

Item 1. Cover Page



SAN JUAN ASSET MANAGEMENT, INC.

## FORM ADV PART 2A: Firm Brochure

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Uniform Application for Investment Adviser Registration  
**March 15, 2018**

*This brochure provides information about the qualifications and business practices of San Juan Asset Management, Inc ("San Juan Asset Management", "SJ Asset", "SJAM", "The Firm", "Registrant", "We", "Investment Manager", "Adviser"). If you have any questions about the contents of this brochure, please contact us at (787) 721-2483. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

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

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**Item 2. Material Changes**

On December 22, 2016, San Juan Asset Management, Inc. ownership passed to a new group of shareholders. José A. Vizcarrondo Ramírez de Arellano, San Juan Asset Management's former Chief Investment Officer and President and 100% owner accepted terms for San Juan Asset Management's change of control and transfer of ownership to Holding Activo Ltd. Under the sale agreement there was 160 days transition period, completed on April 20, 2017.

The firm's new President is Mr. Alejandro J. Valencia, who has assumed the position since May, 2017. Investment advisory & management operations along with San Juan Asset Management's business development plans will be performed by Mr. Herandi Caro, SJAM's Portfolio Manager since July 2016 and the firm's Investment Adviser Representative.

The Global Opportunities Capital Appreciation Fund, LLC ("GOCAP"), one of San Juan Asset Management, Inc. clients, has been dissolved and liquidated as of February 27, 2017 by its board of directors and members' approval on February 14, 2017.



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#### **Item 4.           Advisory Business**

San Juan Asset Management, Inc. (“San Juan Asset Management”, “SJ Asset”, “SJAM”, “The Firm”, “Registrant”, “We”, “Investment Manager”, “Adviser”) is an SEC- registered investment advisory firm, founded in 2005 as a Puerto Rico corporation in San Juan, Puerto Rico.

On April 2017 SJAM started operating under Holding Activo Ltd. The firm’s current President is Mr. Alejandro J. Valencia, who has assumed the position since May 2017. Its investment advisory & management operations along with its business development projects are executed by Mr. Herandi Caro Méndez, who has been exercising as Portfolio Manager since July 2016, and is the firm’s Investment Adviser Representative. The firm’s principal owner is Holding Activo Ltd.

The firm provides discretionary investment advisory and management services for both individuals and institutional clients (“Clients”) through separate managed accounts and pooled investment vehicles (“Fund”, together “Funds”). The firm’s strategies are elaborated around both publicly-traded asset classes across global financial markets and private equity approaches. The firm also offers consulting services, independent portfolio monitoring and reporting services for non-discretionary accounts.

As of December 31, 2017 total client assets were \$61,000,000 of which \$28,800,000 are discretionary and \$32,200,000 non-discretionary.

SJAM does not participate in wrap fee programs and does not provide advisory and management services for non-discretionary accounts.

SJAM’s ADV Part 1, including a listing of direct owners and executive officers, is publicly available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 5. Fees and Compensation**

**Advisory & Management Fees:** The general asset-based fee schedule is: \$1-3 million 100bp, next \$2 million 90bp, next \$5 million 80bp, next \$10 million 70bp, balance 60bp. The fee is paid quarterly based on the market value of assets in the account as of the last day of each calendar quarter, unless otherwise negotiated with the client. Fees may be deducted from client assets or billed to clients. Advisory and management fees might also include fees related to management, development, profit-sharing or other fees or expenses charged by operating partners or third parties who manage or source certain investments (including joint ventures, investment companies, partnerships and other pooled investment vehicles).

**Other Fees and Expenses:** In addition to paying investment management fees, clients' accounts will also be subject to other investment expenses in the event of incurring them. Expenses could be such as custodial charges, brokerage fees, commissions and related costs; costs of research, pricing, data and similar services; costs of margin accounts and other borrowings; borrowing charges on securities sold short; interest expense; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged in connection with specific investments; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the Client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts; compliance procedure fees and expenses related with rules of any self-regulatory organization, applicable law or regulation in connection with SJAM, its clients and partnerships; compliance procedure fees and expenses associated with anti-money laundering regulations, know your customer and anti-money laundering requirements of service providers and other counterparties, and SJAM's know your customer review of prospective and existing investors, service providers and other counterparties.

**Negotiability of Fees:** As standard procedure, SJAM's fees are generally not negotiable; however, SJAM reserves the right to negotiate fees. Fee negotiation process is started at request, and it takes in consideration aspects regarding account size, mandate, strategy to be implemented, continuity, and other related matters.

**Withdrawals:** Customers can elect to reinvest or withdraw their interest and dividends earned. If a customer wishes to add or withdraw cash or securities from the account, they may do so at any time with prior written notification to the investment adviser.

**Termination:** The Investment Management Agreement ("IMA") may be terminated by either party at any time upon written notice pursuant to the provisions of the Investment Management Agreement. There is no penalty for terminating the client's account. Upon termination, the client receives a refund for the portion of the prepaid management fee which is not earned. Other termination conditions may apply to investors in a pooled Fund. Please refer to the offering document for details.



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

San Juan Asset Management does accept performance-based fees (along with management fees) from clients subscribed to specific strategies for accredited investors as defined by the SEC and qualified clients as defined by regulatory authorities.

We do manage both accounts that are charged a performance-based fee and accounts that are charged an asset-based fee. Conflicts of interest for between asset & performance-based accounts, and assets-based only accounts are avoided by trading all accounts invested in a particular strategy simultaneously and allocating concurring assets with accordingly with same average prices for all accounts. Therefore, no preference is given to one account type versus another.

As of today, we do not manage performance-based accounts and charge no performance-based fees.



**Item 7.           Types of Clients**

SJAM provides advisory services to individuals and institutions through separate managed account structures. Investors may be high net worth individuals, corporations, charitable institutions, pension and profit sharing plans, trusts, individual retirement accounts and other entities. SJAM may impose a minimum amount in investible assets and a minimum initial investment amount, depending of the client's mandate, investment objectives and strategy to be implemented.

SJAM may provide investment advisory services to pooled investment vehicles, commingled funds, investment companies, investment partnerships, special investment vehicles, and others with similar characteristics ("Fund", together "Funds").



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

*The following descriptions set forth in this brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. There can be no assurance that the investment objectives of any client will be achieved, and results may vary substantially over time.*

SJAM is an event-driven and value-oriented investment advisory firm whose goal is to invest capital in such a manner that, through extensive analysis and research, attractive risk-adjusted returns can be obtained over an extended period of time while reducing risk that might permanently impair invested capital.

For SJAM to achieve its objective, we combine analytical procedures with both quantitative and qualitative approaches by buying securities SJAM believes to be trading at market prices below their intrinsic value and pay either attractive dividends or interest and selling securities to be trading at market prices above their intrinsic value.

We believe that financial markets in general tend to trade in the long run according to efficiency; therefore, we believe financial markets are efficient in the long run. However, we also recognize that markets tend to trade among realms of inefficiency under some circumstances on a short-term basis. These pricing inefficiencies are mostly influenced by company's financial situation, market prices historical trend and forward looking trends, market participants' psychological biases, industry and sector business trends, economic and geopolitical outcomes, business-specific strategic decisions, corporate and legal resolutions, and market specific events. We believe once these inefficiencies are reflected in market prices the opportunity to identify discrepancies between intrinsic value and market prices materializes with prudent margins of safety, allowing SJAM to find the opportunity to invest on companies with high levels of profitability, prudent levels of earnings quality, capable of maintaining their profitability without affecting their financial condition, along with safe levels of market liquidity from around the world at low valuation levels.

***Investment Approach:*** We perform market research across financial markets on a quantitative basis using available financial and market data. Our primary focus is to filter companies with financial conditions that could potentially impair invested principal and do not adhere with our earnings quality parameters. From this step, we obtain a universe sample of companies that adhere to our required earnings quality parameters.



We use both asset-based valuation and earning-based valuation approaches in order to compare securities pricing relative to existing market prices. We utilize cross-sectorial and historical financial data analysis to establish financial parameters considering financial condition, liquidity and solvency, capital structure, profitability, efficiency, and business growth.

We also evaluate companies on a qualitative basis as part of our investment process in order to complement our quantitative research methods. We research companies reporting practices, business activity across countries, industry ranking relative to competitors, insiders and directors' activity, legal and political landscape in which the company operates, among other topics.

We also research opportunities arising from events at macroeconomic and geopolitical levels, related to industries and sectors performance, events related to specific companies, and other scenarios causing systematic inefficiencies driven by market participant practices.

At SJAM, we establish investment strategies and its procedures on a *first-hand basis*, meaning that we opt to perform tasks related to our investment process internally. We, however, might benefit from outside information sources that contribute to our event-driven flow of ideas, arising from industry professionals, investment bankers, lawyers, independent researchers, sell-side analysts, other fund managers, and corporate managers. All ideas are submitted under the same scrutiny our global investment universe is submitted.

We select companies with highest metric standards, most attractive valuation and highest probability of having discrepancies from market price relative to intrinsic value to be recognized by market participants to construct our portfolios. We construct a diversified portfolio with equally-weighted positions at starting point. We rebalance the portfolio periodically throughout the year. Securities are bought or sold based on changes arising since initial research and investment process. Each position is limited to a maximum of 20.0% of the portfolio's net asset value.

**Risk of Loss:** The methods, strategies and investments involve risk of loss to client's accounts, and client's accounts must understand risks associated with their investments. There are risks related to San Juan Asset Management strategy and investment objective and strategies. The material risks include:

**General risks:** The performance of the client's account greatly depends of correctly assessing the price movements that may have the investments instruments that the firm decided to take a position for the client's account. There is no assurance that San Juan Asset Management will correctly predict those price movements. The performance of any investment can be affected by numerous factors; these factors may cause the risk of a complete loss of capital. Such factors include a wide range of economic, demographic, political, competitive, that may affect systematically, investment positions in specific countries, industries and companies. Investors may incur in a complete loss of capital, and the client's account performance may fluctuate from period to period.



San Juan Asset Management may invest in Equities' securities, Debt securities, ETFs, Mortgage-Backed securities, Derivatives, Options, Futures, Asset-Backed Securities, and REITs. Those previously mentioned investment's securities and instruments may face risks by their nature.

**Buy and Hold:** Under a buy and hold investment strategy, San Juan Asset Management may not take advantage of short-term gains, nor incur in realized losses if we believe that the security is trading below its intrinsic value. If San Juan Asset Management's predictions are incorrect, a security may decline sharply in value before the security is sold.

**Investments in Foreign Securities:** The client's account may experience additional risks by investing in foreign countries, including political and economic factors, regulatory conditions, operational risks, withholding of taxes. In addition, the client's account may have a position in a less illiquid investment.

**Distressed/Special Situation Risk:** Investment in distressed or special situations exposes an investor's account to a greater degree of risk in comparison to other investments. Although these types of investments may produce significant returns for the client's account, these investments may be in the client's accounts for a greater period of time, they can face liquidity risks, and San Juan Asset Management investment thesis may be wrong, thus, such positions may incur in substantial losses.

**Control Positions:** San Juan Asset Management may purchase controlling positions in publicly traded companies. Such positions may be subject to an increase in trading costs, in part, due to regulatory restrictions on the buy and sell of these positions.

**Information Accuracy:** San Juan Asset Management investment's methodology uses public information filled by issuers to decide which positions will take. Although our investment methodology encourage the use of first hand data and corroboration, we are not in a position to confirm the accuracy of the public data.

**Credit Risk:** With the purchase of fixed income instruments there is always the risk that the borrower may not repay the loan. The instrument issuer may not make the payment that were previously established by contract.

**Leverage:** Although the use of leverage may produce significant returns for the client's account, San Juan Asset Management performance may be more volatile. The use of leverage increases exposure to additional levels of risk, including greater losses from investments in which San Juan Asset Management had a wrong investment thesis, premature liquidations of investment positions due to margin calls or margin requirements, losses on investments where the cost of leverage is greater than the return in the position

**Short Sales:** Short sell positions involve significant costs, in addition to the usual trading commissions. These include the increase in margin interest payable **if the positions are** kept open over an extended period, in addition to hard-to-borrow" fees that may range from a small percent to one hundred percent



of the short trade value. Regulatory risks may also force San Juan Asset Management to cover short trades, leading to unexpected losses for the client's account.

**Operational Risks:** San Juan Asset Management has partnered with third-parties, service providers, market counter-parties, and prime brokers for financial, accounting, data processing and other operational functions. Any error from this partner may lead to financial losses, the halt of trading activities, and regulatory interventions.

**Cybersecurity Risk:** San Juan Asset Management technology/information systems may be vulnerable to cyber threats and incidents, data loss or theft, compliance/regulatory incidents, engineering attacks, denial of service, impersonations, and domain-based threats



**Item 9. Disciplinary Information**

SJAM is obligated to disclose to clients and prospective clients all material facts with respect to a legal or disciplinary event that is likely to affect the client's appraisal of the adviser's ability to meet his advisory duties and contractual commitments. Certain disciplinary events listed in the Rule create a rebuttable presumption of materiality for ten years from the time of the event if they were not decided in favor of the adviser or a management person of the adviser. These events include criminal or civil court actions, administrative hearings before the SEC or any other federal or state regulatory agency, and self-regulatory organization proceedings, where such events involved a violation of investment-related statutes or regulations, or other investment-related activities.

As of March 15, 2018 there are no material disciplinary events that have occurred in the past 10 years.

The firm and/or any management personnel do not have any material disciplinary events to report.

SJAM has not been involved or named in any violation of an investment-related statute or regulation.

SJAM has not been the subject of any order, judgment or decree limiting its investment-related activity.

SJAM has not been involved in an administrative proceeding that caused an investment-related business to lose its authorization to do business.

SJAM has not been involved in a violation of an investment-related statute or regulation and has not been the subject of an order by a regulatory agency.



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

San Juan Asset Management it's affiliated to Activo International Bank ("AIB"), an International Banking Entity in Puerto Rico serving foreign clients.



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

High ethical standards are essential for the success of the Adviser (together with any subsidiaries and affiliates, “San Juan Asset Management”) and to maintain the confidence of clients and investors in investment funds managed by San Juan Asset Management (“clients”). San Juan Asset Management’s long-term business interests are best served by adherence to the principle that the interests of clients come first. We have a fiduciary duty to clients to act solely for the benefit of our clients. All personnel of San Juan Asset Management, including directors, officers and employees of San Juan Asset Management must put the interests of San Juan Asset Management’s clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All personnel of San Juan Asset Management must also comply with all U.S. federal and other applicable securities laws. In recognition of San Juan Asset Management’s fiduciary duty to its clients and San Juan Asset Management’s desire to maintain its high ethical standards, San Juan Asset Management has adopted this Code of Ethics (the “Code”) containing provisions designed to prevent improper personal trading, identify conflicts of interest and provide a means to resolve any actual or potential conflicts in favor of San Juan Asset Management’s clients.

The Compliance Officer shall annually distribute a copy of the Code of Ethics to all Covered Persons. The Compliance Officer will also distribute promptly all amendments to the Code of Ethics. All Covered Persons are required annually to sign and acknowledge their receipt of this Code of Ethics by signing a form of acknowledgment or such other form as may be approved by the Compliance Officer. SJAM will provide a copy of the firms’ code of ethics to any client or prospective client upon request.

### Personal Trading

The SJAM code of ethics requires all access persons to submit periodic reports to the compliance officer (or other designated person), as follows:

Within ten days of becoming an access person and once a year thereafter, each such person must provide the adviser with a holdings report, current as of a date not more than 45 days prior to the individual becoming an access person (with respect to the first report) or the date the report is submitted (with respect to subsequent reports). The holdings report must contain at least the following information:

- the title and type of security, the ticker symbol or cusip number, as applicable, and the number of shares and principal amount of each reportable security<sup>48</sup> in which the access person has any direct or indirect beneficial ownership; and
- the name of the broker, dealer or bank with which the access person maintains an account in which any securities are held for the access person’s direct or indirect benefit; and
- the date the report is submitted.



Access Persons shall annually submit to the Compliance Officer an updated statement, which must be current as of a date no more than 45 days prior to the date the report was submitted. The transactions reported on the Broker's Confirmations will be reviewed and compared against client transactions.

#### Gifts

In order to address potential conflicts of interest that may arise when a Covered Person accepts a gift, favor, special accommodation, or other items of value, the Adviser places restrictions on gifts and certain types of business entertainment. All Gifts received by Covered Persons must be reported to the Compliance Officer immediately upon receipt. The Advisor's policy relating to gifts and business entertainment are set forth in Attachment B of *San Juan Asset Management's Code of Ethic*.



## **Item 12. Brokerage Practices**

Broker-Dealers: San Juan Asset Management, Inc. has a duty to obtain “best execution” for its advisory clients’ securities transactions. To fulfill this obligation, SJAM generally must execute securities transactions in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances. The SEC has stated that in deciding what constitutes best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. In seeking best execution, SJAM will consider the full range of the broker’s services, including the value of research provided and execution capability, commission rate, financial responsibility and responsiveness. The SEC has, however, indicated that an investment manager need not solicit competitive bids on each transaction.

SJAM’s clients generally authorize us to select brokers to effect transactions on their behalf. SJAM has established general criteria to determine which brokers are qualified to provide brokerage services to its clients, and considers, among others, the following relevant factors:

- financial stability of the broker;
- the actual executed price of the security and the broker's commission rates;
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities;
- the size and type of the transaction;
- the difficulty of execution and the ability to handle difficult trades;
- the operational facilities of the brokers and/or dealers involved (including back office efficiency); and
- the ability to handle a block order for securities and distribution capabilities.

Directed Brokerage: Certain SJAM clients may direct us to execute all or a portion of the transactions for such client’s account through a specific broker, in return for such broker providing the client with various services. This direction restricts SJAM’s discretion to select brokers and negotiate commission rates and may adversely affect the ability to obtain best price and execution. Accordingly, when a client directs brokerage to a specific broker, SJAM requires that (i) the client provides such direction in writing and (ii) SJAM provide the client with appropriate written disclosure, which will be acknowledged by the client.

SJAM will make appropriate disclosure in writing to clients who direct trades to particular brokers, that with respect to their directed trades, they will be treated as if they have retained the investment discretion that SJAM otherwise would have in selecting brokers to effect transactions and in negotiating commissions. In addition, SJAM will inform the client in writing that its orders may not be aggregated with other orders and that direction may hinder best execution.



Aggregate Orders: SJAM may aggregate orders for its client accounts for trade execution with the same broker. When trades are aggregated, each participating account will be allocated securities on an average price basis. It is San Juan Asset Management's basic policy that no client for whom San Juan Asset Management has investment decision responsibility shall receive preferential treatment over any other client. In allocating securities among clients, it is San Juan Asset Management's policy that all clients should be treated fairly and that, to the extent possible, all clients should receive equivalent treatment.

Because of the difference in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may, however, be differences among clients in invested positions and securities held. The following factors may be taken into account by San Juan Asset Management in allocating securities among investment advisory clients:

- client's investment objective and strategies;
- client's risk profile;
- client's tax status;
- any restrictions placed on a client's portfolio by the client or by virtue of federal or state law (such as the Employee Retirement Income Security Act of 1974, as amended);
- size of client account;
- total portfolio invested position;
- nature of the security to be allocated;
- size of available position;
- supply or demand for a security at a given price level;
- current market conditions;
- Timing of cash flows and account liquidity;
- any other information determined to be relevant to the fair allocation of securities.

Allocations will be determined at the time of placing the orders and recorded on blotters.

Soft Dollar: San Juan Asset Management may use "soft dollars" for research and other products that provide lawful and appropriate assistance to the Adviser in carrying out its investment decision-making responsibilities, as permitted under the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934.

All requests for payment with soft dollars must be approved by the Compliance Officer and Senior Trader using the "Soft Dollar Request Form". A brief description of the purpose of the payment should be included. Any contracts or other written agreements related to such requests should be attached to the Form and forwarded to the Compliance Officer. The Compliance Officer will determine whether the service may be paid with soft dollars. The Compliance Officer will consult with the Senior Trader, regarding the capabilities of relevant brokers. The Compliance Officer will review the contracts and, if the service is approved, will return a signed copy of the Form to the person requesting the service. The



Compliance Officer will be responsible for ensuring that appropriate documentation is obtained and attached to the contract, as needed.

A number of criteria are to be considered in approving soft dollar allocations, including the broker-dealer's business reputation and financial position and its ability to consistently execute orders professionally and on a cost effective basis, provide prompt and accurate execution reports, prepare timely and accurate confirms, deliver securities or cash proceeds promptly and provide meaningful research services that are useful to SJAM in investment decision-making or other desired and appropriate services. As a fiduciary, SJAM has an obligation to obtain "best execution" of clients' transactions under the circumstances of the particular transaction. Consequently, notwithstanding the safe harbor provided under Section 28(e), no allocation for soft dollar payments shall be made unless best execution of the transaction is reasonably expected to be obtained.

As of December 31, 2017 SJAM had one soft dollar agreement in place which provides SJAM with company, industry and country research, market data, and security and risk analysis among other products that benefits all clients of SJAM. These products obtained through the use of soft dollars originate from both proprietary (broker) and third party sources. As these broker charges the lowest commission rate among the brokers that SJAM utilizes, a conflict of interest does not exist. SJAM receives a benefit because it does not have to produce or pay for the research, products or services.



**Item 13.           Review of Accounts**

Client accounts will be reviewed on a periodic basis by the Portfolio Managers to determine whether the account is being managed in a manner that is consistent with the client's investment objectives, guidelines and/or restrictions, as communicated to SJAM.

San Juan Asset Management also reviews client accounts to assure that client accounts are not over-traded to generate increased commissions and to review allocations of new issues periodically to ensure that they are being allocated among all eligible accounts in an equitable manner.

The supervised person who conducts the review is our Operations Officer.

SJAM on a monthly or quarterly basis sends a written report to clients with a summary of accounts value. There are also other reports sent to clients which includes quarterly reports or ad hoc reports requested by clients. All reports are generally sent via email and in some cases via regular mail.



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

Rule 206(4)-3 of the Advisers Act prohibits advisers from making cash payments to solicitors (i.e., finders) for client referrals unless certain conditions are met. A registered investment adviser may pay cash fees to solicitors if:

- the solicitor has not been subject to sanctions by the SEC under provisions of the Advisers Act; and
- there is a written agreement between the adviser and solicitor containing certain enumerated terms.

Generally, the written agreement is required to describe the solicitation activity as well as the compensation to be received. It must also include an undertaking by the solicitor to perform its duties in accordance with the adviser's instructions and the provisions of the Advisers Act. Finally, the solicitor must provide the client with (i) a current copy of the adviser's "brochure" or Part II of Form ADV, and (ii) a separate written solicitor's disclosure document. The solicitor's disclosure document must include, among other things:

- the names of the solicitor and adviser;
- the nature of their relationship;
- a statement that the solicitor will be compensated by the adviser;
- the terms of compensation;
- the amount, if any, the client will be charged above the advisory fee; and
- the difference, if any, among clients with respect to the amount of advisory fee charged, if that difference is attributable to the solicitation compensation agreement.

When the adviser enters into an agreement with the client, the adviser must receive and maintain for its records a copy of a signed and dated acknowledgment of receipt by the client of the adviser's brochure and the solicitor's disclosure document.

SJAM does not receive any economic benefits such as sales awards or other gifts from anyone who may provide investment advisory services to clients. We also do not receive any benefits from anyone who refers clients.



**Item 15. Custody**

A qualified custodian maintains custody of all global equities on behalf of SJAM's clients. For all separate accounts clients receive account statements on a monthly and quarterly basis and are advised to review those statements.



**Item 16. Investment Discretion**

Clients may seek to limit or restrict SJAM's discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Clients may seek to limit SJAM's authority in this area by directing that transactions (or some specified percentage of transactions) be executed through specified brokers in return for portfolio evaluation or other services deemed by the client to be of value. Any such client direction must be in writing, and should contain a representation from the client that the arrangement is permissible under its governing laws and documents.

Additionally, certain clients may restrict SJAM from purchasing certain securities from certain countries or companies that they may not deem to be socially responsible in their business activities. In this instance a "restricted list" of securities is compiled and distributed to the various portfolio managers as well as reviewed by the Compliance Officer to assure adherence.



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

Rule 206(4)-6 under the Advisers Act requires an adviser with voting authority over client proxies to adopt proxy voting policies and procedures, including procedures to address material conflicts of interests, and to disclose such procedures and its specific voting history to clients. The Rule does not apply to advisers whose clients retain voting authority, smaller investment advisers who are registered with state securities authorities, or investment advisers who are not required to register under the Advisers Act.

The Rule also specifically requires that the procedures address material conflicts that may arise between an adviser or its affiliates and its clients (such as when the adviser has business or personal relationships with participants in proxy contests, corporate directors or candidates for directorship). The SEC noted that a policy of disclosing conflicts to a client and obtaining direction from the client on how to vote would satisfy the requirement of the Rule (although certain additional consideration should be given to this alternative in the case of employee benefit plan clients). Otherwise, the adviser must be able to demonstrate that its vote was based on the client's best interest and not on the interests of the adviser. Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. When the Adviser has discretion to vote the proxies of its clients, it will vote those proxies in the best interest of its clients and in accordance with these policies and procedures.

### **Procedures**

- (a) All proxies received by San Juan Asset Management will be sent to the Compliance Officer. The Compliance Officer will:
  - (i) Keep a record of each proxy received;
  - (ii) The Compliance Department will forward the proxy to the analyst responsible for the security to which the proxy relates.
  - (iii) The Compliance Department will determine which accounts managed by San Juan Asset Management hold the security to which the proxy relates;
  - (iv) The Compliance Department will provide the trader/analyst with a list of accounts that hold the security, together with the number of votes each account controls (reconciling any duplications), and the date by which San Juan Asset Management must vote the proxy in order to allow enough time for the completed proxy to be returned to the issuer prior to the vote taking place.
  - (v) The trader/analyst will determine how San Juan Asset Management should vote the proxy. The trader/analyst will send his decision on how San Juan Asset Management will vote a proxy to the Compliance Department. The Compliance Officer is responsible for ensuring the timely and appropriate completion and submission of the proxy.



- (vi) San Juan Asset Management may retain a third party to assist it in coordinating and voting proxies with respect to client securities. If so, the Compliance Officer will monitor the third party to assure that all proxies are being properly voted and appropriate records are being retained.

#### Voting Guidelines

In the absence of specific voting guidelines from the client, San Juan Asset Management will vote proxies in the best interests of each particular client, which may result in different voting results for proxies for the same issuer. San Juan Asset Management believes that voting proxies in accordance with the following guidelines is in the best interests of its clients.

- Generally, San Juan Asset Management will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.
- Generally, San Juan Asset Management will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.

For other proposals, San Juan Asset Management shall determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others:

- (i) whether the proposal was recommended by management and San Juan Asset Management's opinion of management;
- (ii) whether the proposal acts to entrench existing management; and
- (iii) whether the proposal fairly compensates management for past and future performance.

#### Conflicts of Interest

- (i) The Compliance Officer will identify any conflicts that exist between the interests of San Juan Asset Management and its clients. This examination will include a review of the relationship of San Juan Asset Management and its affiliates with the issuer of each security and any of the issuer's affiliates to determine if the issuer is a client of SJAM or an affiliate of SJAM or has some other relationship with SJAM or a client of SJAM.
- (ii) If a material conflict exists, SJAM will determine whether voting in accordance with the voting guidelines and factors described above is in the best interests of the client. SJAM will also determine whether it is appropriate to disclose the conflict to the affected clients



and, except in the case of clients that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), give the clients the opportunity to vote their proxies themselves. In the case of ERISA clients, (i) if the Investment Management Agreement reserves to the ERISA client the authority to vote proxies when SJAM determines it has a material conflict that affects its best judgment as an ERISA fiduciary, SJAM will give the ERISA client the opportunity to vote the proxies themselves and (ii) if the Investment Management Agreement does not reserve to the ERISA client the authority to vote proxies in such instance, SJAM shall consult with counsel regarding the procedures to be followed in connection with voting the particular proxies which may include further communications with the affected clients, retaining an independent third party to vote the proxy or establishing special ERISA proxy voting procedures with a voting policy that eliminates discretion of SJAM when voting proxies if such a conflict exists.

#### DISCLOSURE

- (i) Clients of SJAM may contact the Chief Compliance Officer, via e-mail or telephone in order to obtain information on how SJAM voted such client's proxies, and to request a copy of these policies and procedures. If a client requests this information, the Chief Compliance Officer will prepare a written response to the client that lists, with respect to each voted proxy that the client has inquired about, (1) the name of the issuer; (2) the proposal voted upon and (3) how SJAM voted the client's proxy.

#### RECORDKEEPING

The Compliance Officer will maintain files relating to SJAM's proxy voting procedures in an easily accessible place. Records will be maintained and preserved for five years from the end of the fiscal year during which the last entry was made on a record, with records for the first two years kept in the offices of San Juan Asset Management. Records of the following will be included in the files:

- (i) Copies of these proxy voting policies and procedures, and any amendments thereto.
- (ii) A copy of each proxy statement that San Juan Asset Management receives provided however that SJAM may rely on obtaining a copy of proxy statements from the SEC's EDGAR system for those proxy statements that are so available.
- (iii) A record of each vote that SJAM casts.
- (iv) A copy of any document SJAM created that was material to making a decision how to vote proxies, or that memorializes that decision.
- (v) Documentation regarding the basis of each vote that was inconsistent with these proxy voting policies and procedures.



- (vi) A copy of each written client request for information on how SJAM voted such client's proxies, and a copy of any written response to any (written or oral) client request for information on how San Juan Asset Management voted its proxies.



**Item 18. Financial Information**

San Juan Asset Management, Inc. requires some clients to pay its fees 3 months in advance. Therefore SJAM send our clients its audited balance sheet showing the assets and liabilities at the end of its most recent fiscal year. SJAM's financial condition meets contractual commitments to clients. There have been no bankruptcy petitions.



**Item 19. Requirements for State-Registered Advisers**

San Juan Asset Management it's an SEC-Registered Investment Adviser; the firm it's not registered with any state as an investment adviser.