

# Disclosure Brochure

September 27, 2018

## **AR Asset Management, Inc.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of AR Asset Management, Inc. (hereinafter "ARAM"). If you have any questions about the contents of this brochure, please contact Annie Kim at (310) 859-7644. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about AR Asset Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

AR Asset Management, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since ARAM's last annual update dated September 25, 2017. The Firm has amended Items 5 and 10 to reflect additional disclosures relating to the private funds it sponsors.

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## Item 4. Advisory Business

ARAM provides investment management services. Prior to engaging ARAM to provide any investment management services, the client is required to enter into one or more written agreements with ARAM setting forth the terms and conditions under which ARAM renders its services (collectively the “Agreement”).

ARAM has been in business since March 19, 1982. Arnold S. Rosenstein and Anita M. Rosenstein are the principal owners of ARAM.

ARAM has \$452,092,712 of assets under management as of June 30, 2018, all of which are managed on a discretionary basis.

This Disclosure Brochure describes the business of ARAM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of ARAM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on ARAM's behalf and is subject to ARAM's supervision or control.

### Investment Management Services

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Clients can engage ARAM to manage all or a portion of their assets on a discretionary basis.

ARAM primarily allocates clients' investment management assets among individual debt and equity securities, options, mutual funds, and exchange-traded funds (“ETFs”) in accordance with the investment objectives of the client. In addition, ARAM may recommend that clients who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. ARAM also provides advice about any type of investment held in clients' portfolios.

ARAM tailors its advisory services to the individual needs of clients. ARAM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. ARAM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify ARAM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon ARAM's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in ARAM's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Management of Collective Investment Vehicle

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An affiliate of ARAM, Anita M. Rosenstein, is the general partner of El Camino Europe Fund, Ltd., El Camino Fund, Ltd., and Maple Income and Growth Fund, L.P., (the “*Private Funds*”), all of which are California Limited Partnerships formed to engage primarily in the business of investing and trading in securities. Interests in the *Private Funds* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The *Private Funds* currently rely on an exemption from registration under the Investment Company Act of 1940, as amended, that is available to pooled investment vehicles that do not have more than 100 beneficial owners. ARAM’s affiliate has discretionary authority to determine the broker or dealer to be used by the *Private Funds*.

Participation as an investor in the *Private Funds* is restricted to investors that are qualified clients as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended, and “accredited investors” as defined in Rule 501(a) under the Securities Act of 1933, as amended.

To the extent certain of ARAM’s individual advisory clients qualify, they will be eligible to participate as limited partners of the *Private Funds*. Investment in the *Private Funds* involves a significant degree of risk. All relevant information, terms and conditions relative to the *Private Funds*, including the compensation received by ARAM or any affiliate as the general partner and/or investment manager, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum (the “*Memorandum*”), Limited Partnership Agreement (the “*Agreement*”), and Subscription Agreement (together, the “*Offering Documents*”), which each investor is required to receive and/or execute prior to being accepted as an investor in the *Private Funds*.

While the *Private Funds* are generally ARAM’s client, the term “client(s)” sometimes refers to the investors in the *Private Funds*.

ARAM will devote its best efforts with respect to its management of both the *Private Funds* and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the *Private Funds*, ARAM may give advice or take action with respect to the *Private Funds* that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the *Private Funds* and certain individual client accounts, such investments will be allocated amongst the *Private Funds* and the individual client accounts pro rata based on the assets under management or in some other manner which ARAM determines is fair and equitable under the circumstances to all of its clients.

## Item 5. Fees and Compensation

ARAM offers its services on a fee basis, which may include fees based upon assets under management or fixed fees.

## Investment Management Fee

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ARAM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by ARAM. ARAM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. ARAM does not, however, receive any portion of these commissions, fees, and costs. ARAM's annual fee is prorated and charged quarterly, in arrears (except in the case of the *Private Funds*, as described below), based upon the market value of the assets being managed by ARAM on the last day of the previous quarter. The annual fee varies (generally between 0.50% and 1.00%, but may range from anywhere from 0.10% to 1.50%) depending upon the market value of the assets under management and the type of investment management services to be rendered. Additionally, ARAM offers fixed-fee arrangements for investment management services.

ARAM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), ARAM generally recommends that clients utilize the brokerage and clearing services of National Financial Services, LLC ("*Fidelity*") for investment management accounts.

ARAM may only implement its investment management recommendations after the client has arranged for and furnished ARAM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by ARAM, any broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as brokerage commissions, mark-ups and mark-downs on fixed-income transactions, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to ARAM's fee.

ARAM's *Agreement* and the separate agreement with any *Financial Institutions* may authorize ARAM to debit the client's account for the amount of ARAM's fee and to directly remit that management fee to ARAM. Any *Financial Institutions* recommended by ARAM have agreed to send a statement to the client,

at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to ARAM.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between ARAM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. ARAM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to ARAM's right to terminate an account. Additions may be in cash or securities provided that ARAM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to ARAM, subject to the usual and customary securities settlement procedures. However, ARAM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. ARAM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

### **Fees and Expenses for Private Fund Investments**

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With respect to the El Camino Europe Fund, Ltd. and El Camino Fund, Ltd., the general partner receives from the funds an annual fee equal to 0.50% of the first \$3 million of fund assets and 0.25% of fund assets in excess of \$3 million. The fee is paid quarterly based on the value of the fund's net assets on the first day of the quarter. In addition, ARAM receives an annual fee from clients of 1.50% of client assets invested in these funds.

With respect to the Maple Income and Growth Fund, L.P., the general partner receives an annual fee from the fund equal to 0.50% of the first \$3 million of fund assets and 0.25% of fund assets in excess of \$3 million. The fee is paid quarterly based on the value of the fund's net assets on the first day of the quarter. In addition, ARAM receives an annual fee from clients of 1.00% of client assets invested in this fund. As a result of these compensation arrangements, a conflict of interest exists because ARAM has an incentive to recommend that its clients invest in the Private Funds. In addition to the fees described above, investors in these Private Funds also bear certain additional expenses, including brokerage commissions and other transaction costs, legal expenses, audit expenses, tax preparation expenses, and other expenses outlined in each Private Fund's Offering Documents.

## Item 6. Performance-Based Fees and Side-by-Side Management

ARAM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

ARAM provides its services to individuals, investment limited partnerships, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Size

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As a condition for starting and maintaining a relationship, ARAM generally imposes a minimum portfolio size of \$1,000,000. ARAM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. ARAM only accepts clients with less than the minimum portfolio size if, in the sole opinion of ARAM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. ARAM may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### Methods of Analysis

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ARAM's primary method of analysis is fundamental analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. ARAM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies

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ARAM's equity investment strategy emphasizes domestically and internationally traded common stocks, mostly with large market capitalizations. ARAM's long-term investment approach generally results in low portfolio turnover and attempts to be tax efficient for taxable investors. ARAM's strategy does not use derivatives, short selling, leverage or initial public offerings. ARAM's investment goal is long term appreciation.



ARAM's equity strategy is based on the belief that the growth of earnings over the long term and dividends are important drivers of long term appreciation and overall return. ARAM prefers companies with strong balance sheets and attractive industries with good growth prospects. To a lesser degree, ARAM also invests in companies with smaller market capitalizations when particularly attractive valuations or unique products or growth prospects are identified. ARAM's equity portfolios tend to remain substantially invested, and a cash reserve is usually maintained. ARAM does not try to time the market, but does try to use market corrections as buying opportunities.

Diversification is an important component of ARAM's portfolio strategy. ARAM generally avoids investing more than 5% of any portfolio in any one company. While an investment may grow to a larger position in a portfolio over time, ARAM reevaluates those positions periodically, and depending on the particular client and tax consequences, makes a determination as to whether the position should be reduced.

ARAM monitors the earnings and operating results of the companies in client portfolios. Depending on the nature of any changes in the operating results or the company's business prospects, ARAM makes decisions regarding additions or reductions to the portfolio holdings.

ARAM invests in taxable and tax-exempt bonds for those portfolios where such investments are appropriate.

ARAM's tax exempt bond investments are focused on high-quality issuers and short to medium term maturities. These "laddered" portfolios are designed to generate a higher yield than the average maturity would suggest once the portfolio has matured over several years, and with very little credit risk.

ARAM also invests in high quality corporate bonds and higher yielding bonds as it deems appropriate for each portfolio. ARAM tends to emphasize short to medium term maturities. ARAM invests in higher yielding bonds (i.e. bonds rated less than BBB) when research determines that the issuer has the ability to pay interest and repay the principal when due.

### **Risks of Loss**

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#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

#### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of ARAM's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that ARAM will be able to predict these price movements accurately or capitalize on any such assumptions.

## *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

## *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

## *Equity-Related Securities and Instruments*

The Firm may take long and short positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

## *Fixed Income Securities*

Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

## *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees,

redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Use of Private Collective Investment Vehicles*

ARAM may recommend that certain clients invest in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

## **Item 9. Disciplinary Information**

ARAM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. ARAM does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

ARAM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. As described in Item 4 and 5 above, the Firm sponsors the Private Funds, and Anita M. Rosenstein serves as the general partner of the Private Funds. A description of the compensation received by the Firm and the general partner, as well as the conflicts of interest related thereto, are described in Item 5 above.

## Item 11. Code of Ethics

ARAM and persons associated with ARAM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with ARAM's policies and procedures.

ARAM has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. ARAM's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading of the same securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of ARAM's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase

agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact ARAM to request a copy of its Code of Ethics.

### Item 12. Brokerage Practices

As discussed above, in Item 5, ARAM generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which ARAM considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables ARAM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by ARAM's clients comply with ARAM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where ARAM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. ARAM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

ARAM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct ARAM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and ARAM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by ARAM (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, ARAM may decline a client's request to direct brokerage if, in ARAM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless ARAM decides to purchase or sell the same securities for several clients at approximately the same time. ARAM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable

commission rates, or to allocate equitably among ARAM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among ARAM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that ARAM determines to aggregate client orders for the purchase or sale of securities, including securities in which ARAM's *Supervised Persons* may invest, ARAM generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. ARAM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that ARAM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, ARAM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist ARAM in its investment decision-making process. Such research generally will be used to service all of ARAM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because ARAM does not have to produce or pay for the products or services.

### Receipt of Soft Dollars

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In addition to the research services described above, ARAM may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of clients. Specifically, ARAM has an arrangement in place with *Fidelity*, whereby ARAM directs certain of its client brokerage commissions to *Fidelity*, which in turn pays for all or a portion of the cost of Advent Axys/Moxy portfolio management and trading software platform. Axys/Moxy provides ARAM with research tools via its pricing, asset allocation, reporting, and trade execution information.

The availability of these benefits influence ARAM to select one broker rather than another based on ARAM's interest rather than on client's interests in receiving most favorable execution. Nevertheless, ARAM will assure either that the fees and costs for services provided to clients by brokers offering these benefits are not materially greater than they would be if the services were performed by brokers not offering these services. Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act") provides a safe harbor to investment advisers who use the commission dollars of their advised accounts to obtain research and brokerage services. The services ARAM receives qualify for the safe harbor provided in section 28(e) of the Securities Exchange Act of 1934, as amended.

The use of brokerage commissions to obtain research products and/or other services and to pay for other non-research services creates a conflict of interest because clients pay for such products and services that are not exclusively for the benefit of clients and may be primarily or exclusively for the benefit of ARAM.

### **Software and Support Provided by Financial Institutions**

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ARAM receives from *Fidelity*, without cost to ARAM, computer software and related systems support, which allow ARAM to better monitor client accounts maintained at *Fidelity*. ARAM receives the software and related support without cost because ARAM renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit ARAM, but not its clients directly. In fulfilling its duties to its clients, ARAM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that ARAM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence ARAM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, ARAM receives the following benefits from *Fidelity*: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services institutional traders; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Item 13. Review of Accounts**

For those clients to whom ARAM provides investment management services, ARAM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by ARAM's Investment Committee, which consists of Anita M. Rosenstein, Arnold S. Rosenstein, and Annie Kim. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with ARAM and to keep ARAM informed of any changes thereto. ARAM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.



Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom ARAM provides investment advisory services will also receive a report from ARAM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from ARAM.

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

ARAM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, ARAM is required to disclose any direct or indirect compensation that it provides for client referrals. ARAM does not have any required disclosures to this Item.

### **Item 15. Custody**

ARAM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize ARAM through such *Financial Institution* to debit the client's account for the amount of ARAM's fee and to directly remit that management fee to ARAM in accordance with applicable custody rules.

The *Financial Institutions* recommended by ARAM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to ARAM. In addition, as discussed in Item 13, ARAM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from ARAM.

#### **Private Fund**

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ARAM acts as investment adviser to the *Private Funds* and due to its affiliation with the general partner of the *Private Funds*, the Firm is deemed to have custody of client assets. As such, ARAM engages an independent public accountant registered with, and subject to regulatory inspection by, the Public Accounting Oversight Board (PCAOB) to conduct an annual audit of the *Private Funds*. The Firm distributes the audited financials to each investor within 120 days of the Fund's fiscal year-end. ARAM does not have direct access to client funds. The *Private Funds* are administered by a third-party administrator and maintained with an independent qualified custodian.

#### **Surprise Independent Examination**

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As ARAM is deemed to have custody over clients' cash, bank accounts or securities (for reasons other than those discussed above), the Firm is required to engage an independent accounting Firm to perform a surprise annual examination of those assets and accounts over which it maintains custody. Any related



opinions issued by an independent accounting Firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website.

### **Item 16. Investment Discretion**

ARAM is given the authority to exercise discretion on behalf of clients. ARAM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. ARAM is given this authority through a power-of-attorney included in the agreement between ARAM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). ARAM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### **Item 17. Voting Client Securities**

ARAM is required to disclose if it accepts authority to vote client securities. ARAM does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### **Item 18. Financial Information**

ARAM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, ARAM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. ARAM has no disclosures pursuant to this Item.

**AR Asset Management, Inc.**

*a Registered Investment Adviser*

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