

## Item 1 – Cover Page

### **Korea Investment Management Co., Ltd.**

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Date of Disclosure Brochure: September 2018

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This disclosure brochure provides information about the qualifications and business practices of Korea Investment Management Co., Ltd. (Also referred to as we, us and KIM throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Juhee (Julie) Kim at [kimfunds@kim.co.kr](mailto:kimfunds@kim.co.kr). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Korea Investment Management is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Korea Investment Management Co., Ltd. or our firm's CRD number 173361.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## Item 2 – Material Changes

Since our last annual amendment was filed in March 2018, the following material changes have been made:

- KIM became a subadvisor to the AdvisorShare KIM Korea ETF. Please refer to **Item 4- Advisory Business** and **Item 5 – Fees and Compensation** for more information.
- In January 2017 the firm experienced the following managerial changes:
  - Lee, Seung Hyun was appointed as the firms' Executive Managing Director of Product Strategy;
  - Hwangbo, Young Ok was appointed Chief Investment Officer; and
  - Lee, Seok Ro was appointed as the firms' Chief Operating Officer
- In June 2018, In Hee Choi replaced Chang Hoon Lee as the firm's Chief Compliance Officer.

We will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Advisory Business**

Korea Investment Management Co., Ltd. is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a Private Limited Liability Company formed under the laws of the Republic of Korea.

- Korea Investment Management Co., Ltd. is a 100% owned subsidiary of Korea Investment & Securities Co., Ltd.
- Korea Investment Management Co., Ltd. was initially approved as an investment adviser in January 2015.

### **Introduction**

The investment advisory services of KIM are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of KIM (referred to as your investment adviser representative throughout this brochure).

### **Description of Advisory Services**

The following are descriptions of the primary advisory services of KIM. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and KIM before we can provide you the services described below.

**Asset Management Services** – KIM offers asset management services, which involves KIM providing you with continuous and ongoing supervision over your specified accounts through our model portfolios.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your Account, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your Account and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

**Investment Company Management Services** – Korea Investment Management offers investment advisory services by serving as an investment adviser to AdvisorShare KIM Korea (also referred to as the Fund throughout this brochure), which is registered as an investment company under the Investment Company Act of 1940.

As investment adviser we provide investment advice and management services to the Fund. The Fund will serve as an investment option for our clients. Therefore, investors in the Fund may also be clients of Korea Investment Management; however, the Fund will be open to any investor meeting the Fund's minimum investment levels.

The Fund is organized as a limited liability company (LLC). The Bank of New York Mellon, serves as the Fund's administrator, transfer agent and service provider. Tait, Weller & Baker LLP serves as the Fund's independent registered public accounting firm.

Korea Investment Management has an incentive and inherent conflict of interest to recommend and favor the Fund for the following reasons:

- Korea Investment Management is the investment adviser to the Fund and receives a management fee for its services. Please refer to Item 5 of this Brochure for a description of our fees. Increases in Fund assets will result in increases in the management fee paid to Korea Investment Management.
- We provide the Fund with certain administrative services and personnel needed to fulfill our obligations as the investment adviser.

The Fund is the sole registered investment company client of Korea Investment Management and an open-end exchange traded fund domiciled in the United States. We maintain limited power of attorney to act on a discretionary basis when managing the Fund. Korea Investment Management is responsible for investment selection, asset allocation, and asset management decisions regarding the Fund.

### **Newsletters**

KIM occasionally prepares general, educational and informational newsletters. Newsletters are always offered on an impersonal basis and do not focus on the needs of a specific individual.

### **Limits Advice to Certain Types of Investments**

KIM provides investment advice on the following types of investments:

- Exchange-listed Securities
- Foreign Issues

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

When providing asset management services, KIM typically constructs each client's account holdings using Exchange Listed Securities to build diversified portfolios. It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Tailor Advisory Services to Individual Needs of Clients**

KIM's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the Account we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

When managing client accounts through our firm's Asset Management Services program, we may manage a client's account in accordance with one or more investment strategies. When client accounts are managed using strategies, investment selections are based on the underlying strategy and we do not develop customized (or individualized) portfolio holdings for each client. However, the determination to use a particular strategy or strategies is always based on each client's individual investment goals, objectives and mandates.

### **Client Assets Managed by Korea Investment Management**

As of December 2017, KIM manages \$34,836,048,602 of discretionary assets under management in the form of multiple collective investment schemes, subadvisor services to Investment Company Securities and separately managed accounts for clients

## Item 5 – Fees and Compensation

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and KIM.

### **Asset Management Services**

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the daily fair market values of your Account during the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your Account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period.

The asset management services continue in effect until terminated by either party (i.e., KIM or you) by providing written notice of termination to the other party. When fees are billed in arrears, KIM will prorate the final fee payment based on the number of days services are provided during the final period. Fees charged for our asset management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, the client's investment period and the total amount of assets under management for the client.

KIM will charge an asset management fee that will vary depending upon the investment strategy used to manage client accounts. The Navigator Strategy will charge a management fee of up to 1% and the Long Term Value Strategy will charge a management fee of up to 1.5%. The fee charged will be specified in your asset management agreement.

KIM believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your Account and paid directly to our firm by the qualified custodian(s) of your Account or you can pay our firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your Account, you must authorize the qualified custodian(s) of your Account to deduct fees from your Account and pay such fees directly to KIM.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. KIM does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than KIM in connection with investments made through your Account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your Account. Management fees charged by KIM are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

### ***Performance Based Fees***

We may enter into performance-based fee arrangements with clients pursuant to individualized negotiations. In case, we have established the following policies and procedures regarding performance-based fee arrangements.

#### **Qualified clients for performance-based fee arrangements**

- Performance based fee arrangements of Korea Investment Management will comply with Section 205(e) of the Investment Advisers Act of 1940. According to Section 205(e) (see Rule 205-3 thereunder), only natural individual clients meeting the SEC's definition of "qualified clients" may enter into agreements providing for performance based compensation to Korea Investment Management.
- A natural person or company must meet the following conditions to be considered a qualified client:
  - ✓ Have at least \$1,000,000 under management with Korea Investment Management at the time the client enters into an agreement with Korea Investment Management; or
  - ✓ Provide documentation to Korea Investment Management so that Korea Investment Management will reasonably believe the client has either a net worth of \$2,000,000 or is a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act.

#### **General conditions for performance-based fee payments**

- Account's return must exceed a hurdle rate predefined with client
- Account's return must be positive
- Account's annualized average return must exceed the annualized average return of the pre-specified benchmark
- Standard high water mark provisions are applied as follows:
  - ✓ No performance based fee will be earned unless the Account's return exceeds the previously achieved high water mark where performance based fees were charged.
  - ✓ The high water mark will be used in order to prevent a scenario whereby we could receive a performance based fee merely for recouping prior losses.



- ✓ Any contribution of funds or securities to the Account will increase the high water mark by a corresponding amount, and any distributions of funds or securities from the Account will lower the high water mark by a corresponding amount.

### **Performance-based fee calculation and payment**

- Performance-based fee =  $NAV_{beginning} \times (\text{Account's return} - \text{Hurdle rate}) \times \text{Performance Participation Rate (\%)}$   
(e.g.  $\$1,000,000 \times (12\% - 6\%) \times (10\%) = \$6,000$ )
- Calculation period is one year from the date the asset management service is commenced
- Performance-based fee should be paid within 3 months from the end of the calculation period
- When the asset management service is terminated in the middle of the calculation period, the performance-based fee will be prorated based on the number of days the service is provided.

The exact fee and fee arrangements may vary or be different than that described above based on the complexity of client's situation, number of accounts managed, total assets under management and other factors specific to the client. The exact fee arrangements for each client will be specified in that client's advisory services agreement with Korea Investment Management.

### **Investment Company Management Services**

Korea Investment Management is paid an annual management fee of 0.44% based on the amount of assets held in the Fund. The annual fee is divided and paid quarterly based on the average daily balance of the Fund. Korea Investment Management believes that its fees are competitive with those fees charged by other investment advisers for comparable services; however, fees of Korea Investment Management may be higher or lower than fees charged by other investment advisers.

Client may pay a double management fee to Korea Investment Management, comprised of a direct fee for the provision of asset management services and secondly, an indirect fee compensation Korea Investment Management for its investment company management services. In addition, shareholders will pay other annual fund operating expenses such as distribution and service (12b-1) fees, shareholder servicing plan fees, acquired fund fees and expenses, and certain other fees ("Net Annual Fund Operating Expenses"). The total Net Annual Fund Operating Expenses should not exceed 0.99%.

Korea Investment Management has contractually agreed to waive a portion or all of its management fees and/or pay Fund expenses to ensure that Net Annual Fund Operating Expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) do not exceed 0.99%. The expense limitation will remain in effect unless changed by the Fund's Board of Trustees.

KIM has selected our unaffiliated broker/dealer, Miraeasset Daewoo Securities, to serve as broker/dealer to the Fund responsible for executing all securities transactions. As broker/dealer, Miraeasset Daewoo Securities will receive typical and normal brokerage compensation. We do not lower or offset our management fee by the amount of compensation received by Miraeasset Daewoo Securities. Payment to Miraeasset Daewoo Securities will come from the Net Annual Fund Operating Expenses.

## **Newsletters**

Newsletters are provided to clients and prospective clients free of charge.

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

As described above in Item 5 – *Fees and Compensation*, KIM may charge only the qualified client a performance fee, which is based upon a share of capital gains or capital appreciation of the assets of such Client.

Performance-based fee arrangements may create an incentive for portfolio manager to favor performance-based fee account over asset-based fee account and also recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. We strive to minimize such conflicts of interests by taking our fiduciary obligation very seriously and always acting in the best interests of our clients according to “Code of Ethics Summary under Item 11”.

Moreover, evaluation and compensation of portfolio managers are based solely on performances of those funds and separately managed accounts which a portfolio manager has full discretionary control of, not on performance fees earned or assets under management, etc. Such evaluation and compensation system ensures that a portfolio manager has no incentive to devote unequal time or attention to the management of one account over another or to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement, thereby treating all accounts in a manner that is fair and equitable to all.

## **Item 7 – Types of Clients**

KIM generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Banks or thrift institutions
- Pension and profit sharing plans
- State or municipal government entities
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above
- Open End Investment Company Securities

You are required to execute a written agreement with KIM specifying the particular advisory services in order to establish a client arrangement with KIM.

### **Minimum Investment Amounts Required**

There are no minimum investment amounts or conditions required for establishing an account managed by KIM. However, all clients are required to execute an agreement for services in order to establish a client arrangement with KIM and/or the third-party money manager or the sponsor of third-party money manager platforms.

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

### **Methods of Analysis**

KIM uses the following methods of analysis in formulating investment advice:

**Fundamental** – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

There are risks involved in using any analysis method.

To conduct analysis, KIM gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses and company press releases.

### **Investment Strategies**

KIM uses the following investment strategies when managing client assets and/or providing investment advice:

#### **Navigator Strategy**

The objective of Navigator strategy is to provide long-term capital appreciation by principally investing in equity securities quoted on the stock exchanges of Korea. It may also invest in other transferable securities such as bonds, promissory notes and Certificates of Deposits (CD), in order to earn additional

interest income.

The strategy strives to earn capital by investing primarily in stocks with growth potentials. We will seek to add value with a stock selection based on bottom-up approach and a buy and hold strategy in terms of investment.

### **Long Term Value Strategy**

The objective of Long Term Value strategy is also to provide long-term capital appreciation by principally investing in equity securities quoted on the stock exchanges of Korea. It may also invest in other transferable securities such as bonds, promissory notes and Certificates of Deposits (CD), in order to earn additional interest income.

The strategy strives to earn capital by investing primarily in under-valued stocks with three key considerations; 1) stable cash flow 2) easiness of enlarging its market and product 3) sound financial structure. We will seek to add value with a stock selection not only based on bottom-up approach but also analysis of PBR to read a mega trend as well as PER to examine its sustainable growth potential.

### **Active ETF Strategy**

The objective of Active ETF strategy is to provide long-term capital appreciation by principally investing in equity securities quoted on the stock exchanges of Korea.

The strategy strives to earn capital by investing primarily in large and medium capitalization stocks with a long-term growth potential while monitoring market risk at all times. We will seek to add value with a stock selection based on bottom-up approach with a focus on new industries with a differentiated growth engine.

### **Primarily Recommend One Type of Security**

KIM primarily recommends Exchange Listed Securities. Some of the risks involved with mainly recommending this type of security are referenced below.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Currency Risks - a form of risk that originates from changes in the relative valuation of currencies. When the exchange rate between the foreign currency of an international investment and the U.S. dollar changes, it can increase or reduce your investment return. Foreign companies trade and pay dividends in the currency of their local market. When you receive dividends or sell your international investment, you will need to convert the cash you receive into U.S. dollars. During a period when the foreign currency is strong compared to the U.S. dollar, this strength increases your investment return because your foreign earnings translate into more dollars. If the foreign currency weakens compared to the U.S. dollar, this weakness reduces your investment return because your earnings translate into fewer dollars. In addition to exchange rates, you should be aware that some countries may impose foreign currency controls that restrict or delay you from moving currency out of a country.
- Liquidity Risk - the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.

- Political/Country Risk - The risk that an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers, or military control.

### **Item 9 – Disciplinary Information**

In October 2013 KIM was found by the Korea Financial Supervisory Service to have violated the Enforcement Decree of the Financial Investment Business and Capital Markets Act, Articles 87-(4) (Prohibition of Unsound Business Conduct) – Accepting a property interest, directly or indirectly, from an investment trader or broker (including its executives and employees) in the course of business in violation of the guidelines prescribed and publicly notified by the Financial Services Commission. The firm agreed to sanction that included a fine of KRW 37,500,000 (Approximately \$37,500.00 in USD).

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

KIM is **not** and does **not** have a related person that is an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and/or a sponsor or syndicator of limited partnerships.

We are an independent registered investment adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with us.

#### **Other Financial Industry Activities**

KIM also provides asset management and distribution services to multiple collective investment schemes and separately managed accounts in jurisdictions outside of the United States.

The investment strategies and types of securities invested vary between the collective investment schemes and separately managed accounts. The collective investment schemes will not be offered to the advisory clients of KIM; however, client portfolios may be managed in a similar manner the funds managed by the firm. The portfolio manager's duty in managing the assets of the collective investment schemes creates a conflict of interest. This conflict will be addressed internally by the portfolio manager trading separately managed model portfolios in the same manner/timing as the collective investment schemes.

#### **Affiliated Companies (firms under common ownership)**

KIM is a 100% owned subsidiary of Korea Investment Securities Co., Ltd. which is in turn owned by Korea Investment Holdings Ltd., a Korean based financial services holding company. The subsidiaries of Korea Investment Holdings Co., Ltd. include the following:

**Korea Investment Securities Co., Ltd.** – a South Korea based firm specializing in asset management, investment banking, brokerage and principal investment.

**Korea Investment Value Asset Management Co., Ltd.** - a South Korea based asset management firm. Korea Investment Value Asset Management Co., Ltd., also filed to become registered as an Investment Advisor with the United States Securities and Exchange Commission in November 2014.

**Korea Investment Partners** - a South Korea based private equity and venture capital firm specializing in SMEs and has two overseas offices in China.

**Korea Investment Mutual Savings Bank** - a South Korea based banking/financial services provider.

**KIARA Advisors** - a Singapore based hedge fund.

**Korea Investment Capital** – a South Korea based capital firm specializing in lease, venture capital, credits, factoring and corporate restructuring.

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

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. KIM has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as “supervised persons”. All employees, officers, directors and investment adviser representatives are classified as supervised persons. KIM requires its supervised persons to consistently act in your best interest in all advisory activities. KIM imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm’s fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of KIM. If you wish to review the Code of Ethics in its entirety, please send us a written request and we will promptly provide a copy of the Code of Ethics to you.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

KIM or associated persons of the firm may not buy or sell for their personal accounts, investment products identical to those recommended to clients. It is the express policy of KIM that all persons associated in any manner with our firm must place clients’ interests ahead of their own when implementing personal investments. KIM and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations.

To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client;
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts;
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry;
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an “insider”;
- Associated persons are discouraged from conducting frequent personal trading; and
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted to the Chief Compliance Officer of KIM.

Any associated person not observing our policies is subject to sanctions up to and including termination.

## **Item 12 – Brokerage Practices**

If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments);
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services);
- Financial strength, stability and responsibility;
- Reputation and integrity; and
- Ability to maintain confidentiality.

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered.



### **Brokerage Recommendations**

If we assist you in the implementation of any recommendations, client will be provided the opportunity to choose the custodian/broker dealer used to manage your Account. KIM is independently owned and operated and not affiliated with any custodian or Broker Dealer in the United States.

As referenced in **Item 10 - Other Financial Industry Activities and Affiliations** - KIM is under common ownership with Broker Dealers located in the Republic of Korea with offices in other Asian nations. KIM is authorized to allocate transactions for our managed accounts to Broker Dealers (including our affiliated Broker Dealers). Allocating transactions to affiliated Broker Dealers creates a conflict of interest in that there is a financial incentive to allocate transaction to the Broker Dealers that are under common ownership with KIM. This conflict is addressed by only allocating transactions to the Broker Dealer, considering 1) level of contribution of order execution to profits 2) level of brokerage commission 3) credibility and financial status of the brokerage firm and 4) level of contribution to efficient management of investment trusts.

### **Directed Brokerage**

Clients are allowed to select the broker-dealer that will be used for their accounts. Clients directing the use of a particular broker/dealer or other custodian must understand that we may not be able to obtain the best prices and execution for the transaction. Under a client-directed brokerage arrangement, clients may receive less favorable prices than would otherwise be the case if the client had not designated a particular broker/dealer or custodian. Directed brokerage account trades are generally placed by KIM after effecting trades for other clients of KIM. In the event that a client directs KIM to use a particular broker or dealer, KIM may not be authorized to negotiate commissions and may be unable to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct KIM to use a particular broker or dealer versus clients who do not direct the use of a particular broker or dealer.

### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

KIM does not have a soft dollar agreement with a broker-dealer or a third-party.

### **Handling Trade Errors**

KIM has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of KIM to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by KIM if the error is caused by KIM. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same

error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. KIM may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

KIM will never benefit or profit from trade errors.

### **Block Trading Policy**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when Korea Investment Management believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Korea Investment Management uses the pro rata allocation method for transaction allocation.

Under this procedure, pro rata trade allocation means an allocation of the trade at issue among applicable advisory clients in amounts that are proportional to the participating advisory client's intended investable assets. Korea Investment Management will calculate the pro rata share of each transaction included in a block order and assigns the appropriate number of shares of each allocated transaction executed for the client's account.

Neither we nor our associated persons receive any additional compensation as a result of block trades.

### **Agency Cross Transactions**

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by the responsible portfolio manager with oversight by the firm's risk management and compliance teams to ensure the accounts are managed in accordance with your investment goals and objectives.

### **Statements and Reports**

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian. Additionally, KIM may provide position or performance reports to you quarterly and upon request.

You are encouraged to always compare any reports or statements provided by us, a sub-adviser or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

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

KIM may enter into an agreement with various individuals or entities (Referring Parties) to refer clients to KIM. If a referred client enters into an investment advisory agreement with KIM, a cash referral fee may be paid to the referring party, which is based upon a percentage of the client advisory fees that are generated. The referral agreements between any referring party and KIM will not result in any charges to clients in addition to the normal level of advisory fees charged.

When a client is referred to us by a referring party, the referring party provides the client with a copy of our Disclosure Brochure as required by the *Investment Advisers Act of 1940*. The client also will complete a Solicitor's Disclosure Statement document. If the referring party is an unaffiliated registered investment adviser firm, then the client will also receive a copy of the referring party's Form ADV Part 2 Disclosure Brochure. If a referred client enters into an investment advisory agreement with KIM, a referral fee is paid to the referring party. The referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided.

The referral agreements between KIM and referring parties will be in compliance with state and federal securities rules regarding paid solicitor arrangements.

*Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.*

#### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

KIM is deemed to have custody of client funds and securities whenever KIM is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody KIM will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which KIM is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly.

Clients should carefully review those statements and are urged to compare the statements against reports received from KIM. When clients have questions about their account statements, they should contact KIM or the qualified custodian preparing the statement.

### **Item 16 – Investment Discretion**

When providing asset management services, KIM maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities, the amount of securities that can be bought or sold and the broker or dealer to be used for your portfolio without obtaining your consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your Account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your Account is managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to KIM so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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

KIM will provide a copy of its guidelines for exercising voting right to any Client or prospective Client upon request to Jeong Yeon (John) Kim at [kimfunds@kim.co.kr](mailto:kimfunds@kim.co.kr). The following is an internal guideline for exercising voting rights.

KIM may have opportunities to vote proxies for companies on behalf of Its Clients. In voting proxies, KIM is guided by general fiduciary principles. The Firm's goal is to act prudently, solely in the best interest of its Clients and consistent with efforts to achieve a Client's stated objectives, including maximizing portfolio value. Where KIM has discretionary authority over securities held by its Clients it is generally viewed as having proxy voting authority to the extent permitted by applicable laws and regulations. In each such case, KIM has a duty to cast votes in the best interest of its Clients and not subrogate Clients interest to its own interest. KIM complies with Rule 206(4)-6 under the Advisors Act. KIM has adopted written proxy

voting policies and procedures, which are designed to ensure that the Firm votes proxies in the best interest of its clients and addresses how it will resolve any conflict of interest that may arise when voting proxies. The general policy of the firm is to vote proxy proposals, amendments, consents or resolutions relating to Clients' securities in a prudent manner that serves the best interest of its clients and determined by KIM in its discretion, and taking into account relevant factors, including but not limited to: (1) the impact on the value of the securities; (2) the anticipated costs and benefits associated with the proposal; (3) the effect on liquidity; and (4) customary industry and business practices.

In addition, KIM follows procedures that are reasonably designed to identify conflicts or potential conflicts that could arise between its own interest and its Clients' interest. If it is determined that any such conflict or potential conflict is not material, KIM may vote proxies even with the existence of the conflict. If a conflict of interest or potential conflict of interest is material, appropriate KIM personnel will endeavor to agree upon a method to resolve such conflict before voting proxies affected by the conflict.

### **Item 18 – Financial Information**

This *Item 18* is not applicable to this brochure. KIM does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, KIM has not been the subject of a bankruptcy petition at any time.

### **Business Continuity Plan**

KIM has a business continuity and contingency plan in place designed to respond to significant business disruptions. These disruptions can be both internal and external. Internal disruptions will impact our ability to communicate and do business, such as a fire in the office building. External disruptions will prevent the operation of the securities markets or the operations of a number of firms, such as earthquakes, wildfires, hurricanes, terrorist attack or other wide-scale, regional disruptions.

Our continuity and contingency plan has been developed to safeguard employees' lives and firm property, to allow a method of making financial and operational assessments, to quickly recover and resume business operations, to protect books and records, and to allow clients to continue transacting business.

The plan includes the following:

- Alternate locations to conduct business;
- Hard and electronic back-ups of records;
- Alternative means of communications with employees, clients, critical business constituents and regulators; and

Our business continuity and contingency plan is reviewed and updated on a regular basis to ensure that the policies in place are sufficient and operational.

## Customer Privacy Policy Notice

In November of 1999, the U.S. Congress enacted the Gramm-Leach-Bliley Act (GLBA). The GLBA requires certain financial institutions, such as investment advisor firms, to protect the privacy of customer information. In situations where a financial institution does disclose customer information to nonaffiliated third parties, other than permitted or required by law, customers must be given the opportunity to opt out or prevent such disclosure. KIM does not share or disclose customer information to nonaffiliated third parties except as permitted or required by law.

KIM is committed to safeguarding the confidential information of its clients. KIM holds all personal information provided by clients in the strictest confidence and it is the objective of KIM to protect the privacy of all clients. Except as permitted or required by law, KIM does not share confidential information about clients with nonaffiliated parties. In the event that there were to be a change in this policy, KIM will provide clients with written notice and clients will be provided an opportunity to direct KIM as to whether such disclosure is permissible.

To conduct regular business, KIM may collect personal information from sources such as:

- Information reported by the client on applications or other forms the client provides to KIM;
- Information about the client's transactions implemented by KIM or others; and
- Information developed as part of financial plans, analyses or investment advisory services.

To administer, manage, service, and provide related services for client accounts, it is necessary for KIM to provide access to customer information within the firm and to nonaffiliated companies with whom KIM has entered into agreements with. To provide the utmost service, KIM may disclose the information below regarding customers and former customers, as necessary, to companies to perform certain services on KIM's behalf.

- Information KIM receives from the client on applications (name, social security number, address, assets, etc.);
- Information about the client's transactions with KIM or others (account information, payment history, parties to transactions, etc.);
- Information concerning investment advisory account transactions; and
- Information about a client's financial products and services transaction with KIM.

Since KIM shares nonpublic information solely to service client accounts, KIM does not disclose any nonpublic personal information about KIM's customers or former customers to anyone, except as permitted by law. However, KIM may also provide customer information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas. In the event that KIM has a change to its customer privacy policy that would allow it to disclose non-public information not covered under applicable law, KIM will allow its clients the opportunity to opt out of such disclosure.