

Firm Brochure
(Part 2A of Form ADV)

ARTHVEDA FUND MANAGEMENT PRIVATE LIMITED

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This brochure provides you with information about the qualifications, business practices, and nature of advisory services of Arthveda Fund Management Private Limited, all of which should be considered before becoming an advisory client of our Firm. Please contact Satish Sawnani, Chief Compliance Officer, if you have any questions about this narrative brochure.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

Additional information about our Firm is available on the Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number known as a CRD number. Our Firm's CRD number is **281334**.

June 29, 2016

Item 2 Material Changes

This Brochure dated **June 29, 2016** is our Annual Update disclosure document.

Material Changes since the Last Update

This section of our Brochure will reflect the update of any material changes that occur subsequent to the delivery of our Firm Brochure. Our Firm has made no other material changes to structure, personnel, or operations.

We may, at any time, update this Brochure.

Full Brochure Available

Pursuant to SEC rules, you will receive a summary of any material changes to the Brochure, and any subsequent versions of the Brochure within 120 days of the close of the calendar year, which is March 31st. We will provide you with a new version of the Brochure as necessary based on changes or new information, at any time, without charge. Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at +91-22-67748500 or at satish.sawnani@arthveda.co.in

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Item 4 Advisory Business

A. Firm Description

Arthveda Fund Management Private Limited (“AVFM”, or “the Firm”) is an investment management firm that is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser. The Firm is a private limited company formed under the Indian Companies Act 1956 on 12th May 2005.

Principal Owner(s): Wadhawan Global Capital Private Limited owns 90.55% of the equity. Emblem Realtors Private Limited owns 8.12%

B. Types of Advisory Services

AVFM offers discretionary investment advisory services, whereby the Firm will make specific investment recommendations to a client tailored to meet the needs and investment objectives of that specific client. AVFM provides investment advisory services to individuals, high net worth, family offices and institutional clients based on the specific needs and objectives of such persons or entities.

The objective of AVFM is to manage funds and strategies (designed by our in-house research team) that offer ample opportunities for extracting alpha, i.e. high risk-adjusted returns. The company believes in “Value Investing” and predominantly follows this principle in all its investment-decisions across asset classes. AVFM’s investor-focused approach is guided by its belief in transparency and high standards of corporate governance.

AVFM operates through two main verticals, Traded Markets and Real Estate. Traded Markets which operates under the brand Arthveda Capital, focuses on global equity related investment products and strategies. Arthveda Capital has developed a unique Smart Alpha framework, a path-breaking variant of Smart Beta, which is a structured value investing approach which combines the principles of Graham-and-Buffett value investing philosophy with the rigorous quantitative evaluation processes developed by Nobel laureates. Several of its strategies are available as Smart Beta indices independently calculated by S&P and Reuters.

C. Tailored Relationships

The asset management services offered by AVFM are based on the individual needs of our clients and the suitability of products and services. We make a thorough assessment of our client’s goals, objectives, investment horizon, and risk tolerance.

D. Wrap Fee Programs

Wrap Fee Programs are arrangements between broker-dealers, investment advisers, banks and other financial institutions and affiliated and unaffiliated investment advisers through which the Clients of such firms receive discretionary investment advisory, execution, clearing and custodial services in a “bundled” form. In exchange for these “bundled” services, the Clients pay an all-inclusive (or “wrap”) fee determined

as a percentage of the assets held in the wrap account. AVFM does not participate in and is not a sponsor of any wrap fee program(s).

E. Assets under Management

When calculating regulatory assets under management, an Investment Adviser must include the value of any client account over which it exercises continuous and regular supervisory or management services. AVFM manages \$22,460,000 in client assets discretionary basis. This Asset under Management figure is based on calculations as of March 31, 2016.

Item 5 Fees and Compensation

A. Advisory Fees and Billing Procedures

AVFM earns its fees and compensation by providing personalized discretionary investment advisory services.

AVFM will assess a management fee (the "Management Fee") to provide discretionary investment advisory services. The management fee is an annual fee based on a percentage of the client's assets under management.

Clients are assessed an annual asset management fee of up to 2.00% (per annum). The management fee is billed quarterly in advance. The final fee is based on the level of complexity involved in managing the client's assets and particular restrictions on AVFM's discretionary investment authority.

The payment of fees will be debited from the client's account in accordance with the Investment Management Agreement, and are paid by the qualified custodian holding the client's funds and securities. The client will provided written authorization permitting the fees to be paid directly from the account.

AVFM reserves the right to discount or waive fees based on the needs and circumstances of clients. All of the above-referenced fees are negotiable.

B. Other Fees & Expenses

There may be additional fees or charges that result from the maintenance of or trading within your account. These are fees are imposed by third parties in connection with investments made through the your account, including but not limited to, no-load mutual fund 12(b)-1 distribution fees, certain deferred sales charges on previously purchased mutual funds, and IRA and Qualified Retirement Plan fees or service tax, STT, stamp duty, if/where applicable.

C. Refund Policy

Upon termination of account, by either party, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees for any unbilled portion of a month will be collected prior to disbursement of funds.

Item 6 Performance-Based Fees and Side-by-Side Management

Performance-Based Fees (“Performance Fees”) are based on a share of the capital gains or capital appreciation of the assets of a client. Fees based on performance means AVFM participates directly in the account’s results. The Performance Fee may, indirectly, create an incentive for the Firm to make investments on behalf of the client that are riskier or more speculative than would be the case in the absence of such a fee.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

AVFM may charge a Performance-Based Fee based on a certain percentage of profits (10%-20%) delivered on client’s investment amount and are charged only after attaining high watermark (in some cases) and after clearing a hurdle rate. These performance fees are charged on a quarterly basis.

Item 7 Types of Clients

A. Types of Clients

AVFM provides discretionary investment advisory services to different types of clients. We generally provide advice to individuals, high net worth individuals, family offices and institutional clients.

B. Conditions for Account Management

The minimum investment amount required to open an account with AVFM is \$147,000. AVFM reserves the right, in its sole discretion, to reduce or waive the minimum initial investment. A minimum fee may apply.

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

A. Methods of Analysis

AVFM employs fundamental analysis as our primary method for analyzing securities to achieve the investment objectives and goals of the Fund. Fundamental analysis consists of analyzing financial statements of companies, calculating financial ratios, and reviewing cyclical trends of industries in conjunction with other monetary policy indicators to assess the overall performance and profitability of companies. We may at times also employ technical analysis and charting to analyze securities.

Fundamental analysis involves analyzing its financial statements and health, its management and competitive advantages, and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives: to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business

decisions; and to calculate its credit risk. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating stock.

Technical analysis is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall. The technical indicators that the fund may consider include, but are not limited to, price, volume, momentum, relative strength, sector/group strength and moving averages. Technical analysis does not consider the underlying financial condition of a company. This presents a risk that a poorly-managed or financially unsound company may underperform regardless of market movement.

Charting analysis involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.

B. Investment Strategies

Arthveda provides or intends to provide investment advisory or subadvisory services to investment funds, such as, ETFs, Mutual Funds, UCITS funds, hedge funds or other forms of private funds targeted towards professional/qualified investors, Institutional Investors, Family Offices, High Net Worth Individual Investors and Retail Individual Investors.

Arthveda provides or intends to provide investment advisory services to professional/qualified investors, Institutional Investors, Family Offices, High Net Worth Individual Investors and Retail Individual Investors in the form of separately managed accounts or individual accounts directly holding securities in the name of the investor clients.

Arthveda provides various investment advisory services in globally, including, USA, EU, UK, India and other regions, based on the mandate of the Client and subject to the scope of investments as agreed upon between the Investment Adviser and the Client in the Agreement.

Arthveda provides Investment Advisory Services which include advising on the investment strategy and recommendations on investment and divestment of individual securities in the client's portfolio. The advisory services are provided for an agreed fee structure entirely at the Client's risk; to all eligible categories of investors who can invest in equity markets.

Client's behalf. Arthveda provides advisory services in accordance with such guidelines and/or directives issued by the regulatory authorities and/or the Client, from time to time.

Arthveda, only if mandated by the client, may also provide the execution services along with advisory service which shall only include providing trade instruction to client's broker for the portfolio creation and portfolio rebalancing.

Investment Philosophy:

Arthveda follows a value investing philosophy. This philosophy is a risk adverse philosophy of investing in risky asset classes. This approach believes that markets are not always efficient and not all parts of the market are efficient at any given point of time. The objective is to identify pockets of inefficiency in the market. A highly selective process within this pocket of inefficiency through a detailed due diligence process is likely to yield investment opportunities which deliver high risk-adjusted returns or alpha.

The value investing approach is a largely contrarian approach since the majority of the market is running after certain fads that are considered attractive at that point of time by the majority. However, whatever is the neglected portion of the market is likely to have the actual attractive opportunities and a rigorous selection process will yield lower risk opportunities that also yield high returns. The high returns come about because of the discount to the actual intrinsic value.

The offerings under the advisory services are for various investors aiming for capital appreciation over the long term (3-5 year) horizon. The investments are to be deployed in global equity markets.

The investment objectives of the portfolios of the Clients will depend on the Clients' need. The primary objective of the advisory services shall be to generate capital appreciation/regular returns by investing in equity/derivatives/debt/money market instruments and equity related securities and such other investment instruments in global capital markets. The investment style would vary depending upon the specific requirements of the client; clients risk profile and investment objectives.

C. Material Risks of Methods of Analysis and Investment Strategies

Notwithstanding the method of analysis or investment strategy employed by our Firm, the assets within your portfolio are subject to risk of devaluation or loss. AVFM wants you to be aware that there are many different events that can affect the value of your assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- Securities investments, whether in India or abroad are subject to market risks and there is no assurance or guarantee that the objective of investments will be achieved.
- Past performance of the Investment Manager does not indicate its performance.
- Investors are not being offered any guaranteed or assured return/s i.e. either of Principal or appreciation on the portfolio.
- Investors may note that the Investment Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends.
- The liquidity of the Portfolio's investments whether in India or abroad is inherently restricted by trading volumes in the securities in which it invests.
- The valuation of the Portfolio's investments whether in India or abroad, may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the Government, taxation laws or any other appropriate authority policies and other political and economic developments which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. There will be no prior intimation or prior indication given to the Clients when the composition/ asset allocation pattern changes.
- Trading volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Portfolio. Different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Investment Manager to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the Portfolio due to the absence of a well developed and liquid secondary market

would result, at times, in potential losses to the Portfolio, in case of a subsequent decline in the value of securities held in the Portfolio.

- The Investment Manager may, the overall level of risk of the Portfolio, invest in lower rated/ unrated securities offering higher yields. This may increase the risk of the Portfolio. Such investments shall be subject to the scope of investments as laid down in the Agreement.
- In case of Dividend Yield Portfolios, returns of the Portfolio could depend on the dividend earnings and capital appreciation, if any, from the underlying investments in various dividend yield companies. The dividend earnings of the Portfolio may, vary from year to year based on the philosophy and other consideration of each of the high-dividend yield companies. Further, it should be noted that the actual distribution of dividends and frequency thereof by the high-dividend yield companies in future would depend on the quantum of profits available for distribution by each of such companies. Dividend declaration by such companies will be entirely at the discretion of the shareholders of such companies, based on the recommendations of its board of directors. Past track record of dividend distribution may not be treated as indicative of future dividend declarations. Further, the dividend yield stocks may be relatively less liquid as compared to growth stocks.
- Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investor, including a put option. The Investment Manager may choose to invest in unlisted securities that offer attractive yields. This may however increase the risk of the Portfolio. Such investments shall be subject to the scope of investments as laid down in the Agreement.
- While securities that are listed on the stock exchange carry relatively lower liquidity risk, the ability to sell these investments is limited by the overall trading volume on the stock exchanges. Money market securities, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of the Portfolio(s) and may lead to the investment(s) incurring losses till the security is finally sold.
- The Investment Manager may, subject to authorisation by the Client in writing, participate in securities lending. The Investment Manager may not be able to sell/lend out securities, which can lead to temporary illiquidity.

There are risks inherent in securities lending, including the risk of failure of the other party, in this case the approved intermediary to comply with the terms of the agreement. Such failure can result in a possible loss of rights to the collateral, the inability of the Approved Intermediary to return the securities deposited by the lender and the possible loss of corporate benefits accruing thereon.

- To the extent that the portfolio will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.
- **Interest Rate Risk:** As with all debt securities, changes in interest rates may affect valuation of the Portfolios, as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of long-term securities generally fluctuate more in response to interest rate changes than prices of short-term securities. Indian debt markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the valuations of Portfolios.
- **Liquidity or Marketability Risk:** This refers to the ease with which a security can be sold at or near to its valuation yield-to-maturity (YTM). The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is today characteristic of the Indian fixed income market.
- **Credit Risk:** Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e., will be unable to make timely principal and interest payments on the security). Because of this risk corporate debentures are sold at a higher yield above those offered on Government Securities which are sovereign obligations and free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.
- **Reinvestment Risk:** This risk refers to the interest rate levels at which cash flows received from the securities under a particular Portfolio are reinvested. The additional income from reinvestment is the “interest on interest”

component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed.

- **Currency Risk:** The Investment Manager may also invest in overseas Fixed or other Securities/ instruments as permitted by the concerned regulatory authorities in India. To the extent that the portfolio of the Scheme will be invested in securities/ instruments denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes/fluctuation in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.
- **Overseas Investment Risk:** The Investment Manager may invest in overseas securities/products in accordance with the Applicable Laws including the SEBI Regulations, exchange control laws and laws of overseas market in which the investment is being made. The Client would be required to follow Investment Manager's instructions wherever required/needed and ensure compliance with the same in order to make such overseas investments. Such investments may be subject to several rules/regulations both Indian and overseas and in case of any non-compliance, the value of such investment may be affected. Such overseas investment carry both the regulatory/legal risks as well as risks pertaining to fluctuation in pricing/value of such investments. The currency risk, market price risk, repatriation risk, regulatory risk in India with respect to permissibility of such investments both from the perspective of SEBI and RBI are the factors attached to such overseas investments. The Investment Manager may have to modify its offerings from time to time keeping in view some of these risk factors. The Client while signing the investment advisory services agreement should make itself aware of the aforesaid risks.
- **Risk factors specific to Fixed Defined Tenure Portfolios**

The additional risk factors in this portfolio relate to lack of liquidity of instruments including units, frequency of disclosure of valuation of underlying units, valuation risks, risk of change in underlying due to changes or factors which may affect the issuer of units/ decisions of the unitholders and changes in regulation which may adversely affect the interest of the clients. Given that the Investment Manager may be investing in units being non- exchange traded instruments, the risks of investment in such non-exchange instruments include counterparty default risks and liquidity risks.

Some underlying sectors based on which units are issued may tend to be illiquid and the illiquidity of the sector may translate into illiquidity of the holdings and hence this portfolio may be exposed to a higher level of liquidity risks than normal portfolio risks exposed only to equity/exchange listed instruments.

- The Investment Manager may use various derivative products as permitted by the Regulations. Use of derivative requires an understanding of not only the underlying instrument but also of the derivative itself. Other risks include, the risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- The Investment Manager may use derivatives like Stock Index Futures, Interest Rate Swaps, Forward Rate Agreements or other derivative instruments, as permitted under the Regulations and guidelines. Usage of derivatives will expose the Portfolio to certain risks inherent to such derivatives.

The Portfolio and returns offered there from offered by the Investment Manager as

- per Appendix – I, may compare unfavourably with benchmark indices like Nifty – Fifty index, Nifty Junior Index, CNX 200 Index, CNX Mid Cap Index, S&P BSE Mid Cap Index, CNX Small Cap Index, S&P BSE Small Cap Index, CNX 500 Index, S&P BSE 500, S&P 500 Index, Dow Jones 30 Index, S&P Midcap 400 Index, STOXX Europe 600, S&P Europe 350, S&P 1500 Index, FTSE 100 Index, FTSE 350 Index on account of various domestic and global economic factors.

Specific Risk factors pertaining to Diversified Portfolio:

The Investment Manager may make substantial investment in unlisted securities/instruments (private equity). The investment in private equity may be made in the units issued by SEBI registered Venture Capital Fund, Alternative Investment Funds, Mutual Funds in Indian and Global markets or any other instrument available in the market. The major risk factors pertaining to investment in Venture Capital Fund, Alternative Investment Funds, Mutual Funds and money market instruments in Indian and Global markets are given herein below. Investors are advised to read carefully the product specific risk factors mentioned in detail, in the Agreement to be executed with Investment Manager, before making investment.

Nature of Investment

The Investment Manager may invest in such Venture Funds, Alternative Investment Funds, Mutual Funds in Indian and Global markets (the Fund), which may invest in companies that are experiencing or have experienced severe

financial difficulties. Many of such investments made by the Fund may be illiquid, and there can be no assurance that the Fund will be able to realize profits on its investments in a timely manner.

Since the Fund may make only a limited number of investments and these may involve a high degree of risk, poor performance by even a few of these investments could lead to adverse effects on the returns received by investors.

Restrictions on Withdrawal and Transfer

Investors may not be able to voluntarily withdraw from the Fund. In addition, they may not be able to transfer any of the interests, rights, or obligations with regard to the Fund except as may be provided the agreement and the applicable regulations.

Risks attached with the use of derivatives:

As and when the Investment Manager trade in the derivatives market there are factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mis pricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

D. Recommendation of Specific Types of Securities

While the advice of AVFM focuses primarily on equity and option securities, our services may also include other securities and investment vehicles.

Item 9 Disciplinary Information

The Firm is required to disclose whether there are legal or disciplinary events that are material to a client’s or prospective client’s evaluation of our advisory business or the integrity of our management. AVFM and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Item 10 Other Financial Industry Activities and Affiliations

A. Financial Industry Activities

AVFM is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. Furthermore, none of AVFM's management or supervised persons is as a registered representative or has an application pending to register as representatives of a broker-dealer.

B. Financial Industry Affiliations

AVFM is not a registered, Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor and does not have an application pending to register as such. Furthermore, none of AVFM's management or supervised persons is registered as, or has applications pending to register as an associated person of the foregoing entities.

C. Other Material Relationships

AVFM does not have any arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships other than those already disclosed herein.

D. Other Investment Advisers

AVFM does not have any arrangements that are material to its advisory or its clients with other investment advisers.

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

A. Code of Ethics

All employees of AVFM must act in an ethical and professional manner. In view of the foregoing and applicable provisions of relevant law, AVFM has determined to adopt a Code of Ethics to specify and prohibit certain types of transactions deemed to create conflicts of interest (or at least the potential for or the appearance of such a conflict), and to establish reporting requirements and enforcement procedures relating to personal trading by AVFM personnel. AVFM's Code of Ethics, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

B. Participation of Interest in Client Transactions

AVFM does not recommend or effect transactions in securities which any related person may have material financial interest.

C. Proprietary and Simultaneous Trading

We at AVFM often buy and sell securities for our own accounts that we have also recommend to clients. AVFM will not intentionally favor a proprietary account over a Client account, nor will it knowingly permit a proprietary account to trade ahead of a Client account unless the client's investment strategy or objective is deemed to be a "buy and hold". That is, the client's objective may be not to raise too much cash at any given time or the client may prefer not to have their securities offered into the market. AVFM will always document any transactions that could be construed as conflicts of interest. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, we will monitor our proprietary and personal trading reports for adherence to our Code of Ethics.

Item 12 Brokerage Practices

A. Selection and Recommendation

AVFM will may generally recommend broker-dealers or custodians that it has established arrangements or agreement. AVFM may generally allow clients to maintain accounts at any brokerage firm. AVFM has pre-existing brokerage and custodian arrangement with Interactive Brokers LLC ("Interactive Brokers") a registered broker-dealer, and Member of SIPC.

In instances where AVFM has discretion with respect to broker-dealer selection, AVFM will seek "best execution" for each trade, which is a combination of price, quality of execution and other factors. In making brokerage determinations, AVFM will consider a number of judgmental factors, including, without limitation: 1) clearance and settlement capabilities; 2) quality of confirmations and account statements; 3) the ability of the broker to settle the trade promptly and accurately; 4) the financial standing, reputation and integrity of the broker-dealer; 5) the broker-dealer's access to markets, research capabilities, market knowledge, and any "value added" characteristics; 6) AVFM's past experience with the broker-dealer; 7) AVFM's past experience with similar trades; and 8) any other factors. Recognizing the value of these factors, clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. AVFM recognizes that "Best execution" is not synonymous with lowest brokerage commission.

B. Soft Dollars

AVFM does not currently generate "soft dollars." It and when it does, AVFM intends to comply with the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under "soft dollar" arrangements, one or more of the brokerage firms

would provide or pay the costs of certain services, equipment, or other items for the benefit of AVFM. These soft dollar arrangements may benefit AVFM by reducing its expenses. Nonetheless, AVFM believes that to the extent it makes allocations to brokerage business with soft dollar arrangements, this would generally enhance the ability to obtain research, optimal execution and other benefits on behalf of our clients.

As of June 29, 2016, AVFM has not received research or other products or services other than execution from a broker-dealer or a third party in connection with the Fund's securities transactions. It has not generated "soft dollars" benefits as of the date of this Brochure.

C. Brokerage for Client Referrals

When recommending broker-dealers to clients, the Firm does not consider whether it receives client referrals from a broker-dealer or third party.

D. Directed Brokerage

(a) Recommend, Request or Require Broker-Dealers or Custodians

AVFM will generally recommend to clients the certain broker-dealers or custodians, but the decision regarding broker-dealer or custodian will be made by the client a prior to entering into the advisory agreement. This arrangement is designed to maximize efficiency and to be cost effective to our clients. By requiring Clients to use our specific custodian, we seek to achieve most favorable execution of Client transactions. AVFM reserves the right to change the recommended custodian at any time it deems said custodian is not the custodian most favorable to its clients.

(b) Permit

AVFM permits clients to direct the use a particular brokerage firm. If a client directs brokerage, AVFM cannot negotiate commission rates, AVFM will however use its best efforts to negotiate the most favorable rates based on the size and the anticipated trading activity in the account. As a result of such directed brokerage, clients may pay higher brokerage commissions than might otherwise be paid if AVFM were granted discretion to select a broker to handle the account. In addition, clients might lose the benefits of potentially better executions available through bunched transactions of the recommended broker-dealer custodian.

E. Order Aggregation

AVFM may, at times, aggregate sale and purchase orders of securities for advisory accounts with similar orders in order to obtain the best pricing averages and minimize trading costs. This practice is reasonably likely to result in administrative convenience or an overall economic benefit to the client. Clients also benefit relatively with better purchase or sale execution prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors. Our policies and procedures mandate aggregating multiple orders. Aggregate orders will be allocated to client accounts in a systematic non-preferential manner. AVFM may aggregate or "bunch" transactions for a client's account with those of other clients in an effort to obtain the best execution under the circumstances.

Item 13 Review of Accounts

A. Periodic Reviews

AVFM reviews its client's account activity on a quarterly and annual basis to determine their conformity with investment objectives and guidelines. For further due diligence the portfolios will be assessed as needed.

B. Intermittent Review Factors

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in your financial status (such as retirement, termination of employment, relocation, or inheritance).

Clients are advised to notify AVFM promptly if there are any materials changes in their financial situation, investment objectives, or in the event they wish to place restrictions placed on their account.

C. Client Reports

AVFM does not issue separate client reports. Clients will receive reports at least quarterly detailing the account performance and holdings. All periodic statements and reports are available online at any time to clients.

Item 14 Client Referrals and Other Compensation

A. Economic Benefits for Client Referrals

The Firm does not receive and does not have any arrangement with third parties to receive economic benefits (such as sales awards or other prizes) for providing investment advice or other advisory services to its clients.

B. Referral Compensation to unaffiliated Third Parties

The Firm engages with distributors via Distribution Agreements which are contractual agreements. The Firm may receive compensation under these types of agreements.

Item 15 Custody

A. Custodian of Assets

Custody means holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them.

Physical custody of our client's funds and securities are held by an AVFM preferred qualified custodian if needed. AVFM does not take physical custody of client assets and/or securities under any circumstances. Client funds and securities are held by the Firm's preferred qualified custodian. Please refer to Item 12 for our information regarding our Brokerage Practices.

As noted, the physical assets are held in an account with the Firm's qualified custodian.

AVFM has indirect custody of funds or securities by virtue the ability to have its advisory fees debited by the custodian on a quarterly basis. Prior to permitting direct debit of fees, the client provides written authorization permitting fees be made direct from the custodian. As part of the billing process, the custodian is advised of the amount of the fee to be deducted from that account. On at least a quarterly basis, the custodian is required to send the client a statement showing all transactions within the account during the reporting period.

B. Account Statements

Client statements will be made available online. When clients receive these statements, they should review the statements carefully. They should compare asset values, holdings, and fees to the account statement issued for the previous period. They should contact the Chief Compliance Officer if they have any questions about the statements.

Item 16 Investment Discretion

It is generally AVFM's objective to have discretionary authority in order to supervise and direct the investments of client accounts. Client's grant this authority upon execution of our Investment Management Agreement. This authority is for the purpose of making and implementing investment decisions, without client prior consultation. All investment decisions are made in accordance with the client's stated investment objectives. Clients may inform our Firm of restrictions that they would like to impose regarding investment strategies or types of securities transactions within their account(s). Our discretionary authority does not give authority to take or have possession of any assets in a client's account or to direct delivery of any securities or payment of any funds held in the account to our Firm. Furthermore, our authority by agreement does not allow us to direct the disposition of such securities or funds to anyone except the account owner.

Item 17 Voting Client Securities

Fiduciary obligations of prudence and loyalty require an investment adviser with proxy voting responsibility to vote proxies on issues that affect the value of the client's investment. Proxy voting decisions must be made solely in the best interests of the client's account. In voting proxies, our Firm is required to consider those factors that may affect the value of the client's investment and may not subordinate the interests of the client to unrelated objectives.

AVFM follows a proxy voting policy consistent with the broader group's investment objective of value investing, focusing on:

- Degree of undervaluation
- Margin of safety

AVFM will not take nor be required to take any action or render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the client's account may be invested in occasionally. Furthermore, AVFM will not take any action or render any advice with respect to any securities held in any client's accounts that are named in or subject to class action lawsuits. AVFM will however, forward to you any information received by our Firm regarding class action legal matters involving any security held in your account.

Should a material conflict arise between our Firm's interest and that of our clients, our Firm will vote the proxies in accordance with our fiduciary duty to our clients. A written record will be maintained describing the conflict of interest, and an explanation of how the vote taken was in the client's best interest. AVFM may refrain from voting a proxy if the cost of voting the proxy exceeds the expected benefit to the client.

Item 18 Financial Information

A. Balance Sheet Requirement

AVFM does not require or solicit prepayment of more than \$1200 in advisory fees per client, six month or more in advance.

B. Financial Condition

The Firm does not have any financial impairment that will preclude it from meeting contractual commitments to clients.

C. Bankruptcy Petition

Neither the Firm nor its management has been the subject of a bankruptcy petition at any time during the last 10 years.

Privacy Policy

AVFM does not disclose nonpublic personal information about its clients or former clients to any persons other than as described below. AVFM collects information about its clients (such a name, address, social security number, assets and income) from discussions with clients, from documents that clients may deliver to AVFM (such as account applications) and in the course of providing services. In order to service its client accounts and effect client transactions, AVFM may provide client personal information to its affiliates and to firms that assist it in servicing client accounts and which have a need for such information. AVFM does not otherwise provide information about its clients to outside firms, organizations or individuals except as required by law. Any party that receives this information will use it only for the services and as allowed by applicable law or regulations, and is not permitted to share or use this information for any other purpose.