred client.

Item 15: Custody

GFM holds no client assets. As mentioned in Items 5 and 12, GFM has been primarily recommending the brokerage and custody services of Interactive Brokers. On request, GFM may arrange for assets to be held by a 3rd party custodian, in which case all costs will be passed on to and borne by the client.

Item 16: Investment Discretion

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

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

Item 17: Voting Client Securities

In service agreements, clients generally grant GFM with the authority to vote client securities (proxy) on behalf of its clients, which GFM will exercise on a best efforts, best interests basis. In practice, clients may directly receive proxies they do not forward to GFM, and in doing so take responsibility for their own actions or inactions on such proxies.

Item 18: Financial Information

GFM is not required to disclose any financial information pursuant to this Item due to the following:

- GFM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- GFM does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

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