



# **Finec Asset Management, LLC**

## **Form ADV Part 2A**

**7825 Fay Ave. Suite 205  
La Jolla, California 92037  
P. (858) 456-3527  
[www.finec.com](http://www.finec.com)**

## **Finec Asset Management, LLC**

7825 Fay Av, Suite 205  
La Jolla, CA 92037  
P. (858) 456-3527  
E-mail: [kgodinez@finec.com](mailto:kgodinez@finec.com)

This Brochure provides information about the qualifications and business practices of Finec Asset Management, LLC ("FAM" or the "Adviser"). If you have any questions about the contents of this Brochure, please contact us at telephone number (858) 456-3527 and/or by email at [kgodinez@finec.com](mailto:kgodinez@finec.com).

The information in this Brochure has not been approved or verified by any state or federal securities authority.

FAM is registered as an investment adviser with the State of California. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications received from an investment adviser provide you with information about which to utilize in determining to hire or retain an investment adviser. You should not make a determination to hire or retain any adviser based solely on the fact that the adviser is registered.

Additional information about FAM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about those persons affiliated with FAM who are registered as investment adviser representatives of the Adviser.

**December 2015**



## ITEM 2 – MATERIAL CHANGES

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This Brochure dated December 18, 2015 contains a summary of material changes since the last version of FAM's Brochure dated December 8, 2015.

**Item 4** - The Assets Under Management section has been updated to reflect an updated figure of assets under management as of December 18, 2015.

**Part 2B** – The Brochure Supplement has been updated to reflect changes in certain business activities of the Supervised Persons.

A copy of the complete Brochure can be obtained anytime by contacting FAM's Chief Compliance Officer, Ms. Karina Godinez at (858) 456-3527 and/or by email at [kgodinez@finec.com](mailto:kgodinez@finec.com).

Pursuant to current regulatory requirements, FAM will ensure that existing clients receive a summary of any material changes to the annual amendment of this Brochure within 120 days of the close of the Adviser's fiscal year. Additionally, if the Adviser experiences material changes in the future, FAM will send you a summary of the "Material Changes" under separate cover. For more information about FAM, please visit [www.finec.com](http://www.finec.com).



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## **ITEM 4 – ADVISORY BUSINESS**

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### **General**

FAM is a limited liability corporation formed in the State of Delaware in August 2015.

### **Description of Advisory Services**

FAM provides asset management, research, and other financial advice to individuals and corporations located primarily in the United States and Latin America. FAM's investment advisory services are provided through various types of discretionary and non-discretionary accounts (the "Accounts") in accordance with each client's investment objectives and pursuant to the terms outlined in its investment advisory agreement. The Adviser's discretionary and non-discretionary investment management services include the design, structure, and implementation of investment strategies for managed Accounts. Investment activities focus on investments in various kinds of assets and securities in a variety of markets that are intended to fit within the client's objectives, strategies and risk profile as described by each client. The overall advisory services offered by FAM fall within the following categories:

#### **➤ Customized Discretionary Portfolios**

Adviser offers discretionary separately managed Accounts that are customized to each client. Managed Accounts may focus on investments in specified and limited kinds of assets and securities, in limited markets, or they may be broad-based across many asset classes and markets. Such accounts are intended to fit within the investor's objectives, strategies and risk profile as described by each client. The strategies utilized for these customized accounts may be similar to or may vary widely from the core strategies typically utilized by the Adviser, as further outlined in Item No. 8 or customized for each client based upon varying factors. Clients may place targets on these accounts and may restrict the types of investments made in such accounts.

#### **➤ Other Non-Discretionary Advisory Services**

Adviser provides non-discretionary advisory services to all types of clients in accordance with a non-discretionary advisory agreement between the Adviser and the client. Each agreement typically defines the services to be provided and if a fee is charged, which is outlined in the advisory agreement. Adviser also provides recommendations and research regarding the investment of securities and cash in a client's account. These services are individually tailored to each client's needs and such advice may be provided to accounts with assets maintained at various third parties.

#### **➤ Other Services**

Adviser may provide additional services for clients from time to time as agreed between the client and the Adviser.

### **Wrap Fee Programs**

Adviser does not act as a primary sponsor or portfolio manager for any wrap fee programs.

### **Investment Restrictions**

As described above, the Adviser offers an array of services and clients can select among the services that the client and the Adviser feel are suited for the client. Clients may impose reasonable



restrictions on the management of their accounts, including by restricting particular securities or types of investments. Clients should be aware that performance of restricted accounts may differ from performance of accounts without such impediments, possibly producing lower overall results.

### **Assets Under Management**

As of December 18, 2015, FAM managed \$13.0 million on a discretionary basis.

### **Additional General Information**

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) may be recommended to clients or engaged directly by the client on an as-needed basis. Conflicts of interest related to recommendations of other professionals will be disclosed to the client in the event they should occur.

FAM's investment advisory agreements may not be assigned without client consent. FAM does not currently participate in any Wrap Fee Programs.



## **ITEM 5 – FEES AND COMPENSATION**

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### **Adviser's Basic Management Fees**

The specific manner in which fees are charged by Adviser is established in each client's written agreement with Adviser. Generally and pursuant to contract, fees for the management of Accounts will be based upon a percentage of the total assets in the account (including margined assets). The Adviser typically receives an annual management fee, ranging between 0.50% to 1.50% of the net asset value of the Account. The Adviser may enter into flat fee arrangements from time to time, typically for administrative services provided to clients or client Accounts.

Basic Management Fee Schedule	
Account Value	Fee Percentage
Over \$15,000,000	0.50%
\$10,000,000 to \$14,999,999	0.85%
\$5,000,000 to \$9,999,999	1.25%
\$1,000,000 to \$4,999,999	1.50%

\*FAM reserves the right to adjust the above fee schedule upon 30 days prior notice to the client.

### **Calculation and Deduction of Advisory Fees**

With respect to accounts that Adviser manages on a discretionary basis, including the specialized discretionary programs, fees can be billed quarterly in arrears or required to be paid in advance on a quarterly basis. Clients are generally required to authorize Adviser to directly debit management fees from client accounts. Fees for other non-discretionary programs are billed to clients, although frequently clients pre-authorize their custodians to automatically deduct the fees from the client's account and to make payment to Adviser in advance, on a quarterly basis.

A client may pay more or less fees than similar clients depending on the particular circumstances of the client, size, additional or differing levels of servicing or as otherwise agreed with specific clients. Clients that negotiate fees, including a flat fee, may end up paying a higher fee than that set forth above as a result of fluctuations in the client's assets under management and account performance.

In the event the Adviser bills fees in advance, refunds are given on a pro-rated basis, based on the number of days remaining in a quarter at the point of termination. Fees that are collected in advance will be refunded based on the pro-rated amount of work completed up to the day of termination within the quarter terminated. The fee refunded will be the balance of the fees collected in advance minus the daily rate (the daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter) times the number of days in the quarter up to and including the day of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the investment advisory agreement. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

### **Additional Fee Information**

Adviser's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred directly by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by fund managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic funds fees, and other fees and taxes on brokerage account and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. It is the Adviser's policy not to accept "kick-backs" or retrocession fees from any non-affiliated (third) party providing services to the Adviser's clients.

### **Termination of the Agreement**

Although an Agreement between FAM and its clients are ongoing agreements and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an investment advisory agreement by written notice to the other

party with a (30) thirty – day advance notice or as agreed upon otherwise between the client and the Adviser.

If an agreement is terminated during a period in which the client has already paid FAM its advisory fees in advance, then the Adviser will reimburse, on a pro-rated basis, the remaining advisory fees collected for any service not rendered. These fees will be sent to the client's address of record, unless otherwise directed by the client, within (30) days of termination of the agreement.

### **Compensation for the Sale of Securities**

Some of Adviser's supervised persons accept compensation (i.e. commissions) for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds and other securities products, in their individual capacities as registered representatives of Investment Placement Group ("IPG") a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA").<sup>1</sup>



## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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FAM does not engage in any type of performance-fee based sharing arrangement at this time.

## **ITEM 7 – TYPES OF CLIENTS**

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FAM will generally provide customized advisory services to high-net-worth individuals, corporations, trusts, foundations and other business entities, domiciled or residing primarily in the U.S., Canada, Mexico and other Latin American countries.

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<sup>1</sup> [www.investipg.com](http://www.investipg.com)



The Adviser's minimum account size is generally \$1,000,000. For more complex investment strategies or higher scope accounts, the Adviser may have higher expected relationship levels. In some cases, family accounts may be combined to meet the account size minimum.

If at some point the account value falls below \$1,000,000, the Adviser reserves the right to request that the client deposit additional cash or securities to bring the account value back to the \$1,000,000 minimum. Should the client fail to deposit additional cash or securities to maintain the \$1,000,000 minimum account value, the Adviser may terminate the relationship. Note that for friends and family of employees or shareholders of the Adviser, the account minimum requirement may be waived or negotiated at the Adviser's discretion.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **General Investment Strategies and Methods of Analysis**

FAM uses a variety of methods to analyze the overall financial market, market sectors and the different types of securities, including the following:

Fundamental Analysis: Fundamental analysis is a technique that attempts to determine a security's intrinsic value (fair value) by focusing on qualitative and quantitative factors that affect a company's business and its future prospects. Fundamental analysis considers: i) external factors, such as economic environment, overall market condition, political risk, regulatory risk, competition, and any other external factor that may affect the issuer's business; and ii) internal factors, such as soundness of business model, historical financial performance, current financial strength, management performance and capabilities, credit risk, etc. After determining the estimated intrinsic value, it is compared to the market value to determine if the security is overvalued, undervalued or priced at its fair value.

Technical Analysis: While fundamental analysts look at the company's financial profile and business model to estimate its fair value, technical analysts instead seek to forecast future prices of securities and markets by analyzing statistics generated by market activity, such as past trading action, trading volume, trend analysis, etc. Thus, technical analysts seek to profit by anticipating the psychological patterns of investors.

Cyclical Analysis: Cyclical analysis involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

Adviser has arrangements with third party service providers through which Adviser receives general macroeconomic analyses of economies, currencies, markets and market sectors. Such third parties also provide research reports on specific securities, sample asset allocations and administrative services. The Adviser uses such information and services as a tool and the Adviser also performs its own research and due diligence on advisers and investment opportunities. The Adviser makes investment allocation decisions based on each client's investment objectives and risk tolerance, among other factors. The Adviser identifies, structures, monitors, invests and liquidates investments in discretionary accounts. The design and day-to-day management of client portfolios is determined by the Adviser through the assigned portfolio manager. Such third party service providers do not have access to or knowledge of information concerning the specific investment decisions and recommendations made to the Adviser's clients.

Through the Adviser's various strategies, it seeks asset preservation and capital appreciation of clients' portfolios by customizing asset allocations and selecting investment vehicles that it believes will align clients' risk / return expectations with long term and short term investment needs and goals. The asset class allocations forecasts and expectations are analyzed and invested in various financial instruments, typically include equity, fixed income, options and alternative investments. Adviser will select and monitor the investment vehicles for each asset class in the portfolios based on their history and prospective risk and return characteristics, and determine suitability for each client's needs, as well as, estimated fees and expense.

### **Material Risks for Significant Investment Strategies**

While it is the intention of the Adviser to implement strategies which are designed to minimize potential losses suffered by its client, there can be no assurance that such strategies will be successful. It is possible that a client may lose a substantial proportion or all of its assets in connection with investment decisions made by the Adviser. The following is a discussion of typical risks for Adviser's clients, but it does not purport to be a complete explanation of the risks involved with Adviser's investment strategies.

There is no guarantee that in any time period, particularly in the short term, a client's portfolio will achieve appreciation in terms of capital growth or that a client's investment objective will be met by the Adviser.

The value of the securities in which the Adviser invests on behalf of its clients may be volatile. Price movements may result from factors affecting individual companies, sectors or industries that may influence certain strategies or the securities market as a whole. Furthermore, a client will be subject to the risk that inflation, economic recession, changes in the general level of interest rates or other market conditions over which the Adviser will have no control may adversely affect investment results.

FAM notes that while the Adviser's management of accounts may not involve direct leveraging, or other risk factors discussed below, the underlying funds and other investments that comprise client accounts may engage in practices that can materially impact the performance of such fund or investment, which in turn may materially impact the value of the Adviser's clients' portfolios.

### **Hedging transactions may increase risks of capital losses**

Adviser utilizes hedging strategies primarily to protect and preserve capital as well as yield enhancement. Investment products in which the Adviser invests clients' accounts may utilize a variety of financial instruments, such as options, for risk management purposes. While hedging transactions may seek to reduce risk, such transactions may result in a worse overall performance. Certain risks cannot be hedged, such as credit risk, relating both to particular securities and counterparties. The Adviser will not always invest in funds or other investment vehicles that utilize hedging strategies.

### **Liquidity of investment portfolio**

The market for some securities in which the Adviser invests indirectly on behalf of its clients may be relatively illiquid. Liquidity relates to the ability to sell an investment in a timely manner. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. Investments in relatively illiquid securities may restrict the ability of a fund or portfolio manager to dispose of investments at a price and time that it wishes to do so. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such contracts and the bid and offer prices will be established solely by dealers in these contracts. Client accounts that are invested in funds or other instruments that contain illiquid investments may be subject to these risks.

### Foreign currency markets

The Adviser's investment strategies may cause a client to be exposed to fluctuations in currency exchange rates where it invests directly or indirectly in securities denominated in currencies other than U.S. dollars. In addition, the Adviser may engage in direct foreign currency trading from time to time. The markets in which foreign exchange transactions are effected are highly volatile, highly specialized and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency.

### Derivatives

The Adviser's investment strategy may cause a client to be exposed to derivatives including instruments and contracts the value of which is linked to one or more underlying securities, financial benchmarks or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, index, currency or interest rate at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can result not only in the loss of the entire investment, but may also expose a client to the possibility of a loss exceeding the original amount invested.

### Settlement risks

The Adviser's investment strategies may expose a client to the credit risk of parties with whom the Adviser, on behalf of the client or the underlying funds, trades and to the risk of settlement default. Market practices in the emerging markets in relation to the settlement of securities transactions and custody of assets will provide increased risk. Although the emerging markets have grown rapidly over the last few years, the clearing, settlement and registration systems available to effect trades on such markets are significantly less developed than those in more mature world markets which can result in delays and other material difficulties in settling trades and in registering transfers of securities. Problems of settlement in these markets may affect the net asset value and liquidity of a client's portfolio or investments in such portfolios.

### Emerging Markets

The Adviser's investment strategies include direct and indirect investments in securities in emerging markets and such investments involve special considerations and risks. These include a possibility of nationalization, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of such countries or the value of a client's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, price volatility, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political and social uncertainties. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country. The economies of many emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may

take actions having sudden and widespread effects. Investments in products of emerging market may also become illiquid which may constrain the Adviser's ability to realize some or all of a client's portfolio holdings. Accounting standards in emerging market countries may not be as stringent as accounting standards in developed countries.

#### Investment Concentration

Some client accounts may have a high concentration in one sector, industry, issuer or security that may subject such accounts to greater risk of loss in the event such investments take an economic downturn.

#### Material Risks for Particular Types of Securities

The Adviser does not invest primarily in a specific security or type of security. The material risks involved with investing are described above.

### **ITEM 9 – DISCIPLINARY INFORMATION**

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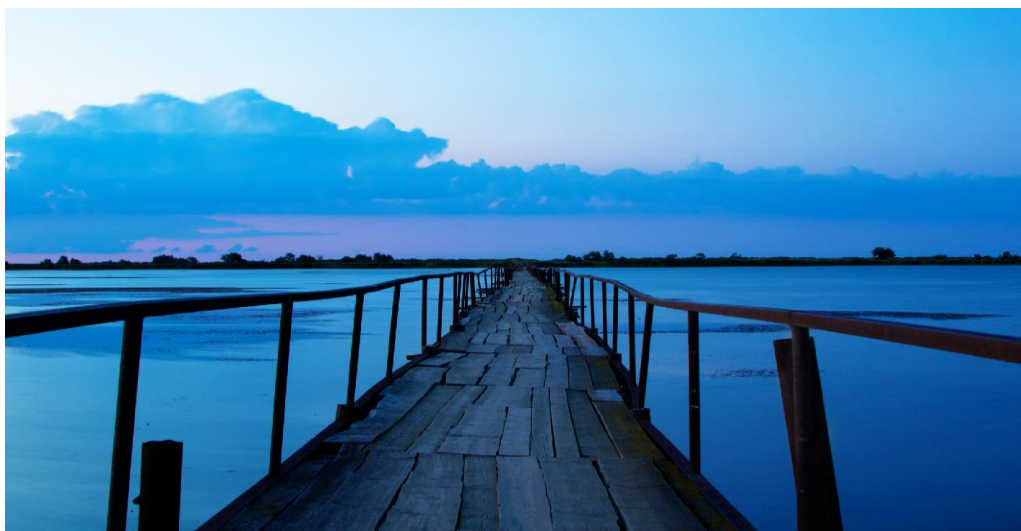
Investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an adviser or the integrity of the adviser's management. Currently, the Adviser has no information applicable to this Item. Please visit [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) at any time to view FAM's registration information and any applicable disciplinary action.

### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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#### Broker-Dealer Registration

The Adviser is not registered as a broker-dealer. Some of Adviser's management persons are registered representatives of FINRA member broker-dealer, IPG.



### **Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

None of the Adviser or its management persons is registered with the Commodity Futures Trading Commission ("CFTC") as a futures commission merchant ("FCM"), a commodity pool operator ("CPO") or a commodity trading advisor ("CTA") or an associated person of the foregoing entities.

### **Other Material Relationships**

#### **Broker-Dealer Affiliation and Transaction Execution**

The Adviser has relationships with IPG that are material to Adviser's advisory business and its clients. Generally, the Adviser will execute securities transactions through IPG. IPG acts as the broker for the client's account in equity and in fixed income securities on an agency or riskless principal basis. Subject to the investment advisory agreement with the client, IPG acts as broker for the client's account in derivatives and other investment products. FAM and/or its affiliates may receive fees and other compensation in the form of management fees, placement fees, sales charges, redemption fees, structuring fees and trailer fees from the products they issue and/or manage, as well as from third-party products. In addition, clients that purchase these products through their accounts may be charged a fee by IPG at the account level and also indirectly charged a management fee by the managers of the investment funds.

The Adviser believes that using IPG will be in the best interest of its clients. However, because of such designation, IPG's commission rates or spreads are not negotiated freely. Accordingly, transactions through IPG may result in higher commissions, greater spreads, or less favorable net prices than might be the case if the Adviser freely negotiated commission rates or spreads, or selected broker-dealers on a competitive basis. IPG charges commissions or markups/mark-downs without the prior approval of clients as more fully described in Item 11.

In addition, as more fully described in Item 12, the Adviser also monitors the execution capabilities of other broker-dealers in relation to IPG to judge the range and quality of the professional services provided by such firms, and the Adviser may choose to use other broker-dealers in lieu of IPG.

#### **Investment Adviser and Other Affiliations**

The Adviser's associated persons maintain employment relationships with Finec Asset Management SA de CV, a Mexico-based investment adviser that provides investment advisory related services on a discretionary and non-discretionary basis primarily to individuals and corporations located in Mexico. This association may present a conflict of interest based upon overall allocation of time and services provided by associated persons of the Adviser. Clients may in certain instances maintain advisory agreements and relationships with the referenced entities that are separate from FAM's advisory activities and services.

### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **Code of Ethics and Personal Trading Policies**

Adviser has adopted a Code of Ethics pursuant to Rule 204A-I of the Advisers Act in an effort to prevent violations of federal securities laws. The Adviser expects all employees to act with honesty, integrity and



professionalism and to adhere to federal securities laws.

All officers, directors, partners and employees of the Adviser and any other person who provides advice on behalf of the Adviser, which are subject to the Adviser's control and supervision (collectively referred to as "Supervised Persons") are required to adhere to the Code.

### **Prevention of Insider Trading**

The Adviser has adopted policies designed to prevent insider trading that is more fully described in the Code. The Adviser's policy on insider trading applies to securities trading and information handling by all Supervised Persons of the Adviser (including spouses, minor children and adult members of their households and any other relative of a Supervised Person on whose behalf Supervised Person is acting) for their own account or the account of any client of the Adviser.

The Adviser takes its obligation to detect and prevent insider trading with the utmost seriousness. The Adviser may impose penalties for breaches of the policies and procedures contained in this manual, even in the absence of any indication of insider trading. Depending on the nature of the breach, penalties may include a letter of censure, profit "give ups," fines, referrals to regulatory and self-regulatory bodies and dismissal.

### **Personal Securities Transactions**

#### *Periodic Reports*

As more fully described in the Code, "Covered Persons" are required to submit reports detailing their personal securities holdings to the Chief Compliance Officer on an initial basis, a quarterly basis, and an annual basis.

As an alternative to submitting quarterly transaction reports, the Adviser requires persons who are Covered Persons to submit brokerage statements or trade confirmations as long as such documents contain the information required under Rule 204A-1(b)(2)(i)(A)-(E) under the Advisers Act.

#### *Initial Public Offerings and Limited Public Offerings*

Covered Persons must obtain prior written approval from the Chief Executive Officer/Chief Compliance Officer before investing in initial public offerings ("IPOs") or limited offerings (i.e., private placements).

#### *Review of Personal Securities Reports*

The Chief Executive Officer/Chief Compliance Officer (or its designee) is responsible for reviewing the Covered Person's Quarterly Transaction Reports as well as the Initial Holdings Report and the Annual Holdings Report as part of the Adviser's duty to maintain and enforce its Code.

### **Outside Business Activities and Private Investments of Employees**

Unless otherwise consented and approved by the Chief Compliance Officer, all employees are required to devote the majority of their time and efforts related to the Adviser's business. As such, no person may make use of either his or her position as an employee or information acquired during employment, or make personal investments in a manner that may create a conflict, or the appearance of a conflict, between the employee's personal interests and the Adviser's interests. Accordingly, every employee is

required to complete a disclosure form and have the form approved by the Adviser's Chief Compliance Officer prior to serving in any of the capacities or making any of the investments more fully described in the Code.

### **Reporting Violations**

All Supervised Persons (any officer, director, partner and employee of Adviser) are required to report actual or known violations or suspected violations of the Adviser's Code promptly to the Chief Compliance Officer or his designee.

Any report of a violation or suspected violation of the Code will be treated as confidential to the extent permitted by law. As part of the Adviser's obligations to conduct an annual review of all of its policies and procedures pursuant to Rule 206(4)-7 of the Advisers Act, the Chief Compliance Officer shall review on an annual basis the adequacy of the Code and the effectiveness of its implementation.

### **Recordkeeping**

Adviser maintains a variety of books and records related to its business activities including, but not limited to the following:

- Copies of the Code;
- Records of violations of the Code and actions taken as a result of the violations;
- Copies of Adviser's supervised persons' written acknowledgement of receipt of the Code;
- Records of Covered Persons' personal trading — Initial Holdings Reports, Annual Holdings Reports, and Quarterly Transaction Reports, including any information provided under Rule 204A-1(b)(3)(iii) in lieu of such reports, i.e., brokerage confirmations and transaction reports;
- A record of the names of Adviser's "Covered Persons";
- Records of decisions, and the reasons supporting the decision to approve a Covered Person's acquisition of securities in initial public offerings or limited offerings; and
- Records of decisions, and the reasons supporting the decision to approve the Chief Compliance Officer's acquisition of securities in initial public offerings or limited offerings.

### **Acknowledgement of the Code**

Each employee will execute a written statement certifying that the employee has (i) received a copy of the Adviser's Code; (ii) read and understands the importance of strict adherence to such policies and procedures; and (iii) agreed to comply with the Code.

### **Training and Education**

All Supervised Persons, i.e., all employees, are to receive training on complying with the Code on an annual basis as part of the Adviser's annual employee compliance review meeting to ensure that all employees fully understand their duties and obligations and how to comply with the Policy's procedures.

### **Copies of Adviser's Code**

A copy of the Adviser's Code is available upon request. For a copy, please contact the Adviser's Chief Compliance Officer at (858) 456-3527.

### **Participation or Interest in Client Transactions and Associated Conflicts of Interest**

The Adviser may recommend or invest in securities, including funds, issued or managed by its affiliates (or where the affiliate acts as general partner) in which its affiliates have a material financial interest. The Adviser has policies that require personnel who develop advice and recommendations for clients to render only disinterested and impartial advice to clients and to comply with other fiduciary obligations, including having an adequate basis in fact for all recommendations and an obligation to recommend only investments that are suitable for the particular client.

The potential conflicts of interest involved in any such transactions are generally governed by the Adviser's Code. Pursuant to the stipulations of the Code, the Adviser or a related person may buy or sell for itself securities that it also recommends to clients. The potential conflicts of interest involved in such transactions are governed by the Code, which establishes sanctions if its requirements are violated and requires that the Adviser and employees place the interests of the Adviser's clients above their own.

### **Investments in Securities by Adviser and its Personnel**

The Adviser's personnel or a related person of the Adviser may invest in the same or similar securities and investments as those recommended to or entered into on behalf of the Adviser's clients. The results of the investment activities of the Adviser's personnel or related persons for their accounts may differ from the results achieved by or for client accounts managed by Adviser. The conflicts raised by these circumstances are discussed below.

The Adviser may recommend or effect the purchase or sale of securities in which its related persons or an affiliate, directly or indirectly, has a position or interest, or of which related or affiliated person buys or sells for itself. Such transactions may also include trading in securities in a manner inconsistent with the advice given to the Adviser's clients.

Activities and transactions for client accounts may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case had the Adviser or related persons not pursued a particular course of action with respect to the issuer of the securities. In addition, in certain instances the Adviser's personnel may obtain information about the issuer that could limit the ability of such personnel to buy or sell securities of the issuer on behalf of client accounts.

Transactions undertaken by the Adviser's clients may also adversely impact one or more client accounts. Other clients of the Adviser may have, as a result of receiving client reports or otherwise, access to information regarding the Adviser's transactions or views that may affect their transactions outside of accounts controlled by the Adviser, and such transactions may negatively impact other clients' accounts. A client's account may also be adversely affected by cash flows and market movements arising from purchase and sale transactions by, as well as increases of capital in and withdrawals of capital from, other clients' accounts. These effects can be more pronounced in less liquid markets.

The results of the investment activities of a client's account may differ significantly from the results achieved by the Advisers related persons and from the results achieved by the Adviser for other client accounts.

As more fully described above, the Adviser has adopted a Code of Ethics. Such Code of Ethics together with the Adviser's policies and procedures restrict the ability of certain officers and employees of the Adviser from engaging in securities transactions in any securities that its clients have purchased, sold or considered for purchase or sale, for an appropriate "black out" period. Other restrictions and reporting requirements are included in the Adviser's procedures and Code of Ethics to minimize or eliminate conflicts of interest.

## **Trading Alongside by Adviser and its Personnel**

Client accounts managed by the Adviser may trade in the same or similar securities at or about the same time as accounts managed or advised by affiliates of the Adviser. Investments by the Adviser's affiliates and their clients may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of a client's account, particularly in small capitalization, emerging market or less liquid strategies. This may occur when portfolio decisions regarding a client's account are based on research or other information that is also used to support portfolio decisions for the Adviser's affiliates. If a portfolio decision or strategy for the Adviser's affiliates' accounts or the accounts of clients of affiliates is implemented ahead of, or contemporaneously with, similar portfolio decisions or strategies for the Adviser's client's account, market impact, liquidity constraints, or other factors could result in the account receiving less favorable trading results and the costs of implementing such portfolio decisions or strategies could be increased.

## **Errors**

Errors may occur from time to time in transactions for client accounts. The Adviser will typically correct any such errors that are the fault of the Adviser or an affiliate at no cost to the client, other than costs that the Adviser deems immaterial. To the extent that the subsequent sale of such securities generates a profit to the Adviser, the Adviser may retain such profits, and may, but is not required to, use such profits to offset errors in the future or pay other client-related expenses. The Adviser will not be responsible for any errors that occur that are not the fault of the Adviser or any affiliate.

## **Privacy Policy**

Adviser considers your privacy our utmost concern. The Adviser does not share any information of clients with nonaffiliated third parties, except such information may be disclosed as necessary to process a transaction an investor has requested, to the extent the investor specifically authorized the disclosure, to service providers or joint marketers who agree to limit their use of such information, and to the extent required or specifically permitted by law or reasonably necessary to prevent fraud, unauthorized transactions or liability.

When the Adviser discloses non-public personal information of clients to a non-affiliated third party that provides services to the Adviser or engages in joint marketing, the Adviser shall:

- Notify investors of the possibility of such disclosure; and
- Enter into a contractual agreement with the third party that prohibits the third party from disclosing or using the investors' information other than to carry out the purposes for which the information was disclosed to the third party.

In particular, the Adviser may enter, in compliance with the above conditions, into an agreement with a non-affiliated third party to store the records of the Adviser clients and investors including electronic and e-mail records.

For more information about the Adviser's privacy policies or to request a brochure describing the Adviser's privacy policies, please contact the Adviser's Chief Compliance Officer via information outlined on the cover page of this Brochure.



## **ITEM 12 – BROKERAGE PRACTICES**

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### **Broker-Dealer Selection**

Generally, the Adviser will execute securities transactions through IPG. The Adviser believes that using IPG will be in the best interest of its clients. However, certain associated persons of the Adviser may receive additional compensation in the form of commission related to client advisory transactions executed through IPG. Based upon this structure, IPG commission rates or spreads are not negotiated freely. Accordingly, transactions through IPG may result in higher commissions, greater spreads, or less favorable net prices than might be the case if FAM freely negotiated commission rates or spreads, or selected broker-dealers on a competitive basis. IPG charges commissions or markups/mark-downs on transactions executed for the Adviser's clients subject to the conditions described herein. The foregoing notwithstanding, the Adviser will monitor the execution capabilities of all broker-dealers it uses on an ongoing basis and may direct client securities transactions to other broker-dealers as appropriate.

In arranging for the purchase and sale of the portfolio securities of Adviser's clients, IPG takes numerous factors into consideration. These include any legal restrictions, such as those imposed under the securities laws, and any client imposed restrictions. Within these constraints, IPG employs or deals with members of the securities exchanges and other brokers and dealers as may in its judgment implement the policy of obtaining best execution (i.e., prompt and reliable execution at the most favorable prices obtainable under the prevailing market conditions) of portfolio transactions.

Under circumstances in which Adviser will seek the services of other registered brokers or dealers, the Adviser will, in determining the abilities of a broker or dealer to obtain best execution of portfolio transactions, consider all relevant factors, including the execution capabilities required by the transactions; the ability and willingness of the broker or dealer to facilitate the accounts' transactions by participating therein for its own account; the importance of speed, efficiency and confidentiality; the broker or dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; the reputation and perceived soundness of the broker or dealer; as well as other



matters relevant to the selection of a broker or dealer. The Adviser does not adhere to any rigid formula in making the selection of the applicable broker or dealer for portfolio transactions, but weighs a combination of the preceding factors. Accordingly the Adviser will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

### **Research and Other Soft Dollar Benefits**

The Adviser currently has no written soft dollar agreements. The Adviser will generally execute securities transactions through IPG, and accordingly, does not typically direct brokerage in consideration for research received. However, when the Adviser uses a broker other than IPG, it may consider receipt of research among many factors in determining which broker to select, as described above. In such case, clients may pay higher commissions or mark-ups/markdowns than with another broker that does not provide such research. Because the Adviser does not have to pay for the research, the Adviser may have an incentive for selecting such broker rather than for obtaining the lowest commission, most favorable net price or smallest spread. The Adviser's policies require that when paying in excess of what another broker would have charged for effecting the transaction the investment officer must document his good faith determination that the commission is reasonable in relation to the value of brokerage and research received. The Adviser uses the benefits it receives from third-party research for all client accounts. Research is received from third-party brokers as well as from the Adviser's affiliates. IPG does not produce research reports and therefore the Adviser does not receive research from IPG.

### **Brokerage for Client Referrals**

Generally, Adviser will execute securities transactions through IPG where associated persons of the Adviser maintain a registered representative (dual) association. The Adviser generally does not consider, in selecting or recommending broker-dealers, whether the Adviser or a related person receives client referrals from the broker-dealer or third party.

### **Directed Brokerage**

As described above in this item, the Adviser generally directs brokerage to IPG, where its associated persons maintain registered representative (dual) association (see above in this Item 12 for a description of the conflicts of interest of such direction). Not all Advisers use predominantly a single broker. Furthermore, a client may direct that the Adviser use a particular broker or dealer to execute transactions or may impose price restrictions for purposes of executing orders for securities. Where a client has directed the use of particular broker or dealer or set forth fee and price restrictions, the Adviser may not be in a position to negotiate freely commission rates or spreads, or to select brokers or dealers on the basis of best execution. Additionally, transactions for a client that has directed that the Adviser use a particular broker or dealer or follow his/her fee and price restrictions may not be commingled or "batched" for purposes of execution with orders for the same securities for other accounts managed by the Adviser. Accordingly, the direction by a client of a particular broker or dealer to execute transactions for his/her or its account or comply with price or fee restrictions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if the Adviser were empowered to negotiate freely commission rates or spreads, or to select brokers or dealers on the basis of best execution. Further, as discussed in the Item 5, in the Adviser's discretionary programs that typically do not charge additional brokerage commissions and certain other fees, such charges will be included where the client directs brokerage.

## **Aggregation of Trades**

Where practicable, all client portfolio orders for the same security may be combined or “batched” and executed as block transactions in order to facilitate best execution as well as for the purpose of negotiating more favorable brokerage commissions. Where a block trade is executed for a number of client accounts, the average execution price on all of the purchases and sales that are aggregated to this purpose should be used for all accounts. If an entire block is not fully executed on the same day, the Adviser’s policies require an allocation method that is fair and reasonable to all clients.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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Accounts are typically reviewed by the Adviser’s Investment Committee on a periodic basis or as needed due to market conditions or transactional activity, which is in addition to periodic customary monitoring and analysis conducted on an active basis by investment adviser representatives. The Chief Compliance Officer also typically reviews transactions entered into for investment advisory clients to determine that correct entries have been made for all client records.

### **Factors Triggering a Review**

Factors that may trigger an in depth review of the account include: i) a significant change in the client’s investment objectives, financial situation or overall guidelines or restrictions; ii) a major change in the general conditions of the stock and bond markets (such as large price movements, economic surprises, and/or unusual trading volumes); iii) tax considerations; and iv) the purchase or sale of a security in the account. More frequent account reviews can be conducted upon a client’s specific request.

### **Client Reports**

Account custodians generally send statements directly to the account owners on a monthly basis, although in some cases, custodians may send statements on a quarterly basis. These statements will reflect the client’s funds and/or securities held with the qualified custodian as well as any other transactions that occurred in the account, including the deduction of the FAM’s management fee. Clients are urged to carefully review such custodial statements, and should compare those statements to the performance reports provided by FAM. Please note that FAM’s reports may vary from custodial statements based on different accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients are encouraged to ask any questions regarding any discrepancies they may identify.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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The Adviser’s compensation is primarily in the form of management fees. Please refer to Item 5 for additional details. The Adviser has established referral relationships with affiliates pursuant to which each party will refer prospective clients to each other and the referring affiliate will receive fees for its respective referrals. In addition, the Adviser may make cash payments to third-party solicitors for client referrals provided that each such solicitor enters into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective client with a copy of the Adviser’s Form ADV Part 2 and a disclosure document setting forth the terms of the solicitation arrangement,

including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act. Adviser receives referrals from outside attorneys, accountants and other professionals and may enter into remuneration agreements from time to time.

## **ITEM 15 – CUSTODY**

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FAM does not maintain custody of client assets. All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. FAM does not maintain any affiliation with qualified custodians of its client accounts. Therefore, aside from debiting fees from its clients' accounts to pay for services rendered, FAM does not maintain custody of its clients' funds. Clients receive monthly or quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets.



## **ITEM 16 – INVESTMENT DISCRETION**

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Adviser 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 the stated investment objectives for the particular client account. With respect to the Adviser's discretionary programs and accounts, FAM is generally conferred with discretionary authority to make the following determinations without obtaining the consent of the client before a transaction is effected:

- Which securities are to be bought or sold;
- The total amount of the securities to be bought or sold;
- The broker or dealer through whom securities are to be bought or sold; and,
- The commission rates at which securities transactions for client accounts are effected.

When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to the Adviser in writing.

## **ITEM 17 – VOTING CLIENT SECURITIES**

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The Adviser generally votes proxies relating to securities held in discretionary client accounts. Arrangements may also be made to forward the proxies to clients for their voting if the client instructs otherwise. If the Adviser votes a proxy, a record of how the Adviser has voted is available free of charge and will be provided upon a client's request.

Registered advisers that have the authority to vote proxies (which authority may be implied from a general grant of investment discretion) are required to adopt policies and procedures reasonably designed to ensure, among other things, that the adviser votes proxies in the best interests of its clients. The Advisers also must maintain certain records on proxy voting. The Adviser's proxy voting policies and procedures are set out below.

Additional information will be provided at the request of a client. In accounts where the Adviser votes proxies, the Adviser will determine to vote a proxy depending on, among other things, the cost of analyzing the proxy compared to the expected benefit of the vote to its clients, the subject of the proxy and the size of the position the clients hold in the issuer (proxies of issuers in which clients hold a small position are less likely to be voted than those for issuers in which clients have made a controlling investment). In determining how to vote individual proxies, the Adviser shall take into account the best interests of its clients as well as any potential conflicts of interest among its clients and the Adviser or its affiliates. The Adviser or its delegate shall make and keep a written record of how all proxies have been voted on behalf of clients. The Adviser is responsible for identifying any potential conflicts of interest that may arise in the proxy voting process. Examples of conflicts may include situations where the Adviser or its affiliates have a material business relationship with a proponent of a proxy proposal, which may influence how the vote is cast, or has a business or personal relationship with participants in a proxy contest, directors, or candidates for directorships (other than by virtue of Adviser employee's status as a director of the company). The Adviser will refer any such conflicts of interest to the Designated Principals for resolution.

The Adviser will retain (i) its proxy voting policies and procedures; (ii) proxy statements received regarding client securities (the Adviser may rely on proxy statements filed on the SEC's EDGAR system instead of keeping its own copies); (iii) records of votes cast on behalf of clients; (iv) records of clients requests for proxy voting information, and (v) any specific documents the Adviser prepared that were material to making a decision how to vote, or that memorialized the basis for the decision.

## **ITEM 18 – FINANCIAL INFORMATION**

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Registered investment advisers are required in this Item 18 to provide you with certain financial information or disclosures about their financial condition. FAM does not maintain custody of clients' assets, does not require prepayment of fees six months or more in advance, 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. Accordingly, no financial statements are required to be provided by Adviser to its clients and prospective clients.

## **ITEM 19 - BUSINESS CONTINUITY AND INFORMATION SECURITY**

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### **Business Continuity Plan**

FAM has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from

the loss of office space, communications, services or key persons. The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Business Continuity Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients promptly after a disaster that dictates moving our office to an alternate location.

### **Privacy and Information Security**

FAM maintains an information security program to reduce the risk that your personal and confidential information may be breached. Furthermore, FAM is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier and use other techniques and authentication procedures in our computer environment. We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law. Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.



## FORM ADV PART 2B (BROCHURE SUPPLEMENT)

This Brochure Supplement provides information about the supervised persons listed below that supplements the Finec Asset Management, LLC. brochure. You should have received a copy of that Brochure. Please contact Karina Godinez, Chief Compliance Officer if you did not receive FAM's brochure or if you have any questions or concerns with this information.

### List of Supervised Person(s)

Mauricio Guillermo Lepe Melgoza (Chairman of the Board and Chief Executive Officer)

Silvia Karina Godinez Valdovinos (Chief Compliance Officer)\*<sup>2</sup>

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<sup>2</sup> \*Indicates individual is also a registered representative with IPG.

## **Mauricio Guillermo Lepe Melgoza (Chief Executive Officer and Chairman of the Board)**

### ***Item 1 - Educational Background and Business Experience***

Mauricio Lepe has over 22 years of experience in finance. In addition to his role as Chairman and Chief Executive Officer at Finec Asset Management LLC, Mr. Lepe is a Financial Advisor at Finec Asset Management S.A. de C.V. since January 2015. Prior to joining Finec Asset Management S.A. de C.V., from 2008 to 2015, he served as Chief Financial Officer at Grupo IRM S.A. de C.V. and its various groups of companies. Prior to that, from 2006 to 2008, he worked at Hewlett Packard de México as Operations Manager. Previously, from 1999 to 2006, he served as Chief Financial Officer at ASSA Abloy de México. He began his career in 1994, as Treasury Director at Bansí, S.A. Institución de Banca Múltiple.

He holds an MBA from ITESM and a B.A. in Financial Administration from Universidad Panamericana. He holds FINRA Series 65.

### ***Item 2 - 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 3 - Other Business Activities***

Mr. Lepe is a Financial Advisor at Finec Asset Management, S.A. de C.V.

### ***Item 4 - Additional Compensation***

Mr. Lepe's compensation is derived primarily from his role with FAM, and Finec Asset Management S.A. de C.V.

### ***Item 5 - Supervision***

Individual responsible for supervising the activities of Mr. Lepe is the Chief Compliance Officer, Ms. Karina Godinez.

## **Silvia Karina Godinez Valdovinos (Chief Compliance Officer)**

### ***Item 1 - Educational Background and Business Experience***

In addition to her position at FAM as Chief Compliance Officer, Karina Godinez serves as Business Development Manager at Finec Asset Management S.A. de C.V. since July 2014. Previously, from 2011 to 2014, she worked at The Bank of Nova Scotia as an Associate in Corporate Banking, assessing lending opportunities in the Oil & Gas sector.

Ms. Godinez holds an MBA with a concentration in finance from Rice University, and a B.S. in Industrial and Systems Engineering from ITESM. She holds FINRA Series 7 and Series 65.

### ***Item 2 - 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 3 - Other Business Activities***

Ms. Godinez is involved in the following activities:

- Registered representative of Investment Placement Group.
- Business Development Manager of Finec Asset Management, S.A. de C.V.

### ***Item 4 - Additional Compensation***

Ms. Godinez compensation is derived primarily from her role with FAM and Finec Asset Management S.A. de C.V.

### ***Item 5 - Supervision***

Individual responsible for supervising the activities of Ms. Godinez is the Chief Executive Officer, Mr. Mauricio Guillermo Lepe Melgoza.