

**AC ONE ASSET MANAGEMENT, LLC**

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**Firm Brochure**

*June 24, 2019*

This brochure provides information about the qualifications and business practices of AC One Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at (213) 362-9200 or [info@ac-one-amc.com](mailto:info@ac-one-amc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Although AC One Asset Management, Inc. is registered with the SEC as an investment adviser, such registration does not imply any level of skill or training.

Additional information about AC One Asset Management, Inc. also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## Material Changes

This brochure is prepared according to requirements and rules of the Securities and Exchange Commission ("SEC"). You can look to this section of the brochure for a summary of specific material changes that have been made since its last update.

Since our last annual update on June 8, 2018, AC One has made the following material changes to our Disclosure Brochure:

- Updated amount of assets under management in Item 4;
- At age 89, Mr. Fred Ruopp, Sr. passed away in April of 2019; and
- Item 12 (Brokerage Practices) has been amended to reflect redemption requests and AC One's liquidity risk management program.

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## Item 4 Advisory Business

AC One Asset Management, Inc. (“AC One”), is an investment adviser registered with the SEC. AC One Asset Management, Inc., a Delaware corporation, and was started in 2011 as a 50-50 joint venture between Chelsea Counsel Company, a California corporation, d.b.a. Chelsea Management Company (“Chelsea”) and AssetPlus Investment Management Co. (“AssetPlus”), a South Korean corporation. AC One is managed by Mr. Patrick C. Pascal, Mr. Fred Ruopp, Jr. of Chelsea Management and Mr. Woon Sang (“Chip”) Baik who is a principal of AssetPlus Investment Management Co (USA) (Assets Plus USA) and is representing AssetPlus.

AC One provides investment advisory services to institution(s) and The AC-ONE China Fund (SYMBOL: ACOIX) a Registered Investment Company under the Investment Company Act of 1940.

AC One tailors its advisory services to the individual needs of institutional clients. Clients may communicate their individual needs to AC One during the request for proposal process or while negotiating an investment management agreement. Institutional clients may impose restrictions on investing in certain securities or types of securities and AC One seeks to maintain a continuous dialogue with its institutional clients about their individual needs.

AC One primarily specializes in managing long-term investment strategies focused on foreign listed Chinese and South East Asian companies. The AC One portfolio management team is comprised of the following individuals:

- Mr. Patrick Pascal
- Mr. Fred Ruopp Jr.

As of March 31, 2019, AC One was actively managing \$14,800,040 of discretionary assets. AC One does not have any non-discretionary assets under management and does not participate in, or sponsor, any wrap fee programs.

All discussions of AC One’s practices in this brochure are qualified in their entirety with respect to each institutional client or investment company by the applicable investment management agreement or registration statement (current prospectus) filed with the SEC, respectively, governing such accounts including without limitation all practices pertaining to the account’s investments, strategies used in managing the account, fees and other costs associated with an investment in the account, and conflicts of interest faced by AC One and its affiliates in connection with the management of the account.

## Item 5 Fees and Compensation

AC One charges an asset-based fee for its investment advisory services. The fee arrangement, termination, and refund policies are negotiated with each client and described in the client's advisory agreement. In the case of The AC-ONE China Fund, this information will be in the prospectus and Statement of Additional Information ("SAI").

AC One's investment advisory fees are generally based on a percentage of assets under management. The basic investment advisory fee for AC One is currently 1.05% (effective June 1, 2018) of assets under management on an annual basis.

AC One may, from time to time, provide investment advisory services to institutional separate account clients ("Institutional Accounts"). AC One's investment advisory fees for Institutional Accounts are generally based upon a percentage of assets under management. The percentage typically depends upon the type of investment mandate. The standard investment advisory fees AC One's charges for different mandates for Institutional Accounts will range from 0.50% to 1.50%.

AC One fees are billed and payable quarterly in arrears, unless a client agrees otherwise, generally based upon the average of the month-end net assets for the quarter. Fees are negotiable.

AC One reserves the right, in its sole discretion, to negotiate and charge different advisory fees for different accounts. Advisory fees may vary due to the inception date of a client's account, the initial or potential size of the account, the entirety of the client's and its affiliates' relationship with the AC One and account-specific requirements such as non-standard reporting obligations and compliance with laws not generally applicable to AC One's activities. Accordingly, AC One may charge a higher or lower fee than the standard fees set forth above.

In the event AC One's services are terminated, its fees are pro-rated to the extent that its services have been provided for less than the full quarter (or other billing period).

Institutional Accounts typically bear certain additional expenses other than investment advisory fees, including custodial fees, brokerage costs, out-of-pocket costs for ERISA-mandated fidelity bonds (if applicable), or fees for plan administrator/Trustee-directed special projects or reports. AC One receives no payment or remuneration from institutional clients with respect to such other expenses (except as described in *Brokerage Practices*), and any such charges, fees and commissions are exclusive of and in addition to AC One's advisory fees. No portion of such charges, fees or commissions shall be applied as an offset to reduce the amount of advisory fees owed by a client to AC One. In addition, when institutional client assets are invested in a Mutual Fund or in an Exchange-Traded Fund ("ETF"), the client indirectly bears a prorated share of operating expenses incurred by the Mutual Fund or the ETF, including without limitation, brokerage fees and transaction costs, transfer agency fees and custodial expenses. These expenses are described in greater detail in the Prospectus and/or Statement of Additional Information for the relevant Mutual Fund or ETF. Please refer to the *Brokerage Practices* section of this brochure for a discussion of fees related to AC One's selection of brokers and order allocation practices.

## **Item 6 Performance Based Fees and Side by Side**

AC One does not charge performance-based fees.

## **Item 7 Types of Clients**

AC One can provide investment advisory services to a broad range of institutional and registered investment companies. AC One institutional clients may include pension and profit sharing plans, trusts and estates, and charitable organizations and sovereign wealth funds. AC One currently provides investment advisory services to the AC-ONE China Fund, a registered investment company.

Client relationships are governed by investment advisory agreements that set forth the terms under which AC One will provide its services.

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

AC One is primarily focused on equities of companies that have 80% or more of their revenues derived from China or Chinese related companies.

AC One utilizes third-party research analysts located in China and independent analysis in managing client assets. These research analysts are actively conducting due diligence on publically traded companies located in China. Their due diligence process often includes visiting the place of business of companies that are identified as potential equity investments and actively visiting competitor companies in the same industries. These analysts also use a wide range of published research by other analysts for further analysis of each potential investment.

In conjunction with a detailed company analysis, AC One employs three additional methods of analysis within a Macro-Global focus:

### ***Fundamental Analysis***

We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is undervalued (indicating it may be a good time to buy) or overvalued (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

### ***Technical Analysis***

We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

### ***Cyclical Analysis***

In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

## **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short-Term Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security.

An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio provided you have given us the authority to invest in this manner.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

### **ADDITIONAL RISKS.**

**For all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

**Certain risks associated with investment in China.** In addition, there are material risks in investing in China. The Government of the People's Republic of China has absolute authority in the regulation of commerce and trade inside China. The Government of China may choose to sanction or cease operations of any company in China or any operations in China engaged by a foreign company. The government of China could prevent the flow of international currency settlements - leaving investment capital stranded for an indeterminate amount of time.



***Inherent risk of loss.*** Securities investments are not guaranteed and you may lose money on your investments.

## **Item 9 Disciplinary Information**

AC One does not have any criminal or civil actions to report or any self-regulatory organization proceedings to report.

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

As described above in the *Advisory Business* section, AC One is a 50-50 joint venture between Chelsea Counsel Company, a California corporation, d.b.a. Chelsea Management Company (“Chelsea”) and AssetPlus Investment Management Co. (“AssetPlus”), a South Korean corporation. AC One is managed by Mr. Patrick C. Pascal and Mr. Fred Ruopp, Jr. of Chelsea and Mr. Woon Sang (“Chip”) Baik who is a principal of AssetPlus Investment Management Co (USA) (Assets Plus USA) and is representing AssetPlus.

The investment professionals at AC One contribute to the management of client portfolios in the AC-ONE China Fund. Supervision of such portfolio management is the responsibility of the officers and employees of AC One. In addition, AC One's trading personnel are responsible for implementing portfolio management decisions relating to client accounts. All investment trades are considered and reviewed carefully beforehand by the investment committee which consists of all the members of AC One.

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

AC One and its affiliates may act as investment manager to numerous client accounts and may give advice or take action with respect to any client account, or for its own account, that differs from action taken on behalf of other accounts. AC One and its affiliates are not obligated to recommend, buy, or sell, or to refrain from buying or selling, any security that AC One or its affiliates may buy or sell for its or their own account or for the account of any other client.

AC One has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

AC One and its personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

AC One's Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by

the firm's access persons. Among other things, the Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

AC One's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While AC One does not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of AC One's Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [info@ac-one-amc.com](mailto:info@ac-one-amc.com) or by calling us at (213) 362-9200.

AC One's Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.

5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as investment adviser representatives of an affiliated investment adviser. Please refer to Item 10 for an explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

AC One Asset Management LLC will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help AC One in providing investment management services to clients. AC One may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, AC One may direct brokerage transactions for any client to brokers who provide research and execution services to AC One.

These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. AC One does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients.

Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if AC One

determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') of the AC One.

AC One has adopted a Liquidity Risk Management Program pursuant to Rule 22e-4 under the Investment Company Act of 1940, as amended ("The Liquidity Rule"). The primary goal of the Liquidity Rule is to focus attention and resources on managing liquidity risk, i.e., the risk that a fund could not meet requests to redeem fund shares without significant dilution of remaining investors' interest in the fund.

When AC One converts securities into cash in order to meet a redemption request, the process is accomplished during business days, which will be any day equities are traded on the New York Stock Exchange and the Hong Kong Stock Exchange, and any other stock exchange at which AC One securities are traded.

## **Item 13 Review of Accounts**

Client portfolios are managed day-to-day by employees of AC One appointed and supervised by senior employees of AC One. AC One conducts reviews of client accounts based on the nature of such accounts.

Reviews may include ongoing regular or periodic reviews as well as reviews on a more frequent basis as needed, depending on a specific client's mandate, economic conditions and changes in the general market. Reviews are conducted both management and investment personnel.

Periodic reports (oral, written, or both) are provided to clients from time to time in a form mutually agreed with AC One. AC One typically provides clients with both quarterly and monthly written reports. Quarterly reports include market and portfolio commentary, performance and attribution, market value, portfolio holdings and transaction detail in addition to information on corporate actions.

Monthly

reports are more concise and include performance, market value and portfolio characteristics. In addition, as agreed with AC One, customized reporting is available. Written reports are delivered via email and also can be retrieved directly and securely by clients from the AC One website. AC One also typically provides a similar range of information orally to clients through in-person meetings, conference calls, and webinars and client conferences.

Reports may also be sent by a third-party service provider on behalf of AC One.

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

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;

- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is AC One Asset Management LLC's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

AC One does not maintain custody of client assets. All client assets are held with qualified custodians.

## **Item 16 Investment Discretion**

Generally, AC One is retained on a discretionary basis and authorized to make the following determinations in accordance with clients' specified investment objectives without client consultation or consent before a transaction is effected:

- which securities to buy or sell;
- the total amount of securities to buy or sell;
- the broker or dealer through which securities are bought or sold;
- the commission rates at which securities transactions will be effected; and
- the prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Before assuming discretionary authority, AC One requires a client to enter into a written investment management agreement with AC One. Any limitations on AC One's discretion in the case of a particular client will be agreed in advance and set forth in the investment management agreement between AC One and such client.

## **Item 17 Voting Client Securities**

We vote proxies for all client accounts. We will vote proxies in the best interests of clients and in accordance with our established policies and procedures. Our firm retains all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Donald Brown, Chief Compliance Officer of AC One by telephone, email, or in writing. Clients may request, in

writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

## **Item 18 Financial Information**

AC One is not required to provide a balance sheet for its most recent fiscal year, as it does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

AC One is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.