

Item 1



Form ADV Part 2A Firm Brochure

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This brochure provides information about the qualifications and business practices of Selway Asset Management. If you have any questions about the contents of this brochure, please contact us at 208-343-7556, or by email at: jill@selwayinvest.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.

Selway Asset Management is an investment advisor firm registered with the Securities and Exchange Commission (SEC). Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Selway Asset Management is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

Selway Asset Management (SAM) is required to notify clients of any information that has changed since the last annual update of the Firm Brochure (“Brochure”) that may be important to them. Clients can request a full copy of our Brochure or contact us with any questions that they may have about the changes.

Since the last annual amendment filed on 03/9/2020, the following changes have been made:

- SAM and principal shareholder Mark Matsko have consented to an Order from the State of Idaho Department of Finance, Securities Bureau regarding the management and marketing practices of the now dissolved Talon Fund, L.P. As a part of the Order, Mr. Matsko has been ordered to pay a fine of \$10,000, with his registration suspended for a period of ten (10) days from July 3, 2020 to July 12, 2020. Additionally, SAM’s firm registration has been suspended for a period of three (3) days from July 3, 2020 through July 5, 2020.
- We have accepted support from the U.S Small Business Administration’s Paycheck Protection Program (PPP), please see Item 18 below for further details.

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Item 4 - Advisory Business

Selway Asset Management (SAM) is an SEC registered investment advisor in Boise, Idaho. SAM provides investment clients with ongoing discretionary investment advisory services. We seek to add value through tactical asset allocation and careful security selection. Clients wishing to use the investment advisory services of SAM sign an investment advisor contract. The contract describes the services provided to the client in return for the advisory fee stated on the agreement. SAM has been in business since 1967; principal owner is Mark Matsko. As of 12/31/2020 SAM had client assets under management in the amount of \$224,261,830.

Item 5 - Fees and Compensation

SAM is compensated for their services by receiving a fee based on a percentage of the fair market value of assets under management. The value of the assets will be based on the last business day of each calendar quarter. The fees are payable in advance at the beginning of each calendar quarter. Clients may elect to be billed directly for fees or to authorize SAM to directly debit fees from client accounts. The current standard annual fees for investment management services are as follows:

	Portfolio Market Value	Management Fee
First	\$1,000,000	1.00%
Next	\$1,000,000	0.75%
Over	\$2,000,000	0.60%

Fees may be waived or reduced for certain family or affiliated accounts. We reserve the right, under certain circumstances, to negotiate fees. Accounts initiated during a calendar quarter may be charged a prorated fee based on the number of days in the quarter the client is under management. The fee schedule may be amended by SAM, in which case the client will receive thirty (30) days prior written notice. SAM may terminate the advisory contract upon written notice to client. The client may terminate the advisory contract upon written, or oral notice, or simply via initiating transfer of their account. In the event of termination, any unearned portion of the paid quarterly fee will be refunded.

SAM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Mutual funds and exchange traded funds may also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to SAM's fee and SAM shall not receive any portion of these commissions, fees, and costs.

Item 6 - Performance-Based Fees and Side-By-Side Management

SAM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 - Types of Clients

SAM provides portfolio management services to individuals, high net worth individuals, IRAs, pension and profit sharing plans, charitable institutions, estates, trusts, foundations and corporations. Our minimum required account size is \$500,000. However, we do reserve the right to consider accounts of lesser size.

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

Equities

We take a bottom-up approach to our security selection that involves a blend of fundamental and technical analysis. Typically, we invest in U.S. exchange-traded companies with a market capitalization over \$2 billion that have been consistently profitable over the last five to eight years.

We set criteria based on various valuation metrics. At times we may be looking for a stock within a specific industry we feel is poised to out-perform with attractive fundamentals. Potential investments are compared within their industry, and companies we judge to have the best risk/reward profile are chosen for investment.

Options

An option is a financial derivative that represents a contract sold by one party (the option writer) to another party (the option holder, or option buyer). The contract offers the buyer the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Options are extremely versatile securities. Traders use options to speculate, which is a relatively risky practice, while hedgers use options to reduce the risk of holding an asset. In terms of speculation, option buyers and writers have conflicting views regarding the outlook on the performance of a:

- *Call Option:* Call options give the option to buy at certain price, so the buyer would want the stock to go up. Conversely, the option writer needs to provide the underlying shares in the event that the stock's market price exceeds the strike due to the contractual obligation. An option writer who sells a call option believes that the underlying stock's price will drop relative to the option's strike price during the life of the option, as that is how he will reap maximum profit. This is exactly the opposite outlook of the option buyer. The buyer believes that the underlying stock will rise; if this happens, the buyer will be able to acquire the stock for a lower price and then sell it for a profit. However, if the underlying stock does not close above the strike price on the expiration date, the option buyer would lose the premium paid for the call option.
- *Put Option:* Put options give the option to sell at a certain price, so the buyer would want the stock to go down. The opposite is true for put option writers. For example, a put option buyer is bearish on the underlying stock and believes its market price will fall below the specified strike price on or before a specified date. On the other hand, an option writer who sells a put option believes the underlying stock's price will increase

about a specified price on or before the expiration date. If the underlying stock's price closes above the specified strike price on the expiration date, the put option writer's maximum profit is achieved. Conversely, a put option holder would only benefit from a fall in the underlying stock's price below the strike price. If the underlying stock's price falls below the strike price, the put option writer is obligated to purchase shares of the underlying stock at the strike price.

The potential risks associated with these transactions are that (1) all options expire. The closer the option gets to expiration, the quicker the premium in the option deteriorates; and (2) Prices can move very quickly. Depending on factors such as time until expiration and the relationship of the stock price to the option's strike price, small movements in a stock can translate into big movements in the underlying options.

Covered Calls: The risks associated with this type of strategy involve having the underlying stock called away. Each contract has a strike price at which the writer of the contract agrees to allow the purchaser call the stock away from the writer. This can create a taxable event whereby the writer of the option is required to recognize a capital gain on the underlying security. Furthermore, the market price could appreciate beyond the strike price, forcing the writer to sell their holdings below current market value.

Uncovered Options: Uncovered option writing is suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. If the value of the underlying instrument moves against an uncovered writer's options position, our firm may request significant additional margin payments. If an investor does not make such margin payments, we may be forced to close stock or options positions in the investor's account.

The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position and may incur large losses if the value of the underlying instrument increases above the exercise price.

As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

Fixed Income

We use a combination of preferred securities, investment grade corporate bonds, government bonds, and municipal bonds.

We do not turnover our bond portfolios or take large amounts of interest rate risk relative to the benchmark. Our performance comes from security and sector selection. We tend to implement a laddered portfolio for liquidity purposes and to offset the reinvestment risk of having a large amount of the portfolio mature at any one time. We choose fixed income securities based on a client's investment policy, and search for bonds that meet their demands as well as our strategy.

For all issuers, we consider the quality of their credit. We do not outsource any credit analysis work.

Risk of Loss

Investing in securities involves the potential risk of loss that clients should be prepared to bear. Though positive performance is our goal, SAM cannot guarantee any level of return.

Item 9 - 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 SAM or the integrity of SAM's management.

SAM and principal shareholder Mark Matsko have consented to an Order from the State of Idaho Department of Finance, Securities Bureau regarding the management and marketing practices of the now dissolved Talon Fund, L.P. As a part of the Order, Mr. Matsko has been ordered to pay a fine of \$10,000, with his registration suspended for a period of ten (10) days from July 3, 2020 to July 12, 2020. Additionally, SAM's firm registration has been suspended for a period of three (3) days from July 3, 2020 through July 5, 2020.

Item 10 – Other Financial Industry Activities & Affiliations

Our firm has no other financial industry activities and affiliations to disclose.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

SAM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to a prohibition on insider trading and personal securities trading procedures, among other things. All supervised persons at SAM must acknowledge the terms of the Code of Ethics as amended.

The employees of SAM are allowed to buy and sell securities and options which SAM also recommends to clients. The Code of Ethics policy diminishes the potential for a conflict, or perceived conflict, of interest. SAM personnel have a continuing duty to consider and place the interest of all clients first. In any situation where the potential for conflict exists, transactions for clients will take precedence over personal transactions. No SAM personnel shall take undue advantage of their position.

SAM's clients or prospective clients may request a copy of the firm's Code of Ethics by calling us at 208-343-7556.

Item 12 - Brokerage Practices

Selecting a Brokerage Firm

While our firm does not maintain physical custody of client assets, we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts (see Item 15 Custody, below). Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our firm has an arrangement with RBC Advisor Services (“RBC”), a qualified custodian from whom our firm is independently owned and operated. RBC offers services to independent investment advisers which includes custody of securities, trade execution, clearance and settlement of transactions. RBC does not charge client accounts separately for custodial services. Client accounts will be charged transaction fees, commissions or other fees on trades that are executed or settle into the client’s custodial account. Transaction fees may be charged based on a percentage of the dollar amount of assets in the account(s) or via individual transaction charges . These fees are negotiated with RBC and are generally discounted from customary retail commission rates. This benefits clients because the overall fee paid is often lower than would be otherwise.

RBC may make certain research and brokerage services available at no additional cost to our firm. Research products and services provided by RBC may include: research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by RBC to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

RBC does not make client brokerage commissions generated by client transactions available for our firm’s use. The aforementioned research and brokerage services are used by our firm to manage accounts for which our firm has investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of RBC as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend RBC and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Our non-wrap fee clients may pay a transaction fee or commission to RBC that is higher than another qualified broker dealer might charge to effect the same transaction where our firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided to the client as a whole.

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. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Soft Dollars

Our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time.

Client Brokerage Commissions

RBC does not make client brokerage commissions generated by client transactions available for our firm's use.

Client Transactions in Return for Soft Dollars

Our firm does not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

Brokerage for Client Referrals

Our firm does not receive brokerage for client referrals.

Client-Directed Brokerage

Our firm does not allow client-directed brokerage outside our recommendations.

Item 13 - Review of Accounts

The day-to-day supervision of each account is the responsibility of the respective portfolio manager and each account is reviewed on a continuous basis. As a result of assignment of client accounts to individual portfolio managers, implementation of investment decisions may not occur simultaneously. SAM manages portfolios with the assistance of a portfolio modeling system. The model portfolio approach allows accounts the benefits of constant investment management while also taking into account client objectives, market risk and company circumstances. New information, whether it is from a company news release, economic news, political events, market conditions and/or client specific changes would trigger additional reviews.

Client portfolios are generated on a quarterly basis and reviewed with clients either in person or by mail. Information in the portfolio includes, but is not limited to: 1) portfolio summary; 2) portfolio appraisal; 3) purchase and sales; and 4) performance history by asset class. Annual realized gain/loss reports are also available for taxable accounts. Clients may also receive periodic newsletters, telephone and/or personal consultations.

Clients will receive monthly statements and confirmations of trading activity from their custodian.

Item 14 - Client Referrals and Other Compensation

SAM has an agreement with Becker, Chambers & Co. (BC), an accounting firm that may refer potential clients to SAM. Upon sign-up and retention of new clients from BC, SAM will pay BC twenty (20) percent of the annual fee on BC assets under management each year as earned, paid on a quarterly basis, for as long as SAM manages the account. Advisor clients signed through BC will not be charged fees or costs greater than the fees or costs charged to advisory clients not introduced by BC and who have similar portfolios under management. Participation in this program may pose a potential conflict of interest. Our firm's duty of "best execution" is not

eliminated by the participation. In the agreement with BC, upon signing a client, SAM will help establish an account for the client at a brokerage firm with whom SAM has institutional relationships. The client will receive institutional rates and commissions under the SAM relationship.

Item 15 - Custody

Deduction of Advisory Fees:

While our firm does not maintain physical custody of client assets (which are maintained by a qualified custodian, as discussed above), we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts, as further described below under "Third Party Money Movement." All our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to carefully review these statements. Additionally, if our firm decides to send its own account statements to clients, such statements will include a legend that recommends the client compare

the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

Third Party Money Movement:

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Item 16 - Investment Discretion

SAM receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with any stated investment objections for the particular client account. Investment guidelines and restrictions must be provided to SAM in writing.

Item 17 - Voting Client Securities

SAM generally votes proxies for all of its clients. The client may choose to vote proxies personally by instructing SAM in writing as such. It is the policy of SAM to review each proxy item and to generally vote with management on routine matters affecting the future of the corporation.

Clients may direct the vote if they so desire either in writing or oral communication. Clients may call at any time requesting how their securities were voted. Clients may obtain a copy of our proxy voting policies and procedures upon request.

Item 18 - Financial Information

Registered investment advisers are required to provide you with certain financial information or disclosures about SAM's financial condition. SAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has never been the subject of a bankruptcy petition. SAM does not require prepayment of fees in excess of \$1,200 per client more than six months in advance of services. As such, we are not required to include a financial statement.

SAM and Mark Matsko entered into a Settlement Agreement with an independent third-party custodian in 2018. The Talon Fund LP account losses resulted in debit balances owed to the independent third-party custodian. SAM agreed to pay the custodian as follows: A total of \$875,000, with \$275,000 due no later than December 31, 2018, and an additional \$600,000 payable in six equal installments by no later than December 15, 2019, 2020, 2021, 2022, 2023 and 2024.

Our firm has obtained financial assistance by participating in Paycheck Protection Program ("PPP") established by the U.S. Small Business Administration ("SBA"). PCP is intended to assist our firm with maintaining our business in response to the COVID-19 pandemic by providing low-interest loans for business essentials such as payroll. These loans are eligible for forgiveness, but it is not guaranteed as it will be based on factors such as being used for payroll, overhead of the firm, and any interest payments previously made to the firm.