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**Item 1 - Cover Page**

# Brochure

**Monex Asset Management, Inc.**

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**Houston, Texas 77002**

**713-877-8234**

**<http://www.monexusaam.com>**

**March 31, 2012**

This Brochure provides information about the qualifications and business practices of Monex Asset Management, Inc. ["Monex Asset Management", "firm", "us", "we" or "our"]. When we use the words "you", "your" and "client" we are referring to you as our client or our prospective client. We use the term "Associated Person" when referring to our officers, employees, and all individuals providing investment advice on behalf of Monex Asset Management. If you have any questions about the contents of this Brochure, please contact us at 713-877-8234. 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.

Monex Asset Management is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Monex Asset Management, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Monex Asset Management as your adviser. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Monex Asset Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with, registered, and required to be registered, as investment adviser representatives of Monex Asset Management.

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## Item 2 - Material Changes

Please note that the changes and modifications to this Brochure that are set forth below reflect all of the “material changes” made to this brochure since our last delivery or posting of the Brochure on the SEC’s public disclosure website (IAPD) [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

- Item 4 - Advisory Business; Assets Under Management was revised to reflect the assets under management as of December 31, 2011.
- Item 5 - Fees and Compensation; Fees was modified to reflect the maximum fees payable by a client to us.
- Item 14 - Client Referrals and Other Compensation; Client Referrals was revised to reflect the utilization of modified to reflect the use of foreign solicitors to obtain client referrals.

Currently, our Brochure may be requested by contacting Jesus Heiras at 713-877-8234, free of charge.

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## Item 3 - Table of Contents

Item 1 - Cover Page.....	i
Item 2 - Material Changes.....	ii
Item 3 - Table of Contents .....	iii
Item 4 - Advisory Business .....	1
Ownership.....	1
Services Offered .....	1
Investment Products .....	1
Education .....	2
Item 5 - Fees and Compensation .....	2
Type of Compensation .....	2
Fees .....	2
Termination.....	3
Valuation.....	3
Transaction Costs.....	3
Item 6 - Performance-Based Fees and Side-By-Side Management .....	4
Item 7 - Types of Clients.....	4
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	4
Analysis Methods .....	4
Charting .....	4
Fundamental.....	4
Technical.....	4
Sources of Information .....	5
Investment Strategies .....	5
Investment Strategy Risks.....	5
General Risks .....	5

---

Long term Purchases (securities held at least a year) .....	6
Short term purchases (securities sold within a year).....	6
Trading (securities sold within 30 days) .....	6
Option writing, including covered options, uncovered options or spreading strategies .....	7
Item 9 - Disciplinary Information .....	7
Item 10 - Other Financial Industry Activities and Affiliations .....	8
Monex Securities - Affiliated Broker-Dealer .....	8
Other Activities .....	9
Item 11 - Code of Ethics .....	9
General.....	9
Personal Trading .....	10
Cross Trades .....	10
Insider Information .....	11
Item 12 - Brokerage Practices .....	11
General.....	11
Best Execution.....	12
Directed Brokerage .....	12
Trade Aggregation.....	12
Soft dollar Arrangements.....	13
Item 13 - Review of Accounts .....	13
Account Review.....	13
Reports.....	14
Trade Errors .....	14
Item 14 - Client Referrals and Other Compensation .....	14
Client Referrals.....	14
Brokerage Compensation .....	14

---

Affiliated Broker-Dealer .....	14
Mutual Funds Charges .....	15
Cash and Money Market Funds .....	15
Margin Loans.....	15
Item 15 - Custody .....	16
Selection of Custodian .....	16
Statements .....	16
Item 16 - Investment Discretion .....	16
Discretionary Authority.....	16
Documentation of Discretion.....	16
Discretionary Management .....	16
Item 17 - Voting Client Securities.....	17
Item 18 - Financial Information .....	17
Item 19 - Other Information .....	17
Privacy .....	17
Business Continuity Plan .....	17
Brochure Supplement(s)	

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## **Item 4 - Advisory Business**

### ***Ownership***

Our principal owner is Monex Casa De Bolsa, is a financial intermediary as such term is defined in the Mexican Securities Market Law (Ley del Mercado de Valores) which is owned by Grupo Financiero Monex and which Grupo Financiero Monex is owned by Holding Monex, S.A.P.I.B. de C.V. a company publicly traded on the Bolsa Mexicana de Valores, S.A.B. de C.V.

### ***Services Offered***

Monex Asset Management provides discretionary and nondiscretionary investment advisory and consulting services to individuals, trusts, estates and charitable organizations. Investment advice and portfolio management services are provided on a continuing basis including the appropriate allocation of managed assets among cash, stocks, mutual funds and bonds. This selection of specific securities will provide proper diversification and help to meet the client's stated investment objectives, although you may impose restrictions on us with respect to investing in certain securities or types and classes of securities. These portfolio management services include the following services:

- Portfolio management services for individuals and/or small businesses
- Portfolio management for businesses or institutional clients (other than investment companies)

### ***Investment Products***

Monex Asset Management is not limited to the investment products offered, but we generally offer advice on the following as well as the foreign equivalents of the following investment products:

- Equity securities (exchange-listed, over the counter, foreign issuers)
- Warrants
- Corporate debt securities
- Commercial paper
- Certificates of deposits
- Municipal securities
- Investment Company Securities (mutual fund shares)
- United States government securities
- Option contracts on securities
- Currencies

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### ***Assets Under Management***

Monex Asset Management manages \$29,839,720 in client assets on a discretionary basis and \$14,326,485 on a non-discretionary basis. The date on which these amounts were calculated was on the December 31, 2011, being within 90 days of the date of this Brochure.

### ***Education***

Monex Asset Management generally requires associated persons to have a college degree or a minimum four years related experience, have displayed a high degree of integrity in previous business background, have high standards of morals and ethics and be committed to providing quality investment advice. All associated persons must have the required licenses for an investment adviser. See ADV Form Part 2B for additional information.

## **Item 5 - Fees and Compensation**

### ***Type of Compensation***

Based on the investment services provided Monex Asset Management is compensated by the following means:

- A percentage of assets under management
- Fixed fees (other than subscription fees)

### ***Fees***

Monex Asset Management offers its services on a menu basis. Although many fees for our services are negotiable and discussed in detail during the presentations of Monex Asset Management' services to the respective potential client, our fees generally range from .025% to 1.50%, based upon a number of factors, including the size of the portfolio, services requested, and portfolio assets.

The Advisory Fee will be payable quarterly, in arrears and it will be based on the average quarterly net asset value of the Securities under management in the Account. The Advisory Fee for the initial quarterly period and the final quarter shall be prorated for the respective quarterly period, based on the current value of the Account. The current value is reflected as of the last day of each month in the respective quarterly period, divided by the number of months in the respective quarter. The term "quarterly," as used herein, shall represent fiscal three month periods, commencing on January 1st, April 1st, July 1st and October 1st of each year.

Employee-related accounts and certain other accounts, the quarterly fees may be less, depending upon a number of factors, including portfolio size, length of employment, and relationship to the employee.

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To the extent mutual funds are selected to fill components of the overall investment strategy, the annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including Rule 12b-1 fees and expenses.

### ***Termination***

The relationship between the parties may be terminated by either party upon 30 days written notice. Notwithstanding the above, if the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with this investment adviser, then the client has the right to terminate the relationship, contract without penalty, within five (5) business days after entering into the contract. The Client will be entitled to a pro rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter after termination.

### ***Valuation***

The valuation of securities and other instruments are generally determined by their last reported sale price on the principal market in which they are traded, if traded on a market for which transaction prices are publically reports. Otherwise, other readily marketable securities and instruments are valued by using a pricing service or by other equitable means consistent with the fiduciary duty of the money manager to determine a fair market value.

### ***Transaction Costs***

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. See also Brokerage Practices and Referral Arrangements and Other Compensation for a description of additional compensation received by Monex Asset Management and for a description of factors that Monex Asset Management considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

See also Other Financial Industry Activities and Affiliation, Brokerage Practices and Client Referrals and Other Compensation below for a description of additional compensation received by Monex Asset Management, a description of factors that Monex Asset Management considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions, and potential conflicts of interests related to certain affiliations).



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

Monex Asset Management 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**

We offer portfolio management investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Charitable organizations
- Trusts
- Estates

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

Investing in securities involves risk of loss that clients should be prepared to bear.

### ***Analysis Methods***

Security analysis methods utilized by Monex Asset Management include the following:

#### ***Charting***

Charting analysis seeks to identify resistance and support reference prices for decisions to buy (price hits the support) or sell (price hits the resistance). Through charting, the analysis seeks to identify price patterns and market trends in financial markets. Charting may apply to long-term investing or be used as a market-timing strategy, depending on the time-frame of the price charts.

#### ***Fundamental***

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing businesses: financial statements and health, management and competitive advantages, and competitors and markets. When applied to futures and forex, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

#### ***Technical***

Technical analysis maintains that all information is already reflected in the stock price. Technical analysis is a discipline for forecasting the direction of prices through the study of past market data, primarily price and volume. Generally, technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index,

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moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns.

### ***Sources of Information***

The main sources of information that Monex Asset Management uses to analyze these investment strategies is:

- Financial newspapers and magazines
- Research materials prepared by others
- Annual reports, prospectuses, filings with the SEC

### ***Investment Strategies***

The investment strategies Monex Asset Management uses to implement any investment advice give to clients includes the following:

- Long term Purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Option writing, including covered options, uncovered options or spreading strategies

### ***Investment Strategy Risks***

#### ***General Risks***

***Lack of Diversification:*** Portfolio investments may be concentrated and diversification may be limited. There are no limits with respect to position sizes. Any assets or combination of assets that can be held in a securities account can be purchased or sold.

***Liquidity:*** The Accounts will be invested in liquid securities and private investments are not permitted. It is possible, however, that securities become less liquid during the holding period.

***Cash and Cash Equivalents:*** Accounts may maintain significant cash positions from time to time and the client will pay the Investment Management Fee based on the net asset value of the Account, including cash and cash equivalents. Furthermore, the Account may forego investment opportunities to hold cash positions if we considers it in the best interests of the Accounts.

***Leverage:*** We may use leverage in investing. Such leverage may be obtained through various means. The use of short-term margin borrowings may result in certain additional risks to Accounts. For example, should the securities pledged to a broker to secure a margin account decline in value, a “margin call” may be issued pursuant to which additional accounts would be

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required to be deposited with the broker or the broker would effect a mandatory liquidation of the pledged securities to compensate for the decline in value. We might not be able to liquidate assets quickly enough to pay off the margin debt and the Accounts may therefore also suffer additional significant losses as a result of such default. Although borrowing money increases returns if returns on the incremental investments purchased with the borrowed accounts exceed the borrowing costs for such accounts, the use of leverage decreases returns if returns earned on such incremental investments are less than the costs of such borrowings.

***Interest Rate Fluctuation:*** The prices of securities in which the Advisor may invest are sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs of borrowed securities and leveraged investments.

***Long term Purchases (securities held at least a year)***

***Liquidity:*** The portfolio will be invested in liquid securities and private investments are not permitted. It is possible, however, that securities become less liquid during the holding period.

***Short term purchases (securities sold within a year)***

***Market Risks:*** The success of a significant portion of the program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There can be no assurance that the trading program will be able to predict accurately these price movements. Additionally, over time, the effectiveness of the trading program may decline, including due to other market participants developing similar programs or techniques.

***Trading (securities sold within 30 days)***

***Market Risks:*** The success of a significant portion of a trading program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There can be no assurance that the trading program will be able to predict accurately these price movements. Additionally, over time, the effectiveness of the trading program may decline, including due to other market participants developing similar programs or techniques.

***Trading is Speculative:*** There are risks are involved in trading securities. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times

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in the financial instrument markets and such intervention (as well as other factors) may cause these markets to move rapidly.

**Turnover:** Our trading activities may be made on the basis of short-term market considerations. The portfolio turnover rate could be significant, potentially involving substantial brokerage commissions, and related transactional fees and expenses.

***Option writing, including covered options, uncovered options or spreading strategies***

**Options and Other Derivatives:** We may purchase or sell options, warrants, equity related swaps or other derivatives that trade on an exchange. Both the purchasing and selling of call and put options entail risks. An investment in an option may be subject to greater fluctuation than an investment in the underlying securities. The effectiveness of purchasing or selling stock index options as a hedging technique depends upon the extent to which price movements in the portion of the Accounts' hedged correlate with price movements of the stock index selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular security, whether an Account realizes a gain or loss will depend upon movements in the level of security prices in securities markets generally rather than movements in the price of a particular security.

**Uncovered Risks:** We may employ various "risk-reduction" techniques designed to minimize the risk of loss in Accounts. Nonetheless, substantial risk remains that such techniques will not always be possible to implement and when possible, will not always be effective in limiting losses. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the value of such positions decline, but utilize other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if the value of a portfolio position should increase. Moreover, it may not be possible for us to hedge against a fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at a price sufficient to protect from the decline in value of the portfolio position anticipated as a result of such a fluctuation. The success of the hedging transactions will be subject to the ability to correctly predict market fluctuations and movements. Therefore, while we may enter into such transactions to seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance for the Accounts Portfolio than if we had not engaged in any such hedging transactions. Finally, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.

## **Item 9 - Disciplinary Information**

Monex Asset Management has no material facts or information regarding any legal or disciplinary events with respect to their advisory activities. Notwithstanding that, Monex

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Securities, Inc. (“Monex Securities”) is affiliated by common ownership to Monex Asset Management, and has been subject to the following disciplinary actions in the prior ten years:

Without admitting or denying the findings, Monex Securities was sanctioned in a Letter of Acceptance, Waiver and Consent (AWC) in April 2011 from FINRA for failure to properly supervise and to register the firm's foreign finders. Monex Securities was also fined \$25,000.00. (For additional information please go to BrokerCheck located at [www.finra.org](http://www.finra.org)).

Without admitting or denying the findings, Monex Securities was sanctioned in a Letter of Acceptance, Waiver and Consent (AWC) in June 2007 from FINRA in regard to a failure to execute a Trace Participation Agreement prior to its participation in Trace. Monex Securities was also fined \$15,000.00. (For additional information please go to BrokerCheck located at [www.finra.org](http://www.finra.org)).

Without admitting or denying the findings, Monex Securities was sanctioned in a Letter of Acceptance, Waiver and Consent (AWC), issued by FINRA in April 2005 in regard to the failure of a former employee of failing to file for an approval of a ownership change, allowing a unqualified person to act as a general securities principal and failure to maintain the continuing education plan and related needs analysis for three years as required. Monex Securities was also fined \$18,000.00. (For additional information please go to BrokerCheck located at [www.finra.org](http://www.finra.org)).

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

### ***Monex Securities - Affiliated Broker-Dealer***

Monex Securities, Inc. (Monex Securities) is registered as a broker-dealer with the Securities and Exchange Commission (SEC) and various state jurisdictions, and a member firm of the Financial Industry Regulatory Authority (FINRA). Monex Securities is affiliated to Monex Asset Management through common ownership and control.

Clients have the option to designate the broker-dealer utilized, including the utilization of Monex Securities as the broker-dealer for the execution of securities transactions by the client's money managers. We may also utilize the brokerage services of Monex Securities to execute portfolio transactions for our investment advisory clients. These transactions will be conducted subject to proper, and customary, disclosure including but not limited to compensation received by Monex Securities. Compensation will be received by Monex Securities as a broker dealer when portfolio transactions are effected on behalf of investment advisory clients.

See Brokerage Practices and Client Referrals and Other Compensation for a discussion of the conflict so interest and compensation related to these relationships.

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### ***Other Activities***

Monex Asset Management and certain of its principal executive officers may engage in the following activities:

- As a principal, effecting securities transactions for compensation for advisory clients who do not otherwise designate another brokerage firm to perform such services. In this role, Monex Asset Management may buy securities for its account from clients or sell securities it owns to clients. When a principal transaction occurs, we will disclose to the client, in writing before the completion of the transaction, the capacity in which we are acting, and will obtain the consent of the client to such transaction. Monex Asset Management may purchase initial public offerings for certain advisory client accounts who have expressed an interest in the purchase of these issues. Monex Asset Management has procedures in place to include its current practice of allocating these offerings.
- As a broker or agent, effecting securities transactions through Monex Asset Management for compensation for advisory clients of Monex Asset Management and registered investment advisers, investment managers or sub-advisors who do not otherwise designate another brokerage firm to perform such services.
- As a broker, effecting agency cross transactions through which client securities are sold to or bought from a brokerage customer.
- Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- Buying or selling securities for its account that it also recommends to clients.

## **Item 11 - Code of Ethics**

### ***General***

Monex Asset Management 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 the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Monex Asset Management must acknowledge the terms of the Code of Ethics annually, or as amended.

Monex Asset Management anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which we have management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase

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or sale of securities in which Monex Asset Management, its affiliates and/or clients, directly or indirectly, have a position of interest. Our employees and persons associated with us are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Monex Asset Management and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for our clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Monex Asset Management will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of our clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Monex Asset Management and its clients.

### ***Personal Trading***

Monex Asset Management and our related persons may purchase and sell securities for their own account. To prevent conflicts of interest, all employees of Monex Asset Management must comply with our Code of Ethics, which imposes restrictions on the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons.,

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. We will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Monex Asset Management's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jesus Heiras.

### ***Cross Trades***

It is Monex Asset Management's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. We will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any

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security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

### ***Insider Information***

Further, the Code of Ethics and Supervisory Procedures impose certain policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by any officer, partner, or associated person of Monex Asset Management.

## **Item 12 - Brokerage Practices**

### ***General***

Unless Client instructs Monex Asset Management otherwise, the firm may place orders for the execution of transactions with or through a broker/dealer as Monex Asset Management may select, and complying with Section 28(e) of the Securities Exchange Act of 1934, may pay a commission on transactions in excess of the amount of commission another broker or dealer would have charged. Monex Asset Management will select such brokers that can effect transactions at the best price and execution under the prevailing circumstances. In managing investment portfolios, Monex Asset Management acts in a manner in keeping with what it understands and believes to be the best interests of the client. Individual securities are selected to provide diversification among economic sectors and industries which are chosen to achieve the desired balance between expected risk and expected return. Transactions of an unusual nature are discussed with clients before execution.

It is not Monex Asset Management's practice to negotiate "execution only" commission rates; thus the client may be deemed to be paying for other services provided by the broker which are included in the commission rate. These other services may include research, services such as marketed publications, advice, analysis, reports or on line financial information. Research services furnished by Monex Asset Management to its brokerage clients may or may not be used by Monex Asset Management in the servicing of its investment advisory clients.

Monex Asset Management will allocate brokerage transactions in a manner it believes to be fair and responsible to its clients, and consistent with client objectives. Adhering to a strict formula will not be practicable given the variation in client objectives and guidelines.



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### ***Best Execution***

Transaction rates for trades executed through us may not always be as favorable as those that our clients are likely to use. An affiliated broker to execute transactions presents a potential conflict of interest in that our personnel will receive additional compensation in their capacity as Broker. Such transactions may create a conflict of interest because we have a duty to obtain the most favorable price for advisory clients while its registered representatives of the affiliated broker dealer, have a duty to obtain the most favorable price for their brokerage customers.

### ***Directed Brokerage***

Monex Asset Management may place all or a portion of the transactions with a broker with whom the client has a special advisory or consulting relationship. Such transactions are placed with a broker who may have provided manager selection services, performance measurement services, asset allocation services, or a variety of other consulting or monitoring assistance, all with the specific knowledge and full approval of the client.

Monex Asset Management does not maintain agreements with referring brokers regarding our internal allocation of brokerage transactions. However, all or a sizable portion of a particular clients' brokerage transaction business may be directed to a particular broker if the client has directed, agreed or stipulated us to do so. Commissions are not intended to compensate brokers for client referrals.

With regard to client directed brokerage, we are required to disclose that they may be unable to negotiate commissions, block or batch client orders or otherwise achieve the benefits described above, including best execution, if you limit our brokerage discretion. Directed brokerage commission rates may be higher than the rates Monex Asset Management might pay for transactions in non-directed accounts.

Also, clients that restrict our brokerage discretion may be disadvantaged in obtaining allocations of new issues of securities that we purchase or recommend for purchase in other clients' accounts. It is our policy that such accounts not participate in allocations of new issues of securities obtained through brokers and dealers other than those designated by the client. As a general rule, we encourage each client to compare the possible costs or disadvantages of directed brokerage against the value of the custodial or other services provided by the broker to the client in exchange for the directed broker designation.

### ***Trade Aggregation***

When Monex Asset Management trades the same security in more than one client account, we generally attempt to batch or "bunch" the trades in order to create a "block transaction." Generally, buying and selling in blocks helps create trading efficiencies, prompt attention and desired price execution. We will place all or substantially all transactions to purchase or sell common stocks with the client's "directed" broker, when applicable. (See the discussion entitled, "Directed Brokerage") Whenever possible, we will attempt to batch or aggregate trades for

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clients who use the same directed brokers in order to create a “block transaction.” The commission amount and per share commission rate will differ between our clients with directed brokerage relationships due to the dollar value and the size (number of shares) of the trade for each account, and the total relationship between the client and their broker. Because each client may differ in portfolio size, investment objective, equity exposure and the extent of the relationship with their broker, we do not negotiate commission discounts on the block transaction itself.

### ***Soft dollar Arrangements***

Monex Securities also makes available to Monex Asset Management other products and services that benefit Monex Asset Management but may not benefit its client’s accounts. Some of these other products and services assist Monex Asset Management in managing and administering clients’ accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Monex Asset Management’s fees from its clients accounts; and assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of Monex Asset Management’s accounts, including accounts not maintained at Monex Securities. Monex Securities also makes available to Monex Asset Management other services intended to help Monex Asset Management to manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Monex Securities may make available, arrange and/or pay for these types of these services or pay all or a part of the fees of a third party providing these services to Monex Asset Management. While as a fiduciary, Monex Asset Management endeavors to act in its clients’ best interests, and recommends that clients maintain their assets in accounts at Monex Securities may be based in part on the benefit to Monex Asset Management of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Monex Securities, which may create a potential conflict of interest.

## **Item 13 - Review of Accounts**

### ***Account Review***

Jorge Ramos will review all accounts on a quarterly basis and compare each investment on a transaction basis to insure that each transaction is: (i) suitable to the respective client’s investment objectives; (ii) meets that client’s quality standards; and (iii) to make sure that their investment objectives are still pertinent to the managed account arrangement. More frequent reviews may be triggered by material changes in variables such as the client’s individual circumstances or the market economic or political environment.

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### ***Reports***

The clients receive brokerage transaction confirmations and monthly statements from the custodian of the account.

### ***Trade Errors***

In the event of a trade error in your account, our policy is to attempt to correct trading errors as soon as they are discovered; however it may not be responsible for poor executions or trading errors committed by the brokers with which it transacts, unless such errors resulted from our negligence, fraud or willful misconduct. Notwithstanding the above, based on the circumstances, corrective actions may include:

- canceling the trade
- adjusting an allocation and/or
- reimbursement to the account

## **Item 14 - Client Referrals and Other Compensation**

### ***Client Referrals***

Monex Asset Management has entered into Foreign Finder Agreements with a number of individuals (“Foreign Solicitors”) whereby the Foreign Solicitors may refer clients to us. The Foreign Solicitors will retain contact with these clients solicited as long as they remain clients of Monex Asset Management. Foreign Solicitors will not provide any investment management services or render any investment advice on behalf of Monex Asset Management. Foreign Solicitors shall deliver to each prospective client a current copy of Monex Asset Management’s Brochure, together with a separate Written Disclosure Statement (“Disclosure Statement”). For each client referral Foreign Solicitors makes to Monex Asset Management, we will pay an amount from the management fees earned and collected per fees disclosed in contract between firms as long as the client maintains such account with Foreign Solicitors. The specific terms of the compensation will be disclosed to the client in the Disclosure Statement as delivered by the Foreign Solicitors.

### ***Brokerage Compensation***

#### ***Affiliated Broker-Dealer***

Monex Securities may be used to execute portfolio transactions for investment advisory clients at the discretion of the client. Clients will pay Monex Securities transaction fees such as commissions, commission equivalents, mark-ups, or mark-downs and Pershings’ service fee on securities transactions. Thus, Monex Securities, as a broker-dealer, receives compensation when portfolio transactions are effected on behalf of our clients or the client’s third party money manager. Additionally, our Associated Persons who are registered with both Monex Securities and us may receive benefit in the form of commissions for securities. Notwithstanding the above,

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these transactions will be conducted subject to proper, and customary, disclosure including but not limited to compensation received by Monex Securities and its registered representatives.

Thus, Monex Asset Management has an indirect financial interest in executing such transactions because Monex Securities is affiliated with Monex Asset Management, and Monex Asset Management and Monex Securities personnel may earn compensation from transaction and other fees in connection with these transactions. Notwithstanding the above, these transactions will be conducted subject to proper, and customary, disclosure including but not limited to compensation received by Monex Securities and its registered representatives.

### ***Mutual Funds Charges***

To the extent mutual funds are utilized as third party managers, and such mutual funds are purchased through Monex Securities, Monex Securities may receive distribution fees and 12b-1 fees from the issuers of such mutual funds, and this will be in addition to the consulting fee paid herein. The client is advised that, in addition to the annual advisory fee, each mutual fund in which assets are invested will incur separate investment advisory fees and other expenses for which Client will bear a proportionate share.

### ***Cash and Money Market Funds***

If an investment advisory client utilizes Monex Securities as the broker-dealer, Monex Asset Management' selection of money market mutual funds, or comparable investments in which to hold cash reserves in the client's account is limited to certain investments. The selection includes money-market, municipal money-market and government money-market funds, and the issuers of funds pay Monex Securities a distribution fee in its capacity as a broker-dealer. This compensation is in addition to other fees, etc. received from client accounts. Additionally, cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients are so invested automatically on a daily basis. When securities are sold, funds are deposited on the first business day after settlement date. Funds placed in a client's account by personal check usually will not be invested until the second business day following the day that the deposit is credited to the client's account. Due to the foregoing practices, Monex Securities may obtain federal funds prior to the date that deposits are credited to client accounts and thus may realize some economic benefit because of the delay in investing these funds. Where an unaffiliated broker-dealer or other entity acts as custodian of the client's account assets, Monex Asset Management has no control over the manner in which the cash reserves will be handled. The client and/or custodian will make that determination. This compensation is historically minimal in relation to all other compensation earned by Monex Asset Management and its affiliates.

### ***Margin Loans***

To the extent you utilize Pershing, LLL for margin loan financing, we will receive interest sharing compensation related to such margin loans.

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## **Item 15 - Custody**

### ***Selection of Custodian***

Monex Securities clears its securities transactions on a fully disclosed basis through Pershing, LLC (“Pershing”). As a result of that relationship, Pershing is the custodian for our clients electing to use our trade execution platform. Pershing was selected as the executing and clearing broker based upon, among other things, its financial solvency and credibility, its level of customer service, its trade execution capability, its managed account trading desk and its reputation. Regardless of our recommendation regarding the custodian, clients may direct us to utilize other custodians. See Brokerage Practices, Other Financial Industry Activities and Affiliations, and Client Referrals and Other Compensation.

### ***Statements***

You should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements that we or your money manager may provide to you. Our statements may vary from custodial statements based on accounting procedures and reporting formats.

## **Item 16 - Investment Discretion**

### ***Discretionary Authority***

We usually receive discretionary authority from you at the outset of an advisory relationship. That discretionary authority allows us to make determinations regarding the securities that are to be bought and sold, as well as the quantities of such securities.

### ***Documentation of Discretion***

Discretionary authority is provided in our contract with each client. Additionally, we maintain a Limited Power of Attorney for all our discretionary accounts for the purpose of directing and or effecting investments, for the direct payment of fees and or the payment of commissions, custodial fees and or other charges incurred by the managed account.

### ***Discretionary Management***

In all cases, however, such our discretion is to be exercised in a manner consistent with the stated investment objectives for the particular account. Thus, when selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the clients for which it advises. Additionally, in many cases, the discretion is subject to mutually agreed upon investment guidelines relative to the client’s portfolio. Investment guidelines and restrictions must be provided to Monex Asset Management in writing.

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## **Item 17 - Voting Client Securities**

As a matter of firm policy and practice, Monex Asset Management does not have any authority to, and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

## **Item 18 - Financial Information**

We are required to provide you with certain financial information or disclosures about financial condition which would impede our ability to provide the advisory services described herein. Monex Asset Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Additionally, we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore we have no additional material additional financial disclosures to make.

## **Item 19 - Other Information**

### ***Privacy***

We do not disclose nonpublic personal information about our individual clients or former clients except as permitted by law. We restrict access to nonpublic personal information about you (that we may obtain from your account and your transactions) to those employees who need to know that information to provide products or services to you or to alert you to new, enhanced or improved products or services we provide. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard your nonpublic personal information.

### ***Business Continuity Plan***

Monex Asset Management has developed a Business Continuity Plan to address how we will respond to events that may disrupt its business. Since timing and impact of disasters is unpredictable, we will have to be flexible in responding to the events as they occur. This plan is designed to permit us to resume operations as quickly as possible, given the scope and severity of the significant business disruption. The Business Continuity Plan covers data backup and recovery, mission critical systems financial and operational assessments, alternative communications, alternate business locations, bank and counter-party impact, regulatory reporting and the assurance of prompt access to funds and securities for our customers.

Varying Disruptions – Significant business disruptions can vary in their scope, such as emergencies affecting only a single building housing Monex Asset Management, the business district where we are located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to

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only us or a building housing us, we will transfer our operations to an emergency-ready local site, moving a select group of trained employees and expecting to recover and resume business within four hours. In a disruption affecting our business district, city, or region, we will move appropriate staff to a site outside of the affected area to be able to communicate with Pershing, LLC on behalf of our clients. In either situation, we plan to continue in business, transferring operations to our clearing firm, if necessary.

If you have questions about our Business Continuity Plan, please feel free to contact us.