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Peregrine Asset Advisers, Inc.  
9755 SW Barnes Rd., Suite 295  
Portland, Oregon 97225  
503.459.4651  
www.peregrineaa.com

Updated 9-9-2020

The Form ADV Part II is required by the SEC and serves as a disclosure document for clients and potential clients of Peregrine Asset Advisers, Inc. This Brochure provides information about the qualifications and business practices of Peregrine Asset Advisers, Inc. ["PAA"]. If you have any questions about the contents of this Brochure, please contact us at 503.459.4651 and/or dan@peregrineaa.com. This brochure was originally created, formatted, and filed with the SEC on 7 March, 2011 when the requirement took effect. The filing of this Brochure does NOT mean it has been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Peregrine Asset Advisers, Inc. is a Registered Investment Adviser. This registration rests with the SEC. Registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue a mutually beneficial relationship. Additional information about Peregrine Asset Advisers, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



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## **Item 2 – Material Changes**

We offer or deliver information about our qualifications and business practices to clients on, at least an annual basis. Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year.

*Peregrine Asset Advisers has a duty to disclose its compensation. Usually, client management fees provide the only source of revenue. In 2020, PAA, applied for a loan under the Federal Government sponsored Payroll Protection Plan. At this point, it is not determined whether this loan will be forgivable.*



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#### **Item 4 – Advisory Business**

Peregrine Asset Advisers offers full time, investment management of assets for individuals, business organizations, retirement plans, and trusts.

PAA serves as a fiduciary for its clients. This means client interests supersede the interests of PAA or its personnel and that investment management will be applied according to this principle. PAA certifies to disclose conflicts of interest and seek to resolve any conflicts with full disclosure.

PAA manages about \$363 million of client assets as of 8-31-2020. The value of assets is calculated by taking the total market value of all the securities held by all of our clients on the final business day of September 2019.

PAA uses both Fidelity and/or Schwab to custody client accounts. Other brokers could be used in exclusive cases.

Most of the money management is performed on a discretionary basis. Usually, our clients give us the authority to buy and sell securities on their behalf. A few clients that request approval before investments are traded. These non-discretionary assets under management total about \$2.032 million as of 8-31-2020.

In rare cases with clients of considerable wealth, PAA can offer investment supervisory services. In this capacity, we can hire other investment advisers or hedge funds to perform investment management services for our clients.

Dan Botti founded Peregrine Asset Advisers in 2001. He is the Principal and serves as the primary Investment Manager. Dan Botti also serves as the firm's Chief Compliance Officer.



## **Item 5 – Fees and Compensation**

### **A. Annual Management Fees**

Maximum annual fees for portfolio management are calculated as a percentage of account assets values. They are deducted quarterly at the following annual rate:

#### **Equity Portfolios**

From \$0 to \$500,000	1.50%
Amount in excess of \$500,000	1.00%

#### **Balanced Portfolios**

From \$0 to \$500,000	1.50%
Amount in excess of \$500,000	.75%

Management fees are charged in arrears and assessed quarterly.

The management fee does not include brokerage fees or any additional fees charged by brokers or incurred by our clients. PAA does not receive any portion of the brokerage commissions as compensation.

The annual management fee rate is negotiable. The range of negotiated fees is based on assets under management ranging from 1.5% down to zero. PAA accepts some accounts where no management fee is charged. These zero rate accounts require minimal ongoing and continuous management by PAA and usually contain only static security holdings or non-risk cash balances.



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The above fee schedule is included in the written Investment Advisory Agreement between PAA and our clients. Each party may terminate the IA agreement upon 30 days written, electronic, or verbal notice.

PAA offers business-consulting services for a negotiated fee as to general financial trends. Any of these written opinions are for the client's use only and not for general circulation.

### **B. Cumulative Brokerage Fees**

*Our investment style involves frequent trading of stocks and this can lead to a high cumulative amount of trading commissions.* Commission charged by a broker for any trade is low compared to the principal investment. Active investment management by PAA means more commissions are paid to brokers by our clients. This *can* add up to a significant amount in one year. For example, a \$100,000 account might trade 250 instances in one year. At \$2.00 per trade, the total commissions would be \$500 in one year.

Recently, brokerage firms began offering zero commission. Potentially, this new development will reduce the cost of investing for client accounts.

### **C. Other Fees**

Mutual funds charge expenses within the structure of the funds. Foreign securities levy taxes on dividends.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

There are no performance based fee arrangements.



## **Item 7 – Types of Clients**

Our clients are individuals, families, businesses, and organizations. Some of our clients are high net worth people and about 40 are considered wealthy by a standard minimum of \$2.1mm in liquid assets threshold. The accounts managed include brokerage accounts, individual retirement accounts, trusts, business organizations, and pension and profit sharing plans. We generally request a minimum of \$100,000 per client relationship. We don't necessarily impose a required minimum at the outset of a new relationship. We can waive our minimum on a case-by-case basis and we can decline to take any new account.

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

### **A. Methods of Analysis**

PAA applies a holistic approach to investment management. This means that many sources and tools are used to determine the construction of securities portfolios. Ultimately securities chosen for purchase are based on a confluence of macroeconomic factors, business performance, and technical analysis.

Security prices have a tendency to move in the same direction. Some securities selected for client portfolios may move inversely to the market or other stocks within client portfolios. These securities are chosen intentionally even though they may fall in value in a rising market or rise in value in a falling market. The purpose of these securities is to protect an investment account from market declines.

PAA uses research and investment analysis from many sources. These sources include widely circulated publications and non-public economic research. PAA also applies the extensive investment and trading experience of senior portfolio manager, Dan Botti, to manage client portfolios.

## **B. Investment Strategies**

PAA uses several strategies to serve its clients.

### **1. Appreciation**

We invest in securities with a purpose of achieving appreciation. This strategy is implemented with listed stocks, bonds, and mutual funds. The holding period for this strategy varies according to the economic environment. Generally this holding period is less than one year.

### **2. Income**

Client investments generate income. These include stocks, bonds, mutual funds, certificate of deposits and cash-like instruments.

### **3. Trading**

PAA relies on trading profits and believes it offers a unique service by attempting to generate consistent trading profits. This strategy could constitute very short term holding periods. Numerous variables will be used as consideration to determine the holding periods.

### **4. Short Selling**

PAA can use short selling as a hedge for conventional equity ownership. Short selling has often resulted in losses for clients. PAA can use this strategy for non retirement accounts to hedge against general stock market declines.

### **5. Margin**

We may borrow money from custodian brokers to buy securities for clients. This is called “buying on margin”. Margin is used to borrow against the value of securities to buy other securities.



## **6. Options**

Option strategies can be used for appreciation and for income. This strategy is rarely used, however.

## **7. Hedge Funds and alternate advisors**

PAA can place money with hedge funds and other advisors/managers. These investment alternatives require separate consent documents from our clients. The use of these managers is rare.

## **C. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. The value of securities fluctuates daily. PAA may decide to sell any security that could result in a loss for a client. PAA regards investment losses as part of the investment process.

Major market declines constitute the biggest risk to clients. These moves can outweigh timely and accurate security selection by PAA. An example of this occurrence is when the entire stock market drops sharply over a very short period of time. There is also a risk that a decline in the stock market can take place relentlessly, over a longer period of time.

Losses from short term trading can also occur. These losses could exceed profits over a given period.

Substantial risk also exists in the bond market. All different types of issuers of bonds could default. In the event of a bankruptcy to a bond issue, a total loss of principal could result.

If investment company services like mutual funds are used, the management of the mutual fund could pursue losing strategies that could adversely impact clients.



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#### **D. Other Potentially Negative Considerations**

Investment management necessitates additional tax preparation costs that accounts for trades made in taxable accounts and income earned off these securities. Occasionally Master Limited Partnerships (MLPs) are used as investments. These MLPs generate K-1 tax forms for which additional tax reporting is required.

We have heard CPAs charge additional fees to account for K-1s. MLP income can also have a negative consequence on retirement accounts in that Unrelated Business Income (UBI) could be taxable even though the security is held in a retirement account.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be pertinent to evaluating PAA or the integrity of PAA's management.

Clients can refer to the Investment Adviser Public Disclosure website to find any history of disciplinary actions against PAA or its staff, or affiliates. See [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

PAA has not incurred any disciplinary or legal event that is involved with investment management. None of our staff has been subject to any disciplinary or legal action.

We are not financially impaired in any way that would affect our duty to perform continuous and ongoing investment management in the best interest of our clients.



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

PAA maintains business relationships with brokers such as Fidelity and Schwab. These institutions serve as the custodians for our clients' assets.

PAA maintains business relationships with other consultants who are individuals that refer business to Peregrine. These acting consultants can also share the management fee that PAA earns from clients referred by these people.

## **Item 11 – Code of Ethics**

### **A. Code of Ethics**

We have created a Code of Ethics that covers the business practices of all our personnel. Our Code of Ethics states that we are committed to conducting business in accordance with applicable laws, rules, regulations, and maintaining the highest standards of business conduct. PAA asserts that all of its employees will be held accountable for all of the ethical and operational policies of the firm. PAA is committed to a process that will insure that these standards are met. PAA regards the ideals of honesty, integrity, and trust as a minimum requirement for all employees. A copy of our Code of Ethics is available to any client upon request.

### **B. Participation in Client Transactions**

We do not participate in any investment pool or financial enterprise for which we benefit from client investments.



## **C. Personal Trading**

Our employees may invest in the same securities that are held by our clients. Employees are also allowed to disinvest or sell any security that our clients own.

We forbid our employees from “front running” or trading ahead of our clients in the same security. We also certify that our employees will not receive a better price on any security that is *traded on the same day*. Employees are allowed to buy or sell securities held by clients on any day that clients are not trading in the same security.

## **Item 12 – Brokerage Practices**

### **A. Choosing a Broker**

Our clients allow us to choose the broker(s) that will function as the custodian for our client accounts. Usually either Fidelity or Schwab are used as custodian brokers for our clients. Our clients also allow us to determine the commission that is paid to this brokerage firm to execute securities transactions in their accounts.

In addition to providing transaction services, these custodian brokers also provide services necessary for the ongoing and continuous management of investment accounts. This includes trading, record keeping, document management, brokerage statements, retirement plan services, dividend and interest collection, and tax reporting.

To have Prime Brokerage, clients must have an account with a minimum of \$100,000 in value. In addition, each account with Prime Brokerage must sign the Fidelity Prime Brokerage account agreement. It should also be noted that clients with Prime Brokerage trading privileges can receive a lower commission rate on trades done with brokers outside of the custodians, Fidelity and Schwab.



## **B. Order Allocation**

We usually invest in the same security for many clients at the same time so that all clients receive the same price. Client needs, objectives, and risk tolerance are considered when allocating investments. Special client requests are followed when allocating investments. PAA determines the quantity of shares to be bought or sold or the percentage weighting for each stock for each investment account.

## **C. Client Directed Brokerage**

Our clients may specify a different custodian. Additionally, brokers may refer clients to PAA and provide custody for these clients. A client making this designation should understand that the client might forego certain cost savings. In addition, a client should understand that accounts of this nature are often omitted from the standard allocation procedure and there may be fewer investment opportunities provided by PAA. These accounts are not conveniently accessible to PAA because PAA only has custody arrangements with Fidelity and Schwab and cannot monitor other brokers as effectively.

## **D. Trade Error Correction Policy**

PAA will protect the best interests of clients when dealing with trading errors or mistakes. Errors occur when a transaction is unintended. Errors can happen from trading the wrong instructions (i.e. buy rather than sell) or trading the wrong number of shares or using a wrong account number. Errors can also result from inadvertent portfolio management such as buying a stock previously prohibited by the client or by neglecting to follow a pre-stated investment request by our client. PAA's error policy is that errors be corrected immediately so that our client would not be negatively affected by our error.



## **E. Best Execution Policy**

PAA will choose a broker, such as Fidelity or Schwab that meet high standards of record keeping, trade executions, research, and offer competitive commission rates. We do not receive any payment from choosing a broker.

We make a continual effort to ensure that commissions are competitive. At any time, the difference in the cost per trade to clients will be small. Clients that agree to receive electronic brokerage statements and confirmations from their custodian broker for a discounted commission rate.

## **Item 13 – Review of Accounts**

### **Review of Accounts - Triggering Factors**

Dan Botti serves as the Portfolio manager and is responsible for investments made in client accounts and the continuous review of those accounts. PAA generally assigns a single percentage weighting for each security amongst all of its managed accounts. This means most clients will own the same securities at the same weighting.

Investments allocated to client accounts are based on the financial condition of each client and prevailing economic factors that influence stock prices. These allocations can be mitigated by the perceived risk tolerance for each client. All three of these factors can change. There can be some variance in client accounts with respect to the securities and their weightings.

Extensive research and experience is involved in managing the investments that comprise PAA's portfolios. PAA invests for short-term trading gains, long-term capital appreciation, and investment income. These are outlined in [Item 8, B](#). All three strategies impact client portfolios. Client securities are bought and sold for a variety of reasons based on many sources of research.



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At times, the same stocks may be bought for some clients and sold for others depending on changing economic factors or client risk tolerance levels.

Investments for clients are made for various reasons and strategies. Holding periods vary. Gains are mostly short term. Individual clients can have different portfolios with different securities but generally, clients hold the same security purchased on the same date at the same price. Client length of tenure with PAA can determine the actual security holdings. For instance, a new client of less than one year will not necessarily own the same securities as clients that have been with PAA for a longer period.

PAA uses “dynamic investment management” which is a process where securities are traded in order to realize gains or minimize losses. This process is the cornerstone to continuous management and review of client accounts. We believe this process will reduce risk and volatility for client accounts.

A consequence of trading is accounting for taxes. PAA is likely to register a significant number of trades in the course of a single tax year. Since PAA works to realize capital gains, these gains are subject to short term capital gains taxes.

PAA generates quarterly performance reports for its clients. These reports consist of a performance review highlighting the value of client accounts at the end of the quarter, showing contributions, withdrawals, capital appreciation, income, management fees paid, quarterly returns, annual returns and “since inception” returns. Also included in the quarterly report is a quarterly billing statement.



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## Item 14 – Client Referrals and Other Compensation

### Compensation for Referrals

PAA may compensate employees or non-employees for referring clients. These clients will be informed of this arrangement.

We have business relationships with other solicitors. In these agreements, we share the management fee with these other solicitors from clients that are referred to us. Effectively, we earn a lower management fee from these clients since we are sharing the fee. This could create a conflict between clients from which a fee is shared and other clients from which there is no fee sharing. This possible conflict is resolved by generally buying the same securities for all clients regardless of their fee sharing arrangements with solicitors.

## Item 15 – Custody

Client assets are held at custodian brokers. These brokers issue confirmations and statements. These brokers also deliver confirmations and statements electronically and maintain websites in which clients may view their accounts. **Clients should check that reports from Peregrine match the statements from their custodian brokers.**

Clients are required to sign authorization documents in order to wire transfer or pay our funds to third parties. Clients will also be required to provide verbal confirmation for any Fed funds wire.





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## **Item 16 – Investment Discretion**

Most of our practice takes place on a discretionary basis as outlined in [Item 4](#) under Advisory Business. PAA buys and sells securities on behalf of our clients without their prior approval.

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

Our clients usually vote their own proxies. This selection is designated by the custodian's investment account application. If PAA hires an outside adviser for a client, it may be necessary that we will vote the proxies on behalf of our client. In addition, we will also vote our client proxies by request from our clients.

When applicable, PAA generally votes proxies with management, unless doing so would be a disadvantage to shareholder clients.

In the event a potential conflict of interest should occur in voting proxies, PAA will disclose this conflict to its clients and vote what we perceive to be in the best interest of our client.

Our clients may obtain a history of PAA's voting of proxies at any time. PAA will keep a copy of any such written request from its clients.

PAA follows a written Proxy Voting procedure that is outlined in our Policies and Procedures. Generally, we vote proxies collectively. There may be times where the client's vote is withheld due to a very small number of shares held.



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#### **Item 18 – Class Action Law Suits**

Class action lawsuits are commonplace in the stock market. These class actions will affect many stocks that are used for client accounts. Peregrine has hired Chicago Clearing to complete all necessary documentation and make the appropriate filing when appropriate. In exchange for this service, client accounts give up 15% of the award as a fee for their administrative work.

#### **Item 19 – Financial Information**

We do not charge prepaid management fees. We are not required to present our clients with a balance sheet of our operations. Our own financial condition will not impede our ability to act in the client's best interest in performing investment advisory.

In April of 2020, participated in the US Government Payroll Protection Plan and secured a loan to meet payroll expenses. This loan may or may not be forgivable.



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Dan Botti, Principal, Senior Investment Adviser,

Chief Compliance Officer

Steve Binns, Investment Adviser

Grant Kerger, investment Adviser

Carol Leeland, Investment Adviser

Peregrine Asset Advisers, Inc.

9755 SW Barnes Rd., Suite 295

503-459-4651

Created 09/12/2011

This Brochure Supplement provides information about Dan Botti, Steve Binns, Grant Kerger, and Carol Leeland that supplements the Peregrine Asset Adviser, Inc. Brochure. You should have received a copy of that Brochure. Please contact us at 503.459.4651 and/or [dan@peregrineaa.com](mailto:dan@peregrineaa.com). if you did not receive Peregrine Asset Advisers, Inc.'s Brochure or if you have any questions about the contents of this supplement.

Additional information about Dan Botti, Steve Binns, Grant Kerger and Carol Leeland is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2- Educational Background and Business Experience**

### Dan Botti, Investment Adviser

BA Economics University of Colorado 1982

Merrill Lynch, Financial Consultant, 1984-2001

Peregrine Asset Advisers, Founder, 2001-present



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Steve Binns, Investment Adviser

BS Marketing Oregon State University 1984

Merrill Lynch 1985 – 2001

UBS Financial 2001 – 2011

Peregrine Asset Advisers 2011 – present

Grant Kerger, Investment Adviser

BS Eller College of Business at the University of Arizona 2003

Peregrine Asset Advisers, 2003- present

Carol Leeland, Investment Adviser

BA Political Economics Barnard College of Columbia University 1986

MBA George Fox University 1996

Merrill Lynch 1990- 2001

Peregrine Asset Advisers, 2001-present

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 4- Other Business Activities**

None of Peregrine's Investment Advisers participates in or is affiliated with any other investment-related businesses that would create a conflict.

Dan Botti and Grant Kerger do not participate in any external business involvement.

Steve Binns is a Principal in Garrett Creek Wetland Mitigation Bank, LLC which owns certified wetland credits. Wetland credits are sold to land developers to comply with land use rules



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established by the Department of State Lands. Garrett Creek Wetland Mitigation Bank, LLC is not involved in providing financial services.

Carol Leeland owns and operates 2 businesses; one is named Coral Bells Designs that is engaged in greeting card design and distribution; the other is Caribou Arts which is the name under which she sells her paintings. Neither of these companies is involved in providing financial services.

#### **Item 5- Additional Compensation**

Management fees constitute the sole source of revenue for PAA with the exception of the Covid relief PPP loan in 2020. All employees, except Steve Binns, are paid a flat salary. Steve Binns is paid a salary plus a share of management fees that come from his proprietary clients.

#### **Item 6 - Supervision**

Dan Botti has the responsibility of supervising all of the staff, including the Investment Advisers of Peregrine Asset Advisers. Any complaints about the firm, its personnel, or practices should be directed to him.

Dan Botti

503.459.4651

[dan@peregrineaa.com](mailto:dan@peregrineaa.com)