

Form ADV Part 2A  
Investment Advisor Brochure

***Item 1: Cover Page***

Name of Registered Investment Advisor	Balson Capital Management
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Date of Brochure as Last Revised	March 10, 2020

This Form ADV Part 2A (Investment Advisor Brochure) gives information about the investment advisor and its business for the use of clients and prospective clients. If you have any questions about the contents of this brochure, please contact us using one of the methods 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. Registration is mandatory for all persons meeting the definition of investment advisor and does not imply a certain level of skill or training.

Additional information about our firm is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ***Item 2: Material Changes***

The purpose of this section is to discuss only material changes since the last annual update of Balson Capital Management's ("Balson Capital") Investment Advisor Brochure.

The date of the last annual update was February 18, 2019.

### **Summary of Material Changes:**

1. Item 4 - Updates Balson Capital's Assets Under Management and removes information covered in ADV 2B.
2. Item 5 – Clarifies Balson Capital's Fees and Compensation.
3. Item 8 - Expands Balson Capital's Methods of Analysis, Investment Strategies and Risk of Loss.
4. Item 11 - Clarifies Balson Capital's Code of Ethics.
5. Item 13 – Expands Balson Capital's Review of Accounts and Reports on Accounts.
6. Item 19 – Removed as part of Balson Capital Management's SEC initial registration filing.

### **Delivery:**

Within 120 days of our fiscal year end we will deliver our annual Summary of Material Changes if there have been material changes since the last annual updating amendment.

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

##### **Advisory Firm**

Balson Capital Management, a sole proprietorship, is engaged in the business of rendering advice in connection with making investments on behalf of its Clients in publicly-traded securities and interest-bearing assets. Balson Capital acts as portfolio manager of the assets under its management primarily on a discretionary basis. Non-discretionary accounts are accepted on a case-by-case basis, when it is determined such management is feasible. Pursuant to the authority granted by the Client, Balson Capital will generally determine which securities are purchased and sold for Client accounts as well as the amount of the securities. Such transactions will be restricted to execution through the brokerage firm or bank chosen by the Client.

Balson Capital Management seeks to tailor advisory services to the individual investment needs of Clients. Before an account is opened, Balson Capital and the prospective Client will review the Client's financial goals and objectives. Balson Capital creates and manages personalized investing portfolios for Clients and related persons, depending on their financial goals and objectives. Balson Capital's authority may be limited by specific instructions from the Client, who may restrict or prohibit transactions in certain securities with written notice. Clients are encouraged to contact Balson Capital at any time to discuss their portfolios and/or any changes in their personal goals that may require a change in their investment strategy.

Balson Capital, as of 12/31/2019, manages \$203,125,300 of Client assets on a discretionary basis and \$0 of Client assets on a non-discretionary basis.

#### ***Item 5: Fees and Compensation***

Management fees are determined as a percentage of the Client's assets under management and are billed quarterly in arrears. Management fees are based on the value of each of the Client's accounts at the end of the quarter. They do not include any trading, transaction, investment, or account fees and expenses that may be charged by the Client's brokers, banks, mutual funds, exchange-traded funds (ETFs), and other funds or institutions. Balson Capital's fees may be negotiated, particularly in the case of larger accounts or multiple accounts.

The fee schedule is as follows:

1.25% per year of total assets under management up to \$500,000 1.00% per year of total assets under management up to \$3,000,000 0.75% per year of total assets under management up to \$6,000,000 0.65% per year of total assets under management up to \$12,000,000 0.50% per year of total assets under management above \$12,000,000

Balson Capital's management fees are not automatically deducted from Client accounts. At the end of each quarter, Clients receive an invoice for the fees due from the quarter just ended.

Balson Capital does not receive a commission on any transaction order it enters for Clients.

The management agreement between Balson Capital and the Client may be terminated by either party upon delivery to the other party of written notice of termination. In the event of termination during a quarterly billing period, the amount of the final fee payable shall be prorated as of the date of termination.

For a further discussion of the Client's brokerage relationship, please see Item 12 of this brochure.

***Item 6: Performance-Based Fees And Side-By-Side Management***

This item is not applicable because Balson Capital Management does not charge any client performance-based fees.

***Item 7: Types of Clients and Account Minimums***

Balson Capital Management provides investment services for individuals, trusts, corporations, pension plans, and non-profit organizations.

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

Balson Capital attempts to purchase for its Clients securities and interest bearing assets it believes have the potential to increase in value over time and/or pay out dividends or other income. Balson Capital generally seeks investments for its Clients where it believes the risk of committing capital now is outweighed by the possible increase in value in the future if and when the investments appreciate. A guiding principal is that, over time, investing in securities and interest bearing assets can be an important component of increasing financial wealth.

It is important to remember that investing involves significant risks, including the loss of some or all of your investing capital. Balson Capital attempts to mitigate these risks by diversifying Client portfolios over a range of securities and assets and by taking a long term approach when investing for Clients. However, no investing method is perfect, and all investors and all portfolios are subject to loss. If you cannot bear market volatility or risk of loss, you should not be making investments in the equity, bond, mutual fund, or options markets.

Investing in stocks of publicly traded companies contains risks that can appear unexpectedly, including weaker than expected earnings, increased competition, management incompetence or fraud, and bankruptcy. Stocks are also subject to negative external events that can dramatically affect the markets as a whole, including general securities and market volatility, a slowdown or decline in economic activity, an increase in unemployment, and global unrest and turmoil.

Investing in bonds also includes risks that can appear unexpectedly, including downgrades of credit quality and default. In addition, bond prices can be negatively affected by a rise in interest rates and the threat of inflation.

Investing in mutual funds and exchange traded funds (ETFs) includes the risks that the managements of the funds or ETFs will lose money for their fund, not correctly track their chosen benchmark, or not perform well enough to overcome their internal management and marketing fees and expenses.

Investing in options includes the risks of time limitation, greater volatility, and greater transaction costs. Options will vary in price more, often far more, than their underlying security. Options can expire worthless if the market direction of their underlying security does not meet the investor's expectations.

Shorting investments, or borrowing securities to bet against their future performance, contains risks that can appear unexpectedly, including stronger than expected earnings, an upgrade in outlook or forecast,

and an improvement in corporate sentiment. Shorting investments is also subject to positive external events that can dramatically affect the markets as a whole, including general securities and market volatility, an increase in national economic activity, a decrease in unemployment, and global growth and prosperity. When shorting investments, the investor will not receive the dividend that may be paid out by the shorted investment. It is important to consider that shorting exposes the investor to potentially limitless loss as a shorted security could theoretically experience an unlimited increase in value.

### ***Item 9: Disciplinary Information***

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel. Balson Capital does not have any disclosure items.

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

Paul J. Balson serves on the Investment Policy Advisory Committee of Athena Investment Management, a Registered Investment Adviser with which he has no financial affiliation. The committee teleconferences once a quarter to discuss the economic outlook, investment allocation strategies, industry weightings, and other financial industry topics. Mr. Balson's affiliation with Athena Investment Management is non-contractual and non-compensatory. Mr. Balson has no obligation to or authority over Athena or any of its clients, and there is no conflict with Mr. Balson's responsibilities for Balson Capital Management.

### ***Item 11: Code of Ethics, Participation or Interest In Client Transactions, and Personal Trading***

Balson Capital may recommend, purchase, hold, or sell securities for Clients which Balson Capital or related persons may also purchase, hold, or sell for itself.

Balson Capital has adopted a Code of Ethics that establishes various procedures with respect to investment transactions where Balson Capital or related persons have an interest that are designed to reduce the potential for conflicts of interest. These procedures include: 1) When feasible, on any given day, purchases and/or sales of the same securities for Balson Capital or related persons as for one or more of its Clients will come after such purchases and/or sales have been made for its Clients; 2) When feasible, on any given day, Balson Capital or related persons may not trade against positions purchased or sold on the same day as for one or more of its Clients; 3) Balson Capital or related persons will keep records of all transactions for review if necessary.

As a result of the daily trading policy outlined above, it is possible that 1) Balson Capital or related persons may purchase or sell the same security on the same day as a Client portfolio and receive a better price and 2) Balson Capital or related persons may purchase or sell the same security as a Client portfolio a day or more in advance or after the purchase or sale of the security for the Client portfolio and receive a better price than the Client. Clients should be aware that Balson Capital may take positions for certain discretionary accounts, for itself, or related persons that are contrary to positions taken for other accounts, for itself, or related persons because the investment profile, objectives, or requirements (such as risk tolerance, client net worth, investment time horizon, trading strategy, margin use, need to take tax loss, realize gains, raise cash, diversify, hedge, or short positions, etc.) are different from those of other accounts. Clients should also be aware that Balson Capital may invest and trade with a higher risk tolerance for certain discretionary accounts, for itself, or related persons than it would invest and trade for

other accounts, for itself, or related persons because the investment profile, objectives, or requirements (such as risk tolerance, client net worth, investment time horizon, trading strategy, margin use, need to take tax loss, realize gains, raise cash, diversify, hedge, or short positions, etc.) are different from those of other accounts.

In addition, Balson Capital Management can and will make elections on behalf of its Clients in response to a pending Corporate Action, such as a stock reorganization, tender offer, conversion, or merger. In the event of a Corporate Action, the Client's brokerage firm or bank will generally notify Balson Capital and/or the Client. Clients are encouraged to contact Balson Capital if they would like to discuss any aspect of the pending action. Balson Capital will make election on behalf of its Clients in whichever way it believes to be in the best interest of the Client and the Client's investment objectives. As such, Clients should be aware that Balson Capital may make elections for certain discretionary accounts, for itself, or related persons that are different than elections made for other accounts, for itself, or related persons because the investment profile, objectives, or requirements (such as risk tolerance, client net worth, investment time horizon, trading strategy, margin use, need to take tax loss, realize gains, raise cash, diversify, hedge or short positions, etc.) are different from those of other accounts.

Balson Capital's Code of Ethics is available to any Client at any time.

### ***Item 12: Brokerage Practices***

Balson Capital Management, in the course of business, will work with whichever brokerage firm or bank the Client deems appropriate. As a service to its Clients, Balson Capital will recommend a broker or bank if 1) the Client does not currently have such a relationship for the purchase of securities and income-bearing assets, or 2) the Client is unhappy with their current brokerage relationship. Balson Capital will discuss the general strengths and weaknesses of full service and discount brokers and, depending on the Client's needs, may recommend one or the other. In whatever relationship the Client deems appropriate for them, Balson Capital will work on their behalf to help insure the broker's commissions and fees are reasonable.

Balson Capital will not receive compensation from any broker, bank, or other institutions in return for recommending a Client to that firm.

Brokerage and research services provided in the normal course of business by full service and discount brokers are used to the benefit of all clients regardless of commissions paid or transaction fees incurred. Balson Capital will not favor any brokerage firm, bank, or other institution with increased client business or client security transactions in exchange for any research or other services (called "soft dollar arrangements").

When placing orders, it is Balson Capital's policy and in its best interests to attempt to obtain the best net price for its clients, considering both the execution price and commission rate charged by the Client's broker. Clients should be aware that in the course of normal share price and market volatility possible execution prices for securities can and will vary, sometimes dramatically. Also, Balson Capital does not aggregate the purchase or sale of securities for various client accounts. By not aggregating purchases or sales of securities, Balson Capital's clients may incur higher transaction costs than if a group of trades on behalf of various clients were aggregated together.

Clients electing to work with a full service broker should be aware that their commission and transaction costs will most probably be higher than those for similar transactions completed on behalf of clients using a discount broker. Further, Clients with accounts at different full service brokers may pay different

commissions, fees, and transaction costs depending on their firms' fee schedules and any discount their individual broker may or may not be willing to make. Commissions, fees, and transaction costs likewise will vary between discount brokers, who generally are less likely to discount further.

### ***Item 13: Review of Accounts and Reports on Accounts***

Client portfolios are updated daily, including equity values, bond prices, mutual fund and ETF prices, and money market balances. Client portfolios are reviewed in response to changes in 1) security fundamentals, 2) client objectives, 3) asset allocation, and 4) market conditions. Portfolio reviews are conducted by Paul J. Balson, proprietor.

Clients receive account statements on a monthly basis directly from their brokerage firm or bank. Clients also receive a confirmation directly from their brokerage firm or bank after each securities transaction in their accounts. Clients should carefully review all statements and confirmations sent to them from their brokerage firm or bank. Balson Capital Management receives copies of all Client account statements and transaction confirmations from the Client's brokerage firm or bank. Balson Capital retains copies of the Client's statements and confirmations for future reference if necessary.

Additionally, at the end of each quarter, all Clients receive an investment commentary written by Paul J. Balson, discussing Balson Capital Management's current outlook and opinions. Interim reports may be provided as appropriate. Clients are encouraged to schedule an appointment at any time during the year to discuss their portfolios and investment objectives in detail. Clients are also encouraged to inform Balson Capital at any time of changes to their personal financial situation that may affect their investment objectives or risk tolerance.

### ***Item 14: Client Referrals & Other Compensation***

This Item is not applicable because Balson Capital Management does not compensate anyone for client referrals nor receives compensation from others for client referrals.

### ***Item 15: Custody***

The Item is not applicable because Balson Capital Management does not have custody of any client accounts.

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

As discussed in Item 4, Balson Capital Management acts as portfolio manager of the assets under its management primarily on a discretionary basis.

Before an account is opened, Mr. Balson and the prospective Client will review the Client's financial goals and investment objectives. Account paperwork is signed, both for Balson Capital and the brokerage firm or bank selected by the Client. For discretionary accounts, this paperwork includes the execution of a limited power of attorney that grants Balson Capital Management the right to buy and sell securities and interest-bearing assets on behalf of the Client in the Client's accounts without consulting the Client before or after such purchases or sales are made.



As discussed in Item 12, pursuant to the discretionary authority granted by the Client, Mr. Balson will generally determine which securities are purchased and sold for Client accounts as well as the amount of securities purchased and sold. Such transactions will be restricted to execution through the brokerage firm or bank chosen by the Client. Balson Capital's authority may be limited by specific instructions from the Client, who may restrict or prohibit transactions in certain securities with written notice. Balson Capital will also, on occasion, accept for management non-discretionary accounts when it is determined such management is feasible.

***Item 17: Voting Client Securities***

Balson Capital Management does not vote Client securities. Clients wishing to vote securities held in their accounts will receive, at their request, proxy voting information directly from their brokerage firm or bank. Clients can vote their securities in any way they deem proper and appropriate. They are encouraged to call or write Mr. Balson if they would like to discuss any aspect of a pending vote.

Balson Capital's policy on voting client securities is available to any Client at any time.

***Item 18: Financial Information***

This item is not applicable because Balson Capital Management does not have custody of client accounts nor request prepayment of client fees. Balson Capital Management has never been the subject of any bankruptcy petition. Balson Capital Management does not foresee any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.