

## **Kobo Wealth Conservancy, LLC**

### **Form ADV, Part II Disclosure Brochure**

Pursuant to the so-called “brochure rule,” Kobo Wealth Conservancy, LLC (Kobo), periodically updates Form ADV, Part II. This rule requires that Kobo provide a written document containing the information contained in Form ADV, Part II, to all clients with whom the firm enters into an investment advisory or investment management contract. Kobo Wealth must deliver this document to a client or prospective clients:

- a) Not less than 48 hours prior to executing a contract with Kobo, or
- b) At the time of executing such contract, in which case the client has the right to terminate the contract with Kobo Wealth within five business days without penalty.

In fact, clients may cancel a contract with Kobo at any time, without penalty, upon the firm’s receipt of written notification from the client.

Part II of Form ADV contains information relating to Kobo’s business. This information includes types of services offered, fees, types of clients served, types of investment generally recommended, methods of analysis, strategies employed, information sources consulted, educational and business backgrounds of management employees, participation in connection with client transactions, conditions for managing accounts, the nature of discretionary authority, the process for reviewing accounts, brokers used, and the allocation of brokerage commissions.

The information contained herein relates only to specific questions to which relevant regulatory agencies request answers. The document is not, and is not intended to be, a marketing brochure, nor is it designed to provide detailed information about all aspects of Kobo’s business.

Kobo Wealth Conservancy, LLC

119 Merchant Street, Suite 610

Honolulu, HI 96813

Tel: (808) 546-1001

Fax: (808) 356-0286

[www.kobowealth.com](http://www.kobowealth.com)

Advisory Services and Fees

Kobo Wealth Conservancy, LLC, (Kobo), provides investment advisory services through its Investment Advisor Representatives (IAR) in several ways; directly managed accounts and the selection of other Third Party Managers. Kobo strives to integrate the goals and objectives of the client using assumptions that they provide. Normally a risk questionnaire and/or a portfolio optimization model are prepared. Recommendations to accomplish the client's goals based on the information provided by the client is then provided to the client and implemented if approved.

Directly Managed Accounts

Once a client establishes an investment managed account, management of the account is through an interactive process with the client. Considering the needs of the client, each client is encouraged to meet with their IAR on a regular basis. Kobo will select, manage and adjust or re-allocate investment portfolios at its sole discretion without consultation with the client.

Third Party Managers

In some situations, Kobo may use the services of another Investment Advisor (Third Party Manager). In these situations, Kobo does not actively manage a client's investment managed accounts, but uses the services of one or more Third Party Managers whose programs and investment strategies are reviewed by Kobo. Kobo determines which programs and strategies are most appropriate for the client, based upon the client's individual circumstances, needs and investment objectives. Kobo provides periodic oversight of client portfolios on a quarterly basis.

In situations where Kobo uses the services of a Third Party Manager, Kobo does not actively manage the client's investment accounts or recommend particular securities or other investments. The foregoing activities are performed by the Third Party Manager. The client shall not have the discretion to direct the purchase of a particular security or types of securities for the Account.

Kobo will attempt to contact the client at least annually to review any changes in the client's financial situation, needs or investment objectives, as well as the performance of the programs managed by the Third Party Manager. Kobo may maintain relationships with other financial entities, such as insurance companies, through which they may provide other financial products or advice. Kobo provides only those Advisory services specified in their Form ADV II. Kobo only provides Advisory services for those assets of a client specifically subject to an Advisory contract with them.

Kobo purchases the services of a non-affiliated third party to select and provide due diligence on Third Party Managers and analysis on asset allocation strategies. The cost of such analysis is passed on to the client. The fees of such services range from 0.10% (10bps) to 0.20% (20bps) annually. When Third Party Managers are used for management of client's assets, the client will be charged Kobo's stated investment management fee (described below and in a written agreement with the client) and in addition the management fee of the selected Third Party Manager. Third Party Manager Fees will range from 0.20% (20bps) to 1.25% (125bps). The cost of any Third Party Manager selected and assigned to assist in the management of a client's account shall be disclosed to the client upon establishment of the relationship and on a quarterly basis as shown on the statements from the account custodian.

**Table 1- Example of a \$1,000,000 equity account using the services of a Third Party Manager**

<u>Example</u>	<u>Annual Rate*</u>
Kobo investment Advisory Fee	1.00%
Sample Third Party Manager Fee	0.20%-1.25%
Third Party Due Diligence Fee	0.10%-0.20%
Total Advisory Fee Paid by Client	1.3%-2.35%

Kobo also provides investment advice to both plan sponsors of and plan participants in defined contribution plans (i.e., 401(k) and 403(b) plans) whose employers have contracted with Kobo to provide such services, or in cases where Kobo has been appointed as an ERISA 3(38) investment fiduciary by a named ERISA 3(21) fiduciary.

Kobo does not provide investment advice on any other basis than those described above.

Kobo does not issue periodic publications relating to securities on a subscription basis, nor do we prepare for distribution special reports or analyses relating to securities.

Kobo does not generally prepare or issue any charts, graphs, formulas, or other devices for use by clients in evaluating securities, nor do we furnish advice to clients on any matters not involving securities on other than incidental basis.

**Table 2** presents the fee schedule for Kobo's individual Equity, Alternative Investment or Balanced Portfolios. **Table 3** presents Kobo's individual Fixed Income Portfolios.

**Table 2- Equity, Balanced and Alternative Investment Management**

<u>Assets Under Management</u>	<u>Annual Rate*</u>
0\$ to \$1,000,000	1.00%
\$1,000,001 to \$5,000,000	0.85%
\$5,000,001 and above	0.60%

**Table 3- Fixed Income Investment Management**

<u>Assets Under Management</u>	<u>Annual Rate*</u>
0\$ to \$1,000,000	1.00%
\$1,000,001 to \$5,000,000	0.85%
\$5,000,001 and above	0.60%

\*These fees are incremental. Any dollars within each range are subject to that particular fee. For instance, an equity account with \$2,000,000 in assets under management would have its first \$1,000,000 paying a fee of 1.00% and its next \$1,000,000 paying a fee of 0.85%

### **Negotiability of Fees**

All fees are negotiable.

### **Billing Process**

For individual clients, Kobo's fees are charged monthly in advance. The initial fee will be calculated from the date of the Investment Advisory Agreement or when the account is funded, to the end of the month. Subsequent fees shall be based upon the total asset value of the client's account at the end of the previous month. Such fees shall become due and payable the following business day.

For 401(k) or 403(b) clients, Kobo's fees are charged quarterly in advance. The initial fee will be calculated from the date of the Investment Advisory Agreement or when the account is funded, to the end of the quarter. Subsequent fees shall be based upon the total asset value of the client's account at the end of the previous quarter. Such fees shall become due and payable the following business day.

For all clients, when the Investment Advisory Agreement does not span the full billing period, fees are prorated from the date of inception or through the date of termination and any unearned fees are returned to the client. The Advisor or client may terminate the Investment Advisory Agreement at any time with written notice to the Advisor at their main office:

Kobo Wealth Conservancy, LLC  
119 Merchant Street, Suite 610  
Honolulu, HI 96813

### **Mutual Fund Fees**

Mutual funds that are held by Advisory clients will bear their own internal transaction and execution costs, as well as directly compensate their investment managers, along with internal administrative services. Some mutual funds pay 12b-1 fees, Distribution fees, and or Shareholder Service fees to broker-dealers that offer such mutual funds to their Clients. These charges affect the Net Asset Value of these mutual fund shares and are thus indirectly borne by mutual fund shareholders such as a Kobo Client. Some mutual fund companies have imposed a redemption fee. A redemption fee is another

type of fee that some funds charge their shareholders when shares are sold or redeemed within a short period of time from the purchase of the mutual fund shares. Although a redemption fee is deducted from redemption proceeds just like a deferred sales load, it is not considered to be a sales load. Unlike a sales load, which is generally used to compensate brokers, a redemption fee is typically used to defray fund costs associated with a shareholder's redemption and is paid directly to the fund, not to a broker. The SEC generally limits redemption fees to 2%. In most cases, the Funds will use the "first-in, first-out" (FIFO) method to determine the holding period. Under this method, the date of the redemption will be compared with the earliest purchase date of shares held in the account. While it is not the general practice of Kobo to sell client's securities in a period that would generate a redemption fee, it should be anticipated that Kobo might do so if in its opinion the sale is in the client's best interests, or mutual fund shares must be redeemed to pay fees from the account.

A complete explanation of these charges is contained in the prospectus and "Statement of Additional Information" for each mutual fund. You can get a prospectus from the mutual fund company (through its website or by telephone or mail). Your financial professional or broker can also provide you with a copy.

#### **Types of Clients**

Kobo Wealth offers investment advisory services to individuals, trusts, estates, charitable organizations, businesses, and pension plans.

#### **Types of Securities**

Kobo Wealth provides investment advice on the following types of securities: municipal securities; United States government securities; and mutual fund shares.

#### **Methods of Analysis, Sources of Information, and Investment Strategies**

Kobo Wealth uses fundamental methods to assess risk and opportunities in the capital markets. We seek to understand our clients' risk tolerances and investment horizons. These provide our basis for formulating a targeted asset allocation for each client. The targeted asset allocations are based on efficient market theory and are constructed with data provided by Morningstar. Third-party analytic software helps us select and monitor the funds we use in our clients' accounts to invest as close as possible to our clients' targeted asset allocation. Kobo Wealth's investment philosophy is to attempt to provide each and every client a market rate of return by controlling investment costs and diversifying investments geographically and across many asset classes.

Throughout our investment process, we review numerous sources of information: financial newspapers and magazines, and research materials prepared by others.

#### **Education and Business Background**

<b>Cristopher J. Borden</b>	<b>Chief Investment Officer</b>
Born	1972

Education	University of Colorado-Boulder, B.A. in History, 2005 American University-Washington, D.C., M.B.A. Finance, 2001
Background	Chief Investment Officer, Kobo Wealth Conservancy, 2007-present Portfolio Manager, Bishop Street Capital Management, a Registered Investment Advisor and wholly-owned subsidiary of First Hawaiian Bank, 2000-2007

### **Participation or Interest in Client Transactions**

From time to time, the interests of the principals and employees of Kobo Wealth may coincide with those of a client. Individual securities may be bought, held or sold by a principal or employee of Kobo Wealth that is also recommended to or held by a client. If potential insider information is inadvertently provided or learned by a principal or employee, it is the policy of Kobo Wealth to strictly prohibit its use.

It is the policy of Kobo Wealth to permit the firm, its employees and IARs to buy, sell and hold the same securities that the IAR also recommends to clients. It is acknowledged and understood that Kobo Wealth performs investment services for various clients with varying investment goals and risk profiles. As such, the investment advice may differ between clients and investments made by Kobo Wealth IARs. Kobo has no obligation to recommend for purchase or sale a security that Kobo, its principals, affiliates, employees or IARs may purchase, sell or hold. Kobo has procedures dealing with insider trading, employee related accounts, "front running" and other issues that may present a potential conflict when such purchase, sales or recommendations are made. In general, these policies and procedures are intended to eliminate, to the extent possible, the adverse effect on clients of any such potential conflicts of interest. Kobo will provide a copy of its Code of Ethics to clients or prospective clients upon request.

### **Review of Accounts**

Kobo will review client accounts on no less than a quarterly basis to compare the accounts performance to the stated goals of the client.

### **Reports to Clients**

All clients will receive statements regarding their account, its holding, transactions and fees at least quarterly. Account custodians or money managers may prepare and distribute the statements.

### **Investment or Brokerage Discretion**

For Kobo clients that choose to have Kobo directly manage their investment portfolio, Kobo buys and sells securities for some of its clients' accounts via limited power of attorney granted by the client. There are no restrictions placed upon Kobo that limit which security may be purchased or sold on behalf of the client or the amount of any security purchased, sold or held in a client's account unless specifically identified in writing in the client's Investment Policy Statement or Investment Advisory Agreement.

### **Brokerage Discretion**

Kobo may suggest that clients use a particular custodian and/or broker-dealer. The criteria for suggesting a broker/dealer include reasonableness of commissions, and other costs of trading, ability to facilitate trades, access to client records, computer trading support, and other operational considerations. These factors will be reviewed from time to time to assure the best interests of the client are upheld.

### **Additional Compensation**

Kobo may require that clients establish brokerage accounts with a specific custodian (Custodian), normally a registered broker-dealer, Member SIPC/NYSE, to maintain custody of clients' assets and to effect trades for their accounts. The Custodian provides Kobo with access to its institutional trading and operations services, which are typically not available to retail investors. These services generally are available to Independent Advisor Representatives at no charge to them so long as some minimum of the Advisor's clients' account assets are maintained at the Custodian. The Custodian's services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. The Custodian also makes available to Kobo other products and services that benefit Kobo but may not benefit its clients' accounts. Some of these other products and services assist Kobo in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Kobo's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Kobo's accounts, including accounts not maintained at the Custodian. The Custodian may also provide Kobo with other services intended to help Kobo manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Custodian may make available, arrange, and/or pay for these types of services to Kobo by independent third parties. The Custodian may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Kobo. The availability to the Advisor of the foregoing products and services is not contingent upon the Advisor committing to the Custodian any specific amount of business (assets in custody or trading).

### **Additional Compensation**

Kobo has entered into investor solicitation agreements with other investment advisors (Solicitors) where the Solicitors are compensated for making referrals to Kobo. The Solicitors' compensation is based upon the investment management fees collected from referred clients by Kobo. The Solicitors' compensation is generally a set percentage of the net fee collected by Kobo. The Solicitor will provide a written solicitation disclosure that describes the relationship and compensation arrangement to potential referral clients upon solicitation.