

Milne LLC d/b/a  
JKMilne Asset Management  
Royal Palm Corporate Center  
1520 Royal Palm Square Blvd., Suite 210  
Fort Myers, FL 33919  
239-936-3430  
[www.jkmilne.com](http://www.jkmilne.com)

As of March 27, 2018

This Brochure provides information about the qualifications and business practices of Milne LLC d/b/a/ JKMilne Asset Management (“JKMAM” or we” or “us” or “our”). If you have any questions about the contents of this Brochure, please contact us at 239-936-3430 or by email at [lglass@jkmilne.com](mailto:lglass@jkmilne.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about JKMAM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

JKMAM is an investment adviser registered with the SEC. Registration of an investment adviser with the SEC or with any state securities authority does not imply any level of skill or training.

## **Item 2 – Material Changes**

As required by SEC rules, through this summary, Milne LLC d/b/a JKMilne Asset Management (“JKMAM” or “we” or “us” or “our”) is identifying and discussing the changes believed to be material from our last annual update to our Form ADV, Part 2A brochure, March 30, 2017.

There have been no material changes made to the Brochure since March 30, 2017.

### Item 3 – Table of Contents

### Page

Item 1 – Cover Page.....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9 – Disciplinary Information.....	15
Item 10 – Other Financial Industry Activities and Affiliations .....	16
Item 11 – Code of Ethics .....	16
Item 12 – Brokerage Practices .....	19
Item 13 – Review of Accounts.....	21
Item 14 – Client Referrals and Other Compensation .....	21
Item 15 – Custody .....	21
Item 16 – Investment Discretion .....	22
Item 17 – Voting Client Securities.....	22
Item 18 – Financial Information .....	22

#### Item 4 – Advisory Business

JKMAM is a dedicated fixed income manager that is organized as a limited liability company under the laws of the State of Delaware. JKMAM was formed in 2004 by John K. Milne, who holds 100% of the Class A Shares of JKMAM and 95% of the Class B Shares. H. Gregory Moore holds 5% of the Class B Shares of JKMAM.

JKMAM currently offers a wide range of cash, credit-based, specialty bond and balanced strategies for corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, insurance companies, religious orders, registered mutual funds and other U.S. and international institutions. We provide discretionary investment advisory services to institutional investors in the form of separate accounts and to other investment advisers through sub-advisory agreements. JKMAM also serves as sub-adviser with respect to a mutual fund that is a series of the Northern Lights Fund Trust III. JKMAM may provide separate consulting services to clients, as requested by the client. JKMAM is currently registered with the United States Securities and Exchange Commission (the “SEC”) as a registered investment adviser.

We offer investment advisory services tailored to meet clients’ individual investment goals. We work with clients to create investment guidelines mutually acceptable to the client and us. When creating investment guidelines, clients may impose investment restrictions on certain individual securities or types of securities. Clients who impose investment restrictions might limit our ability to employ the strategy resulting in investment performance that differs from that of the composite and other client accounts. The strategies in which we may invest client assets and the fees we may receive for managing such strategies are described below.

JKMAM offers the following strategies:

Active Aggregate – Active Aggregate Portfolios are benchmarked against the *Barclays Aggregate Bond Index* or equivalent. The strategy objective is to outperform the benchmark in a given cycle. There is no limit on maximum maturity of individual instruments, issues are investment grade only securities at time of purchase, and cash investments are typically 5% or less. Investments are not limited to index sectors but will typically include securitized securities (mortgage backed).

ALL Credit – The JKMAM ALL Credit Fixed Income strategy seeks to provide excess return over the benchmark over a full credit cycle. The benchmark is typically the *Barclays Credit Index*, however customized benchmarks can be accommodated, for instance certain sectors or industries may be excluded or unique duration targets can be applied. It primarily invests in liquid investment grade bonds that are readily priced and have high transparency. The strategy is built around an investment team developed top-down macro perspective along with bottom-up security selection.

Balanced – The JKMAM Balanced strategy is to allocate investment funds across multiple asset classes. The three primary asset classes are mutual funds/exchange-traded funds (“ETF”), bonds, and cash. The allocation can be tactical or strategic long-term positions subject to macroeconomic influences and the global business cycle. Within the three primary asset classes allocations may be to domestic or global markets in either passive or active investment strategies

or a combination of both. Within the markets, JKMMAM may allocate between styles and various capitalization families such as small cap equity or large cap growth equities. JKMMAM believes in minimizing turnover and underlying mutual fund fees through selection of managers with long-term skill demonstration. JKMMAM uses both internal and Wall Street research as well as that of independent firms.

Global Multi-Strategy – The objective of global multi-strategy is to exceed the returns of a standard or customized domestic or global bond index, and we are currently using the *Barclays Aggregate Bond Index*.

Intermediate Active – Intermediate Active Portfolios are benchmarked against the *Barclays Intermediate Government Credit Bond Index* or equivalent. The strategy objective is to outperform the benchmark in a given cycle. The maturity of instruments and investments is typically (but not limited to) 10 years or less, investment grade only securities at time of purchase, and cash investments are typically 5% or less. Investments are not limited to index sectors.

Active Intermediate Aggregate – Intermediate Active Aggregate Portfolios are benchmarked against the *Barclays Intermediate Aggregate Bond Index* or equivalent. The strategy objective is to outperform the benchmark in a given cycle. The maturity of instruments and investments is typically (but not limited to) 10 years or less, issues are investment grade only securities at time of purchase, and cash investments are typically 5% or less. Investments are not limited to index sectors but will typically include securitized securities (mortgage-backed securities).

Intermediate Index – Intermediate Index Portfolios are benchmarked against the *Barclays Intermediate Aggregate Bond Index* or equivalent. The strategy objective is to match the performance of the benchmark index. The maturity of instruments and investments is typically (but not limited to) 10 years or less, issues are investment grade only securities at time of purchase, and cash investments are typically 5% or less. Investment sectors are limited to those included in the benchmark.

Should one of the aforementioned strategies not be an appropriate fit for a prospective client, JKMMAM also offers the following options:

Customized Portfolio Creation – JKMMAM can customize portfolios for credit quality needs, income, or investment horizons. Prospective clients for customized portfolios may include healthcare organizations or clients that have outstanding tax-exempt debt that is being arbitrated.

JKMMAM follows the guidelines for each client account in seeking to meet the needs of the client.

As of December 31, 2017, JKMMAM managed \$ 1,220,637,149.96 in discretionary assets and \$0 in nondiscretionary assets for a total of \$ 1,220,637,149.96 in assets under management.

## **Item 5 – Fees and Compensation**

JKMAM's fees are typically charged as a percentage of a client's assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on average daily, month end, or quarter end net assets, typically includes accrued income and typically are billed to clients on a monthly or quarterly basis, in arrears. In the alternative, a client may choose to be billed in advance for these fees. A client's investment advisory agreement may also provide that such client will incur fees and expenses in addition to JKMAM's advisory fees such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses may include, but not limited to, markups, markdowns and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees. Please review your investment advisory agreement for further information on how we charge and collect fees.

Generally, a client may cancel the investment advisory agreement for any reason upon giving 30 days' prior written notice to JKMAM (or as otherwise specified in the agreement). Upon termination of any such agreement, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

JKMAM's basic fee schedule is outlined below.

### Active Fixed Income

(Global, Intermediate, Aggregate, Intermediate Aggregate, Absolute Value)

0.50 of 1% (.0050) per annum on the first \$5,000,000

0.40 of 1% (.0040) per annum on the next \$5,000,000

0.30 of 1% (.0030) per annum on the next \$90,000,000 Negotiable thereafter

Account start-up fee \$5,000 per portfolio Account Size Minimum \$10,000,000

### Global Multi Strategy

0.50 of 1% (.0050) per annum on the first \$5,000,000

0.40 of 1% (.0040) per annum on the next \$5,000,000

0.30 of 1% (.0030) per annum on the next \$90,000,000 Negotiable thereafter

Account start-up fee \$5,000 per portfolio Account Size Minimum \$50,000,000

### Indexed Fixed Income

(Government Credit Index, Intermediate Index)

0.12 of 1% (.0012) per annum on the first \$25,000,000

0.10 of 1% (.0010) per annum on the next \$75,000,000 Negotiable thereafter

Account start-up fee \$5,000 per portfolio Account Size Minimum \$25,000,000

### Balanced Fund (Balanced Product)

0.65 of 1% (.0065) per annum on the first \$10,000,000

0.45 of 1% (.0045) per annum on the next \$20,000,000

0.27 of 1% (.0027) per annum on the next \$20,000,000

0.23 of 1% (.0023) per annum on the next \$50,000,000 Negotiable thereafter

Account start-up fee \$5,000 per portfolio Account Size Minimum \$10,000,000

#### Stable Value Products:

We provide discretionary advisory services to develop and implement investment strategies concentrating on stable value instruments, including Guaranteed Investment Contracts (“GIC”) and GIC Alternatives. We can also be retained in a consulting capacity to provide pertinent information on all aspects of a stable value asset portfolio. However, in cases where we act only as consultant, the client retains full discretionary authority over all investments. There are no standard advisory fees for such non-discretionary consulting arrangements, and our fees for individual discretionary advisory accounts are negotiated on a case-by-case basis, taking into consideration such factors such as account size and structure, cash flow, and other account specific characteristics. Depending on the applicability and impact of these factors, we may negotiate a fee schedule different from that listed above.

#### Negotiated Fees:

We reserve the right, in our sole discretion, to negotiate or modify (either up or down) the basic fee schedules set forth above for any client due to a variety of factors, including, but not limited to: the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved, and/or the number and types of services provided to the client. Because our fees are negotiable, the actual fee paid by any client or group of clients may be different from the fees reflect in our basic fee schedules set forth above. We typically do not offer Most Favored Nation clauses in our investment management agreements.

#### Additional Fee Information:

For portfolios subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), the value of any client account holdings invested in affiliated mutual funds is excluded from the amount on which our separate account fees are computed. In cases where a client account is not subject to ERISA, and/or where client account holdings are invested in an affiliated vehicle not constituting a mutual fund, we may, subject to client contractual requirements and applicable law, including, but not limited to, ERISA, calculate our separate account fee on the aggregate amount of the client’s account.

From time to time, we may enter into different compensation arrangements with other clients, including arrangements providing for compensation on the basis of a share of the capital gains upon, or the capital appreciation of, the assets, or any portion of the assets of a client under the management of JKAM, in accordance with and to the extent permitted by Rule 205-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”), and the rules and regulations thereunder.

JKAM does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

As noted in Item 4 above, JKAM may provide separate consulting services to clients, as requested by the client. Although the foregoing services are not billed directly to the relevant clients, JKAM may require a higher asset-based fee for these services. As such, this may be considered an indirect compensation to JKAM for providing these services.

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

JKMAM may charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) with respect to a client account pursuant to an agreement with such client.

“Side by side management” refers to our simultaneous management of different types of client accounts/investment products. For example, we simultaneously manage accounts with different investment objectives, policies, strategies, limitations, and restrictions. Side by side management gives rise to a variety of potential and actual conflicts of interest for JKMAM, our employees, and our supervised persons. As a general matter, we may have conflicts in allocating our time and services among clients. Further, it is possible that the various accounts we managed could have different investment strategies that, at times, might conflict with one another to the possible detriment of a client’s or Fund’s account. One account may seek to participate in a transaction in which another account may have made (or may seek to make) an investment. The two accounts may have conflicting interests and objectives in connection with the transactions, including how they view the operations or activities of the portfolio or issuer, the targeted returns from the transaction, and the timeframe for, and method of, exiting the transaction.

Client accounts also may be invested in different parts of an issuer’s capital structure (e.g., private versus public securities), or different classes of securities of the same issuer, which have different preferences and rights.

## **Item 7 – Types of Clients**

JKMAM provides advisory services to corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, insurance companies, religious orders, registered mutual funds, and other U.S. institutions. We provide discretionary investment advisory services to institutional investors in the form of separate accounts and registered mutual funds, and to other investment advisers through sub-advisory agreements.

### **Account Requirements:**

We require clients to execute a written investment management agreement, granting us authority to manage their assets. Separate accounts may be subject to minimum account sizes that vary depending upon the strategy of the account. Separate accounts may also be subject to minimum annual fees; please refer to Item 5 for more information.



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

### Investment Process—Active Fixed Income:

JKMAM's Active Fixed Income investment process combines top-down, macroeconomic analysis with bottom-up research to identify attractive securities based on proprietary, fundamental research. Our top-down approach includes macroeconomic research to assess the overall risk environment, and determine broad portfolio themes, industry emphasis, and overall portfolio quality. Industry analysis includes identifying the key players within each industry, understanding the evolution and history of the industry, determining what business models are likely to be successful, and participating in key industry events when possible.

With this macroeconomic foundation in place, our analysts research their respective industry universes to identify issuer- and security-level sources of potential alpha. In analyzing a specific company and its fixed income securities, we carefully assess the credit characteristics of each issuer. We thoroughly analyze key variables as they relate to JKMAM and conduct a comprehensive historical analysis of company operations and financials, including applying financial and scenario analysis of individual issuers. We focus on important leading indicators and measures of profitability, including management quality, free cash flow, financial flexibility, market share, revenue growth, margin trends, and access to capital. Our analysts also attend conferences and teleconferences where we have the opportunity to meet with and get to know management from a large range of issuers within a given industry.

JKMAM believes in reasonable diversification. Portfolios will typically hold up to 100 issues and only the highest grade securities will constitute up to 5% exposure per name. Industry exposures may be up to 25%, though this would usually be the financial sector or other high-grade areas. Other industries are substantially lower in exposure to no exposure. Non-dollar bonds and/or sovereigns may also be used when permitted. Currency hedging may be used. JKMAM may be tactical and strategic based on short-term movements in value and long term secular moves based on a Macro and bottom-up judgment.

### Risks:

Investing in securities involves risk of loss that you should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency.

The risks set forth below represent a general summary of the material risks involved in the investment strategies described above.

*Allocation Risk.* The asset classes in which the strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the strategy will be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt.

*Call Risk.* Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer “calls” its bond during a time of declining interest rates, the strategy might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of “callable” issues are subject to increased price fluctuation.

*Clearance and Settlement Risk.* Many emerging market countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism of settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk in emerging markets is more prominent than in more mature markets.

*Closed-end Investment Companies – Valuation Risk.* The interests of a closed-end investment company may trade above (a premium) or below (a discount) the net asset value of such entity’s portfolio. At times, discounts could widen or premiums could shrink either diluting positive performance or compounding negative performance. There is no assurance that discounted entities will appreciate to their net asset value.

*Correlation Risk.* Although the strategy seeks to deliver returns that are not typically representative of the broad market by allocating its assets among satellite asset categories or investment strategies, there can be no guarantee that the performance of the underlying funds or the fund will have a low correlation to that of traditional asset classes under all market conditions.

*Counterparty Creditworthiness.* Under certain conditions, a counterparty to a transaction could default and the market for certain securities or financial instruments in which the counterparty deals may become illiquid.

*Counterparty Risk.* The risk that a counterparty in a repurchase agreement or other derivative investment could fail to honor the terms of its agreement.

*Country and Sector Allocation Risk.* While the portfolio managers use the country and sector weightings of the strategy’s benchmark index as a guide in structuring the strategy’s portfolio, they may overweight or underweight certain countries or sectors relative to the index. This may cause the strategy’s performance to be more or less sensitive to developments affecting those countries or sectors.

*Country, Industry and Market Sector Risk.* The strategy may be overweighted or underweighted, relative to the a selected benchmark in companies in certain countries, industries or market sectors, which may cause the strategy’s performance to be more or less sensitive to positive or negative developments affecting these countries, industries or sectors. In addition, the strategy may, from time to time, invest a significant portion (more than 25%) of its total assets in securities of

companies located in particular countries, depending on such country's representation within the client's selected benchmark.

*Credit Risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall.

*Foreign Currency Risk.* Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.

*Foreign Government Obligations and Securities of Supranational Entities Risk.* Investing in the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. The ability and willingness of sovereign obligors in emerging market countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due may depend on general economic and political conditions within the relevant country. Certain countries in which the strategy may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates and extreme poverty and unemployment. Some of these countries also characterized by political uncertainty or instability. Additional factors which may influence the ability or willingness to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies. The ability of a foreign sovereign obligor to make timely payments on its external debt obligations also will be strongly influenced by the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. Some sovereign obligors in emerging market countries have been among the world's largest debtors to commercial banks, other governments, international financial organizations and other financial institutions. These obligors, in the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness.

*Foreign Investment Risk.* Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies.

*Government Securities Risk.* Not all obligations of the U.S. government's agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there may be

some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities.

*Interest Rate Risk.* Prices of debt securities tend to move inversely with changes in Interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of your investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of your investment is likely to react to interest rates. Mortgage-related securities can have a different interest rate sensitivity than other bonds, however, because of prepayments and other factors, and may carry additional risks and be more volatile than other types of debt securities due to unexpected changes in interest rates.

*Investment Strategy Risk.* The strategy's sustainability investment criteria may limit the number of investment opportunities available to the strategy, and, as a result, at times the strategy's returns may be lower than those of strategies that are not subject to such special investment considerations.

*Issuer Risk.* The value of a security may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.

*Liquidity Risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy's ability to sell such municipal bonds at attractive prices.

*Market Risk.* The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

*Market Sector Risk.* A given strategy may significantly overweight or underweight certain companies, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to developments affecting those companies, industries or sectors.

*Municipal Bond Market Risk.* The amount of public information available about municipal bonds is generally less than that for corporate equities or bonds. Special factors, such as legislative changes, and state and local economic and business developments, may adversely affect the yield and/or value of the strategy's investments in municipal bonds. Other factors include the general conditions of the municipal bond market, the size of the particular offering, and the maturity of the obligation and the rating of the issue. Changes in economic, business or political conditions relating to a particular municipal project, municipality, or state in which the strategy invests may have an impact on the value of your investment.

*Municipal Lease Risk.* Because municipal leases generally are backed by revenues from a particular source or that depend on future appropriations by municipalities and are not obligations of their issuers, they are less secure than most municipal obligations.

*Municipal Securities Risk.* Investments in municipal securities may be affected by a variety of factors in the cities, states and regions in which the strategy invests, as well as the municipal market as a whole. Special factors, such as legislative changes and local and business developments, may adversely affect the yield and/or market value of the strategy's investments in municipal securities. Other factors include the general conditions of the municipal securities market, the size of a particular offering, and the maturity of the obligation and the rating of the issue. Changes in economic, business or political conditions relating to a particular municipal project, municipality, or state in which the strategy invests may have an impact on the value of your investment.

*Preferred Stock Risk.* Preferred stock is a class of a capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer. The market value of preferred stock generally decreases when interest rates rise and is also affected by the issuer's ability to make payments on the preferred stock.

*Systemic Risk.* World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a portfolio losing substantial value caused predominantly by liquidity and counterparty issues which could result in a portfolio incurring substantial losses.

*Tax Risk.* To be tax-exempt, municipal bonds generally must meet certain regulatory requirements. If any such municipal bond fails to meet these regulatory requirements, the interest received by the strategy from its investment in such bonds and distributed to you will be taxable.

*Trading Limitations.* For all securities, including options, listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. These suspensions or limits could render certain strategies difficult to execute or continue and subject a portfolio to loss.

*U.S. Government Securities.* Each portfolio may invest in U.S. government securities, including bills, notes, bonds and other debt securities issued by the U.S. Treasury. These instruments are direct obligations of the U.S. government and, as such, are backed by the "full faith and credit" of the United States government. They differ primarily in their interest rates, the lengths of their maturities

and the dates of their issuance. These obligations, including those guaranteed by federal agencies or instrumentalities, may or may not be backed by the “full faith and credit” of the United States government. All of the foregoing are referred to collectively as “U.S. government securities.” Securities issued or guaranteed by agencies or instrumentalities are supported by (i) the full faith and credit of the United States; (ii) the limited authority of the issuer to borrow from the U.S. Treasury; or (iii) the authority of the U.S. government to purchase certain obligations of the issuer. No assurance can be given that the U.S. government will provide financial support to its agencies and instrumentalities as described in (ii) and (iii) above, other than as set forth, since it is not obligated to do so by law. In the case of securities not backed by the full faith and credit of the United States, a portfolio must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert a claim against the United States if the agency or instrumentality does not meet its commitments.

*Warrants and Rights Risk.* Warrants and rights may become worthless if the price of the stock does not rise above the exercise price by the expiration date. This increases the market risks of warrants as compared to the underlying security.

*When-Issued and Delayed-Delivery Securities.* “When-issued” or “delayed delivery” refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. While the portfolio will purchase securities on a when-issued or delayed-delivery basis only with the intention of acquiring the securities, the portfolio may sell the securities before the settlement date if it is deemed advisable. At the time the portfolio makes the commitment to purchase securities on a when-issued or delayed delivery basis, the portfolio will record the transaction and thereafter reflect the value, each day, of the security in determining the net asset value of the portfolio. When these transactions are negotiated, the price (which is generally expressed in yield terms) is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. During the period between commitment by a portfolio and settlement (generally within two months but not to exceed 120 days), no payment is made for the securities purchased by the purchaser, and no interest accrues to the purchaser from the transaction.

These securities are subject to market fluctuation, and the value at delivery may be less than the purchase price. A portfolio will engage in when-issued transactions in order to secure what is considered to be an advantageous price and yield at the time of entering into the obligation. When a portfolio engages in when-issued or delayed-delivery transactions, it relies on the buyer or seller, as the case may be, to consummate the transaction. Failure to do so may result in a portfolio losing the opportunity to obtain a price and yield considered to be advantageous. If a portfolio chooses (i) to dispose of the right to acquire a when-issued security prior to its acquisition or (ii) to dispose of its right to deliver or receive against a forward commitment, it may incur a gain or loss. To the extent a portfolio engages in when issued and delayed-delivery transactions, it will do so for the purpose of acquiring or selling securities consistent with its investment objectives and policies and not for the purposes of investment leverage. A portfolio enters into such transactions only with the intention of actually receiving or delivering the securities, although (as noted above) when-issued securities and forward commitments may be sold prior to the settlement date.

**Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of JKMAM or the integrity of JKMAM's management. JKMAM has no disciplinary information applicable to this Item.

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

JKMAM does not participate in any other financial industry activities.

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

### Code of Ethics

JKMAM has adopted a Code of Ethics (the “Code”) for all supervised persons of JKMAM that provides employees a framework and sets the expectations for business conduct. In addition, it clarifies our responsibilities to clients, suppliers, government officials, competitors, and the communities we serve and outlines important legal and ethical issues:

- Conflicts of Interest: gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions;
- Proper Use and Care of Information and Proper Recordkeeping: proprietary information and intellectual property; data integrity and corporate information; use of e-mail and internet; accurate accounting and internal controls; use of non-public or “inside” information; talking to the media; and document retention;
- Dealing with Customers, Prospects, Suppliers, and Competitors: business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company’s name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities;
- Doing Business with the Government: complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor obligations;
- Personal Finances: personal investments; personal brokerage accounts; political campaign contributions; contributions to not-for-profit entities; and individual employees’ regulatory requirements; and
- Compliance with the Law: among other matters, illegal or criminal activities; investigations; and protection of company assets.

The Code is designed to reinforce our reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of our business. A copy of the Code is available upon request.



The Code describes our high standard of business conduct and fiduciary duty to our clients to meet the requirements of Rule 204A-1 under the Advisers Act. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor-mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at JKMAM must acknowledge the terms of the Code annually when it is amended.

The Code is designed to assure that the personal securities transactions, activities and interests of the employees of JKMAM will not interfere with (i) making decisions in the best interest of advisory clients, (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts, and (iii) avoiding any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of JKMAM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity.

The Code is designed to ensure that the high ethical standards long maintained by JKMAM continue to be applied. The purpose of the Code is to preclude activities that may lead to or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct.

Pursuant to Section 206 of the Advisers Act, both JKMAM and our members and employees are prohibited from engaging in fraudulent, deceptive, or manipulative conduct. Compliance with Section 206 involves more than acting with honesty and good faith alone. It means that JKMAM has an affirmative duty of utmost good faith to act solely in the best interest of our clients. JKMAM and our members and employees are subject to the following specific fiduciary obligations when dealing with clients:

1. The duty to have a reasonable, independent basis for the investment advice provided;
2. The duty to obtain best execution for a client's transactions where JKMAM is in a position to direct brokerage transactions for the client;
3. The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs, and circumstances; and
4. A duty to be loyal to clients in all regards.

#### Investing in Securities Recommended to Clients

JKMAM recognizes that the personal investment activities of members and employees of JKMAM demand the application of a high code of ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, JKMAM believes that if investment goals are similar for clients and for members and employees of JKMAM, it is logical that there be a common ownership of some securities. Therefore, in order to address conflicts of interest, JKMAM has adopted a set of procedures with respect to transactions effected by its officers and employees (hereafter, "Employees") for their "personal accounts." In order to monitor

compliance with its personal trading policy, JKMAM will adopt a quarterly securities transaction reporting system for all of its Employees. (For purposes of the policy, an Employee's "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including JKMAM's client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.)

From time to time, trading by JKMAM and its Employees (and certain of their relatives) in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If transaction orders for a client and JKMAM (and/or its Employees and certain of their relatives) are not aggregated, the transaction orders for JKMAM (and/or its Employees and relatives) will be the last orders filled.

JKMAM and its Employees may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such securities is appropriate for clients. An Employee must adhere to certain procedures when buying or selling a security for a personal account. These procedures will include, among other things: (i) the Employee must confirm that he or she is not in receipt of inside information; (ii) the Employee must seek approval from the Chief Compliance Officer for all trades of securities made for a personal account; and (iii) the Employee must execute all approved trades on the day the approval for such trade is given. If the trade is not executed on such day, the Employee must seek new approval.

## Item 12 – Brokerage Practices

Broker Selection: Our discretionary clients typically authorize JKAM, in writing, to determine which securities and the amount of securities to be bought or sold, the broker dealer to be used and the commission costs to be charged. Any limitations on this discretion must be included in the client's written authorization. Clients may amend these limitations in writing.

JKAM selects brokers based upon cost, skills, reputation, dependability and capability, and not based upon a financial arrangement. JKAM also seeks best execution of transactions. Best execution has been defined by the SEC as the "execution of securities transactions for clients in such a manner that the clients' total cost or proceeds in each transaction is the most favorable under the circumstances." JKAM uses its best efforts to obtain prompt execution of its client's securities transactions on the most favorable terms reasonably obtainable, and in doing so considers a number of factors, including:

1. The net economic result to its clients' accounts;
2. Commission rates, which, absent instructions to the contrary from clients, JKAM will attempt to negotiate within generally prevailing competitive ranges, but which may not always be the lowest available rate at any given time;
3. The apparent financial strength, stability and competence of the brokerage firms under consideration;
4. The efficiency with which it may be expected that transactions will be effected;
5. The inherent ability of the brokerage firms under consideration to effect the transaction in cases involving a large amount of the security in question; and
6. The availability and willingness of those brokerage firms to stand ready to execute difficult transactions in the future.

Soft Dollars: The term "soft dollars" is commonly understood to refer to arrangements where an investment adviser uses client brokerage commissions to pay for research or other services used by the investment adviser. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a "safe harbor" that permits investment advisers to enter into soft dollar arrangements if the investment adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided.

As a matter of policy, we utilize "soft dollar" arrangements and receive research of the type that is customarily provided by brokers or dealers to their institutional customers, which may be useful to us in serving the accounts that we advise. Although our receipt of such research services does not reduce our normal independent research activities, it may enable us to avoid the additional expenses that we might otherwise incur if we were to attempt to independently develop comparable information.

JKAM's soft dollar policy is to make a good faith determination of the value of the research product or services in relation to the commissions paid. JKAM also maintains soft dollar

arrangements for those research products and services that assist JKAM in its investment decision-making process. These research products are used to service all of the firm's accounts and not just those accounts paying for it.

Products and services include information in the form of written and oral reports, reports accessed by computers, statistical calculations, appraisals and analyses relating to markets, companies, industries, business and economic factors, market trends, portfolio strategy, and trading insight and intelligence. These research products and services are obtained in an effort to benefit the client.

JKAM currently receives the benefit of the following services to assist in our investment management strategies, which are paid for by the broker-dealer under a soft dollar arrangement:

1. Bloomberg
2. Bloomberg/Barclays POINT

Commissions generated by securities trades in client accounts pay for the aforementioned research services. The investment information obtained through the use of the investment services mentioned above is important in JKAM's investment decision making and generally benefits all clients.

Other Brokerage Practices Conflicts of Interest: The following brokerage practices may lead to an actual or potential conflict of interest when selecting broker-dealers to execute client trades:

- receiving client referrals from a broker-dealer;
- acting on a client's direction to use a particular broker-dealer; and
- using affiliated broker-dealers.

Brokerage for Client Referrals: We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

Directed Brokerage: We may accept direction from a client to place trades for such client's account with a particular broker-dealer. At times, a client will instruct us to direct a portion of its commissions to a specified broker-dealer. In the event that such direction occurs, we may have limited capability to negotiate commission levels or obtain volume discounts. In addition, in meeting the client's brokerage directive, we may not be able to aggregate these transactions with transactions we effects for other accounts we manages and we may delay placing the orders for directed accounts until our orders for other accounts have been completed. As a result, the net price paid or received by the directed account may be different than the price paid or received by our other accounts, as we may be unable to achieve the most favorable execution. Directing brokerage may cost clients more money.

Trade Aggregation: When a trade is placed for more than one advisory client, JKAM may, in its discretion, aggregate orders or block trades when JKAM believes this will result in more favorable execution. All of JKAM's clients may participate in block trades to the extent it is consistent with the accounts' investment policy, guidelines and restrictions.

Trade Allocation: If a block order is filled in its entirety, the order will be allocated in accordance with the pre-trade allocation specified. If a block order is partially filled, the order is allocated among the accounts specified on the trade ticket on a pro rata basis in proportion to the intended pre-trade allocation. When trades are aggregated, each account within the block will receive the same price and commission. Any deviation from the pro rata allocation policy shall be for good cause.

### **Item 13 – Review of Accounts**

JKMAM’s investment team, including investment portfolio managers and the Chief Investment Officer, meet regularly to review market and client related issues. While certain aspects of each account are reviewed on a daily basis, official strategy meetings are held monthly or on an ad hoc basis as warranted by changes in the markets and economic factors.

Client reporting is also a large part of our client service platform, and typically includes a standard quarterly report of the account performance and analytics, as well as a copy of the account holdings. Clients also have the option to request information concerning the account in a specific format or at more frequent intervals. Reports are sent electronically.

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

JKMAM does not receive any cash, benefits, or other forms of payment from any firm or related person for client referrals.

### **Item 15 – Custody**

Rule 206(4)-2 under Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

For purposes of the Custody Rule, we do not have “custody” of client assets.

In the event any employee of JKMAM receives funds, securities, or other assets from a client, such employee must immediately notify the Chief Compliance Officer and arrange to return such funds, securities, or other assets to the client within three business days of receiving them.

## **Item 16 – Investment Discretion**

We typically accept discretionary investment authority over client assets, and clients must grant this discretionary authority to us in writing via a contract, and/or through an appointment to become the investment adviser of a private fund. JKMAM usually 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.

Clients must deliver their investment guidelines and restrictions to us in writing, and we will adhere to such guidelines and restrictions when making investment decisions.

## **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, JKMAM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the sole responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. If the client is acting as fiduciary of a plan subject to the provisions ERISA, the client expressly retains the authority and responsibility for, and JKMAM is expressly precluded from, rendering any advice or taking any action with respect to the voting of any such proxies. However, JKMAM may, in its discretion, answer the client's questions with respect to the voting of proxies.

## **Item 18 – Financial Information**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. JKMAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.