

## Item 1 – Cover Page

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

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This disclosure brochure provides information about the qualifications and business practices of Korea Investment Value Asset Management Co., Ltd. (Also referred to as we, us and KIVAM throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Kangyong Lee at +82-2-3276-6000. 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 KIVAM 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 Value Asset Management Co., Ltd. or our firm's CRD number 173365.

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

## **Item 2 – Material Changes**

Since our initial Disclosure Brochure was filed in January 2015, there have been no material changes to report.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's 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 or provide 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 Value Asset Management Co., Ltd. is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a Corporation formed under the laws of the Republic of Korea. KIVAM was approved as a Registered Investment Adviser in February 2015.

KIVAM was formed in 2006 as Korea's first asset management company specializing in long-term value investing. KIVAM is wholly owned by Korea Investment & Securities Co., Ltd., the immediate parent company, while Korea Investment Holdings is the ultimate holding company. With seasoned investment professionals wholly dedicated to finding undervalued stocks listed in Korea Exchange, KIVAM provide a variety of value investing strategies.

##### **Description of Advisory Services**

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

**Asset Management Services** – KIVAM offers asset management services, which involves KIVAM providing you with continuous and ongoing supervision over your specified accounts. KIVAM will manage your accounts utilizing value investment strategies.

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. 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 accounts, 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 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.

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.

### **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**

KIVAM provides investment advice on the following type of investments:

- Exchange-listed Securities in Korea

Although we generally provide advice only on the product 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, KIVAM typically constructs each client's account holdings using Exchange traded equity 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.

*(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**

KIVAM'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 accounts 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 KIVAM**

As of December 31, 2015, KIVAM manages \$5,008,474,752 in assets in multiple collective investment schemes and separately managed accounts for clients in jurisdictions outside of United States. (Currently, there are no assets managed on non-discretionary basis.)

## **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 KIVAM.

### **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., KIVAM or you) by providing written notice of termination to the other party. When fees are billed in arrears, KIVAM 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 potential for additional account deposits, amount or type of service required, the client's investment period and the total amount of assets under management for the client.

The annual fee for asset management services will be up to 1.50%.

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 KIVAM.

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. 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. KIVAM 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 KIVAM 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. (See Item 12 for a further discussion of the KIVAM's brokerage placement practices.)

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

KIVAM 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 client. Any such performance-based fee is in addition to the asset-based management fee paid by the client as set forth in Item 5 above.

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

- Performance based fee arrangements of KIVAM 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 KIVAM.
- 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 KIVAM at the time the client enters into an agreement with KIVAM; or
  - ✓ Provide documentation to KIVAM so that KIVAM 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.

The exact fee and fee arrangements may vary or be different 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 KIVAM.

### **Newsletters**

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

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**

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

- High net worth individuals
- Banks or thrift institutions
- Pension and profit sharing plans
- State and municipal government entities
- Other pooled investment companies (e.g. hedge funds)
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above
- Investment Trust Units

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

### **Minimum Investment Amounts Required**

A minimum investment of \$10 million is generally imposed on each investor that wishes to open a separate account. Minimums may be waived in certain limited circumstances.

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

### **Methods of Analysis**

KIVAM seeks to achieve long-term capital appreciation by investing in publicly-traded companies in Korea that we believe to be undervalued utilizing an investment style commonly known as value investing.

KIVAM seeks companies trading below their intrinsic value, due mainly to misconception, prejudice, and ignorance prevailing in the market. Rather than invest in the market or a particular sector, we focus on the fundamental value of the underappreciated company. Among those undervalued companies trading for less than their intrinsic value, we pick those having potential to reach their fair value in the future, and “buy and hold” them until their fair value is fully reflected in their share price.

Our investment objective is to deliver a maximum compound rate of return to our clients, by discovering the fundamental value of stocks that have been ignored by the market. Under the principle of “investing



without losing principal,” we endeavor to strike a balance between stability and profitability. We aim to steadily increase absolute returns over the long term by preventing losses rather than pursuing short term gains, and by minimizing the volatility in returns caused by market fluctuations.

We believe that our bottom-up approach to identifying well-performing but undervalued stocks holds the key to the success of our value investing. We favor companies that can determine their own destiny in the face of any external circumstances. We make decisions on which stock to invest in, only after combining both quantitative indicators and qualitative data, and conducting in-depth analysis into the company’s price-to-earnings ratio, price-to-book ratio, growth value, and dividend payout, etc. We then conduct in-depth research on the fundamentals that are not disclosed in the financial statements via visits to companies including its competitors, vendors, and distributors across the value chain.

In our efforts to keep our performance unaffected by market fluctuations, we strive to cap the valuation of its overall portfolio at relatively lower than the market average. By doing so, we seek to achieve low risk and middle return, while greatly reducing our portfolio’s exposure to the volatility the market brings.

### **Investment Strategies**

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

#### **Core value strategy:**

We invest in significantly undervalued stocks not constrained by benchmark or sector weight. We aim to achieve stable absolute returns across small-, mid-, and large-cap stocks in all sectors.

#### **Sector-neutral value strategy:**

We invest in the most undervalued stocks within the market-weighted sector in an attempt to record above-benchmark returns.

#### **Dividend value strategy:**

Among undervalued stocks, we focus on stocks that reward investors with stable but high dividends.

#### **Small- and mid-cap value strategy:**

This strategy invests primarily in small- and mid-cap value stocks.

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

KIVAM primarily recommends Exchange traded equity securities. Some of the risks involved with only recommending this type of security are listed 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.
- 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.
- Small and Medium-Sized Company Risk – Small and medium-sized companies may have more limited product lines, markets and financial resources than larger companies. In addition, small and mid-cap stocks may be more volatile than those of larger companies and, where trading volume is thin, the ability to dispose of such securities may be more limited.

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

*Item 9* is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

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

KIVAM 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 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.

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

KIVAM is a 100% owned subsidiary of Korea Investment & Securities Co., Ltd. which is in turn owned by Korea Investment Holdings Co., Ltd. a Korean based financial services holding company. Korea Investment Holdings Co., Ltd. subsidiaries 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 Management Co., Ltd.** – a South Korea based asset management firm Korea Investment 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 Co., Ltd.** – 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 Co., Ltd.** – a South Korea based banking/financial services provider.

**KIARA Advisors Pte. Ltd.** – a Singapore based hedge fund.

**Korea Investment Capital Co., Ltd.** – 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. KIVAM 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. KIVAM requires its supervised persons to consistently act in your best interest in all advisory activities. KIVAM 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 KIVAM. If you wish to review the Code of Ethics in its entirety, 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**

KIVAM 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 KIVAM that all persons associated in any manner with our firm must place clients’ interests ahead of their own when implementing personal investments. KIVAM 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 KIVAM.

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

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the investment recommendations of KIVAM. 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. KIVAM 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** - KIVAM is under common ownership with broker-dealers located in the Republic of Korea with offices in other Asian nations.

### **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. In the event that a client directs KIVAM to use a particular broker or dealer, KIVAM 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 KIVAM to use a particular broker or dealer versus clients who do not direct the use of a particular broker or dealer.

### **Soft Dollar Benefits**

KIVAM may give consideration to certain research, statistical and other services and may place orders for the execution of transactions with brokers or dealers supplying those services at commission rates higher than those charged by another broker-dealer. Research services received by the KIVAM are generally limited to research reports, financial and economic data and discussions with such brokers' research personnel. These research services are used for the benefit of all of the KIVAM's client accounts and not just those whose executions were utilized to acquire the research. When client commissions are utilized to acquire research, the KIVAM may benefit since the KIVAM does not have to bear the cost of providing such research. These services may create an incentive for KIVAM to select or recommend a particular broker-dealer based on the receipt of such services.

### **Handling Trade Errors**

KIVAM 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 KIVAM 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 KIVAM if the error is caused by KIVAM. 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. KIVAM may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

KIVAM will never benefit or profit from trade errors.

### **Aggregation of Orders**

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 and is used by our firm when KIVAM 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. KIVAM 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. KIVAM will calculate the pro rata share of each transaction included in a aggregated 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 aggregated 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 managers 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. Moreover, the risk management team as well as the compliance team ensures that accounts are managed in accordance with the contract with the client with reviews performed in compliance 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, KIVAM 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**

KIVAM may enter into agreements with various individuals or entities (Referring Parties) to refer clients to KIVAM. If a referred client enters into an investment advisory agreement with KIVAM, a cash referral fee is 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 KIVAM 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*. 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.

The referral agreements between KIVAM and referring parties are in compliance with state and federal securities rules regarding paid solicitor arrangements.

### 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.

KIVAM is deemed to have custody of client funds and securities whenever KIVAM is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody KIVAM 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 KIVAM 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 KIVAM. When clients have questions about their account statements, they should contact KIVAM or the qualified custodian preparing the statement.

### Item 16 – Investment Discretion

When providing asset management services, KIVAM 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, the broker or dealer to be used and the commission rates paid 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; and
- 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 accounts are 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 KIVAM so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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

### **Proxy Voting**

KIVAM does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

## **Item 18 – Financial Information**

This *Item 18* is not applicable to this brochure. KIVAM 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, KIVAM has not been the subject of a bankruptcy petition at any time.

## **Business Continuity Plan**

KIVAM 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
- Details on the firms' employee succession plan.

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. KIVAM does not share or disclose customer information to nonaffiliated third parties except as permitted or required by law.

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

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

- Information reported by the client on applications or other forms the client provides to KIVAM;
- Information about the client's transactions implemented by KIVAM 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 KIVAM to provide access to customer information within the firm and to nonaffiliated companies with whom KIVAM has entered into agreements with. To provide the utmost service, KIVAM may disclose the information below regarding customers and former customers, as necessary, to companies to perform certain services on KIVAM's behalf.

- Information KIVAM receives from the client on applications (name, social security number, address, assets, etc.);
- Information about the client's transactions with KIVAM 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 KIVAM.

Since KIVAM shares nonpublic information solely to service client accounts, KIVAM does not disclose any nonpublic personal information about KIVAM's customers or former customers to anyone, except as permitted by law. However, KIVAM 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 KIVAM has a change to its customer privacy policy that would allow it to disclose non-public information not covered under applicable law, KIVAM will allow its clients the opportunity to opt out of such disclosure.