

## Item 1 – Cover Page

### **KB Asset Management Co., Ltd.**

25F, Shinhan Investment Corp. 70, Yeoui-daero, Yeongdeunpo-gu  
Seoul, Republic of Korea 07325  
82-2-2167-8735  
[www.kbam.co.kr](http://www.kbam.co.kr)

Date of Disclosure Brochure: March 2017

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This disclosure brochure provides information about the qualifications and business practices of KB Asset Management Co., Ltd. (also referred to as we, us and KB Asset Management throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Jae Yeop Lim at +82-2-2167-8735 or [kbgm@kbfg.com](mailto:kbgm@kbfg.com). 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 KB Asset Management is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for KB Asset Management Co., Ltd. or our firm's CRD number 281567.

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

## **Item 2 – Material Changes**

Since our last annual amendment disclosure brochure dated January 2016, the material changes made to this brochure are:

- We have updated our assets under management. Please refer to Item 4 – Advisory Business for further information.
- We have had a change in President/CEO and Vice President and Chief Compliance Officer for KB Asset Management. Please refer to Item 4 – Advisory Business for further information.

In the future, this item will discuss only specific material changes that are made to the disclosure brochure and provide readers with a summary of such changes. We will also reference the date of the last annual update of this disclosure brochure.

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**

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

- KB Financial Group is the 100% Owner of KB Asset Management.
- Jae min Cho is the President/CEO of KB Asset Management,
- Kyung Min Yu is the Vice President and Chief Compliance Officer of KB Asset Management,
- Jaejin Ha is a Managing Director of KB Asset Management,
- Minho Kim is a Managing Director of KB Asset Management,
- KB Asset Management filed its initial application to become registered as an investment adviser in September 2015.

#### **Introduction**

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

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

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

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

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

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

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable

restrictions on the management of your 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 or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) 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.

**Retirement Plan Services** - KB Asset Management offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan services can include, but are not limited to, the following services:

Fiduciary Management Services

KB Asset Management provides clients with the following Fiduciary Retirement Plan Management Services:

- Discretionary Management Services. KB Asset Management will provide you with continuous and ongoing supervision over the designated retirement plan assets. KB Asset Management will actively monitor the designated retirement plan assets and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Plan. We have discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets in the our sole discretion without first consulting with you. We also have the power and authority to carry out these decisions by giving instructions, on your behalf, to brokers and dealers and the qualified custodian(s) of the Plan for our management of the designated retirement plan assets.

If you elect to utilize any of KB Asset Management's Fiduciary Management Services, then KB Asset Management will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to our Fiduciary Management Services, and KB Asset Management hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services.

Clients and plan participants must realize that obtaining higher rates of return on investments entails accepting higher levels of risk. Based upon discussions with the client, we will attempt to identify the balance of risks and rewards that is appropriate and comfortable for the client and other employees. It is still the clients' responsibility to ask questions if the client does not fully understand the risks associated with any investment. All plan participants are strongly encouraged to read prospectuses, when applicable, and ask questions prior to investing.

We strive to render our best judgment for clients. Still, KB Asset Management cannot assure that investments will be profitable or assure that no losses will occur in their portfolios. Past performance is an

important consideration with respect to any investment or investment advisor, but it is not necessarily an accurate predictor of future performance.

KB Asset Management will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to you any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

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

KB Asset Management provides investment advice on the following types of investments:

- Mutual Funds
- Exchange-listed Securities
- Corporate Debt Securities
- Commercial Paper
- Certificates of Deposit
- Municipal Securities
- US Government Securities
- Options Contracts on Securities
- Options Contracts on Commodities
- Futures Contracts on Intangibles
- Interests in Partnerships Investing in Real Estate
- Interests in Partnerships Investing in Oil and Gas Interests

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

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

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

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

KB Asset Management'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.

### **Client Assets Managed by KB Asset Management**

KB Asset Management currently has no assets under management for clients in the United States. KB Asset Management currently manages \$45,020,000,000.00 in assets in multiple collective investment schemes or separately managed accounts for clients in jurisdictions outside of the United States.

## **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 KB Asset Management.

### **Asset Management Services**

Fees charged for our asset management services are charged based on a percentage of assets under management, clients may choose to have their asset management fees billed in either advance (at the start of the billing period) or billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period.

For accounts that are billed in advance 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 a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed.

For accounts that are billed in arrears fees will be 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 until terminated by either party (i.e., KB Asset Management or you) by giving thirty (30) days written notice to the other party. For accounts that are billed in advance any prepaid, unearned fees will be promptly refunded by KB Asset Management to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period. When fees are billed in arrears, KB Asset Management will prorate the final fee payment based on the number of days services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

Fees charged for our asset management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

For our asset management services, client will be charged the following annual fee based upon the amount of assets under management:

<u>Assets Under Management</u>	<u>Annual Fees</u>
\$0 – \$100,000,000	0.750%
\$100,000,000 – \$300,000,000	0.500%
Over \$300,000,000	0.400%

There is a minimum account size of \$30,000,000.

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

The investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. You will authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to our firm.

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.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. KB Asset Management 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 KB Asset Management in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by KB Asset Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.



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

Under certain situations, KB Asset Management charges performance based fees to investors who meet the definition of “qualified client”. Under these arrangements, you will be charged a fee based on the assets under management within your account and in accordance with the fee schedule and parameters detailed below. As a result, KB Asset Management has developed two basic fee schedules. The first fee schedule illustrated above is applied to non-qualified clients and the second fee schedule is applied to qualified clients.

To be considered a qualified client, the client must have at least \$1 million under management with our firm immediately after entering into an advisory contract or we must have reasonable belief that the client has a net worth of more than \$2 million at the time the investment advisory agreement is executed.

The terms of any performance-based fee are negotiated on a case by case basis and set forth in detail in the relevant investment management agreement.

In addition to the annual fee based on the value of the client's assets under management, we are compensated for our asset management services through a performance based fee. Under this arrangement, the client will be charged a fee contingent upon the performance within the client's account(s). The performance based fee will be tied to the capital appreciation (i.e. capital gains) within the account as evaluated at the end of each calendar quarter year. The performance based fee will be payable quarterly, in arrears.

In order for our firm to receive a performance based fee, we must achieve capital appreciation within the account.

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

### **Retirement Plan Services**

For retirement plan sponsor clients, KB Asset Management will charge an annual fee that is calculated as a percentage of the value of plan assets. This fee is negotiable based upon the complexity of the plan, the size of the plan assets and the actual services requested.

If KB Asset Management charges an annual fee based upon the value of the plan assets, the Plan will be charged the following annual fee based upon the amount of Plan assets:

<u>Plan Assets</u>	<u>Annual Fees</u>
\$0 – \$100,000,000	0.750%
\$100,000,000 – \$300,000,000	0.500%
Over \$300,000,000	0.400%

For retirement plan sponsors fees are billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous 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.

For retirement plan sponsors fees are billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous 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.

Fee will be directly deducted from clients' accounts. Clients are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to KB Asset Management. We will provide the custodian with a fee notification statement.

The services will terminate upon thirty (30) days following either party providing the other party with written notice. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

KB Asset Management does not reasonably expect to receive any other compensation, direct or indirect, for its Services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

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

The investment management agreements between KB Asset Management's Clients and KB Asset Management as well as the Client's Constituent Documents may provide that KB Asset Management is entitled to receive an incentive fee, or performance-based fee, calculated as a percentage of the return on the Client's investments above a certain minimum, or otherwise based on performance related criteria. 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. The terms of any performance-based fee are negotiated on a case by case basis and set forth in detail in the relevant investment management agreement or Constituent Document. Performance-based fees vary depending on a variety of factors including a share of capital gains on or capital appreciation of the assets of a Client.

KB Asset Management's receipt of performance-based fees may incentivize the Firm to make investments that are riskier or more speculative than it would make in the absence of performance-based fees. With respect to certain private Foreign Funds that KB Asset Management manages, the performance based fee may not be the product of arm's length negotiations.

KB Asset Management manages Client accounts that are charged a fixed asset-based fee as well as a performance-based fee. KB Asset Management also manages Client accounts that are only charged a fixed asset-based fee. This arrangement is commonly referred to as 'side-by-side' management.

While a performance-based fee serves to align KB Asset Management's interests with those of its Clients, it may also result in a conflict of interest. Such conflict arises, for example, because KB Asset Management may be motivated to devote more resources or allocate more favorable investment opportunities to Client accounts that offer KB Asset Management the opportunity to collect a performance-based fee.

KB Asset Management has established policies and procedures to address the various conflicts of interest associated with charging a performance fee:

- KB Asset Management devotes equal time to the management of performance fee accounts and asset based fee accounts.
- Only clients that are able to assume additional risk are solicited to engage in a performance fee arrangement. KB Asset Management provides such clients full disclosure of the additional risks associated with a performance fee arrangement.

In addition, KB Asset Management may not charge the same fees or fee-types to all Clients. As a result, the Firm will have a conflict of interest between its interest in treating all Client accounts alike and its interest in favoring certain Clients over others because such Clients may pay more in fees. In rendering trading advice to its Clients, KB Asset Management will not knowingly or deliberately favor any Client account over any other Client account.

KB Asset Management applies a rigorous and consistent approach to investment management across all Client assets regardless of the particular Client's fee structure. KB Asset Management has adopted a formal allocation policy within its Code of Ethics that mitigates the risk that investment opportunities will be allocated to Client accounts based, even in part, on fee structure. In addition, all Client assets under management receive the same detailed attention. Compliance with KB Asset Management's Code of Ethics is monitored by the Firm's Chief Compliance Officer and senior management.

Performance based fee arrangements of KB Asset Management will comply with Section 205(e) of the Investment Advisers Act of 1940. According to Section 205(e) (see Rule 205-3 thereunder), only natural individual clients meeting the SEC's definition of "qualified clients" may enter into agreements providing for performance based compensation to KB Asset Management. A natural person or company must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000 under management with KB Asset Management at the time the client enters into an agreement with KB Asset Management; **or**
- Provide documentation to KB Asset Management so that KB Asset Management will reasonably believe the client has either a net worth of \$2,000,000 or is a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act.

## **Item 7 – Types of Clients**

KB Asset Management generally provides investment advice to the following types of clients:

- Banks or thrift institutions
- Investment companies
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

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

### **Minimum Investment Amounts Required**

KB Asset Management requires a minimum of \$30,000,000 in order to open an account. To reach this account minimum, clients can aggregate all household accounts.

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

### **Methods of Analysis**

KB Asset Management uses the following methods of analysis in formulating investment advice:

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

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

There are risks involved in using any analysis method.

To conduct analysis, KB Asset Management gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

## **Investment Strategies**

KB Asset Management uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases: Investments held at least a year.

Frequent trading: This strategy refers to the practice of selling investments within 30 days of purchase.

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

We do not primarily recommend one type of security to clients. Instead, we recommend any product that may be suitable for each client relative to that client's specific circumstances and needs.

## **Risk of Loss**

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

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

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set

amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Currency Risks - a form of risk that originates from changes in the relative valuation of currencies. When the exchange rate between the foreign currency of an international investment and the U.S. dollar changes, it can increase or reduce your investment return. Foreign companies trade and pay dividends in the currency of their local market. When you receive dividends or sell your international investment, you will need to convert the cash you receive into U.S. dollars. During a period when the foreign currency is strong compared to the U.S. dollar, this strength increases your investment return because your foreign earnings translate into more dollars. If the foreign currency weakens compared to the U.S. dollar, this weakness reduces your investment return because your earnings translate into fewer dollars. In addition to exchange rates, you should be aware that some countries may impose foreign currency controls that restrict or delay you from moving currency out of a country.
- Liquidity Risk - the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.
- Political/Country Risk - The risk that an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers, or military control.

## **Item 9 – Disciplinary Information**

*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**

KB Asset Management is **not** and does **not** have a related person that is an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), an accountant or accounting firm or a lawyer or law firm.

We are an independent registered investment registered 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.

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

**KB Insurance Co., Ltd** - a South Korea based insurance company.

**KB Securities Co., Ltd** – a South Korea based broker dealer and investment advisory firm.

**KB Kookmin Bank** - a South Korea based banking/financial services provider.

**Kookmin Bank Hong Kong** – a banking/financial service provider.

**Kookmin Bank International (London)** - a banking/financial service provider.

**Kookmin Bank Cambodia** - a banking/financial service provider.

**Kookmin Bank (China) Limited** - a banking/financial service provider.

**KB Real Estate Trust Company, Ltd.** - a South Korea based Real Estate Company..

**KB Savings Bank** – a South Korea based banking/financial services provider.

**KB Life Insurance** – a South Korea based insurance company and pension consultant.

**LIG Insurance Co., Ltd (China)** - an insurance company.

**PT. Kookmin Best Insurance Indonesia** – an insurance company.

**KB Investments** – a VC/PE investment advisory service firm.



## **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. KB Asset Management 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. KB Asset Management requires its supervised persons to consistently act in your best interest in all advisory activities. KB Asset Management 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 KB Asset Management. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

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

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



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 financial planning recommendations of KB Asset Management. 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
- 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**

KB Asset Management does not consider client recommendations when selecting brokers for Client transactions. It is KB Asset Management's policy to select brokers based on internal criteria including best execution and the usefulness of asset analysis service and not to direct transactions and commissions to brokers for such referrals.

### **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 KB Asset Management to use a particular broker or dealer, KB Asset Management 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 KB Asset Management to use a particular broker or dealer versus clients who do not direct the use of a particular broker or dealer.

### **Soft Dollar Benefits**

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

KB Asset Management may, from time to time, receive research services primarily as written reports and analyses, information data bases, and direct or indirect communication with such broker-dealers' research personnel and they can include:

- Economic research;
- Industry and company research;
- Interest rate and bond research;
- Technical research;
- Commodity research;
- Portfolio management research;
- Stock and bond quote services; and
- Financial news and other publications.

KB Asset Management does not receive any other benefits, including, but not limited to, any benefits in the form of brokerage services, non-research products, software or systems.

KB Asset Management may cause an account to pay commission rates higher than another broker-dealer's rates for effecting the same transaction, if we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided. These research services are used for the benefit of all of the KB Asset Management's client accounts and not just those whose executions were utilized to acquire research.

KB Asset Management ensures that all soft dollar arrangements pay for bona fide research.

### **Handling Trade Errors**

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

KB Asset Management will never benefit or profit from trade errors.

### **Aggregated Order Policy**

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

KB Asset Management uses the pro rata allocation method for transaction allocation method based on pre asset 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. KB Asset Management will calculate the pro rata share of each transaction included in a block order and assigns the appropriate number of shares of each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which KB Asset Management or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

### **Agency Cross Transactions**

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

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by the KB Asset Management Portfolio Management Team, with reviews performed in accordance with your investment goals and objectives.

### **Statements and Reports**

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements in writing directly from the qualified custodian. Additionally, KB Asset Management may provide position or performance reports to you monthly.

Clients may also request a with KB Asset management's portfolio managers. Managers will respond to questions and provide relevant information, e.g., current investment theme applied to portfolio, performance analysis, and investment plans. Clients may also request an on-site visit of KB Asset Management's Corporate Offices by providing advance notice.

You are encouraged to always compare any reports or statements provided by us 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**

KB Asset Management does not directly or indirectly compensate any person for client referrals. The only compensation received from advisory services is the fees charged for providing investment advisory services as described in *Item 5* of this Disclosure Brochure. KB Asset Management receives no other forms of compensation in connection with providing investment advice.

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

#### **Item 15 – Custody**

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

KB Asset Management does not have custody of client funds and securities and is not given the authority to have fees deducted directly from client accounts. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

KB Asset Management typically utilizes a third party, independent custodian (e.g., bank, broker-dealer or other qualified custodian). Account statements are typically 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 KB Asset Management. When clients have questions about their account statements, they should contact KB Asset Management or the qualified custodian preparing the statement.

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

When providing asset management services, KB Asset Management maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities, the amount of securities that can be bought or sold and the commission rates paid for your portfolio without obtaining your consent for each transaction. Such discretionary authority may include the authority to use sub-advisers to

manage all or a portion of a Client's portfolio. Any limitations on authority are included in the pertinent investment management agreement.

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

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

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your 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 KB Asset Management 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**

KB Asset Management does not vote proxies on behalf of all 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. KB Asset Management 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, KB Asset Management has not been the subject of a bankruptcy petition at any time.

## **Business Continuity Plan**

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

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

To conduct regular business, KB Asset Management may collect personal information from sources such as:

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

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

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

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