

RK Asset Management, LLC

**992 Lake Shore Road
Grosse Point Shores, MI 48236**

313-343-9061

www.rkam.com

January 19, 2021

FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of RK Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 313-343-9061 or raja@rkam.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about RK Asset Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for RK Asset Management, LLC is 121886.

RK Asset Management, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment, dated January 23, 2020, we have the following material changes to report.

- Our primary office address and phone number have changed from 98 B Kercheval, Grosse Point Farms, MI 48236 1-313-647-4717 to the following:

992 Lake Shore Road, Grosse Point Shores, MI 48236 1-313-343-9061

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Item 4 Advisory Business

We are a registered investment adviser based in Grosse Pointe Farms, MI. We are organized as a limited liability company under the laws of the State of Michigan. We have been providing investment advisory services since 1996. Raja El-Achkar is the principal owner of our firm. As used in this Brochure, the Associated Persons refers to RK Asset Management's owner, Raja El-Achkar, who provides investment advice on behalf of our firm. Currently, we offer the following investment advisory services:

- **Portfolio Management Services**
- **Sub-advisory Services**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs.

Portfolio Management Services

We offer discretionary portfolio management services to our clients and prospective clients. We seek to provide long term capital growth by primarily investing in common stocks. Total return will consist mainly of capital appreciation or depreciation. We specialize in the management of equity portfolios. We are a research intensive manager of concentrated stock portfolios and due to our specialization we do not allow for client restrictions on securities or types of securities.

If you participate in our portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval for each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a limited power of attorney or trading authorization forms.

Sub-advisory Services

We have entered into agreements with Morgan Stanley ("MS") and Wells Fargo Advisors ("Wells Fargo"), to act as a sub-advisers to their respective clients. We have been engaged to actively manage the assets in these clients' accounts who choose us as a portfolio manager. While we are responsible for the discretionary management of the assets delegated to our firm, we will not communicate investment recommendations or selections directly to MS and/or Wells Fargo's individual clients. Accordingly, MS and Wells Fargo will monitor our trading activity conducted on behalf of the sub-advised accounts. The accounts will be held with a qualified custodian selected by either MS or Wells Fargo, and the fees will be deducted from the respective account(s).

Our sub-advisory arrangements with MS and Wells Fargo direct that we use MS and Wells Fargo respectively for all transactions and the custody of those accounts. These arrangements prevent us from negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, the commission expenses, execution, clearance, and settlement capabilities that you will receive through MS and Wells Fargo may be less favorable in comparison to those that we would otherwise obtain for you through TD Ameritrade, Inc.

Assets Under Management

As of December 31, 2020 we manage \$95,067,239 in discretionary client assets.

Item 5 Fees and Compensation

Portfolio Management Services

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee*</u>
\$100,000 to \$500,000	2.00%
\$500,001 and over	1.50%

*Clients with agreements prior to January 2014 may have different fee schedules. Our fees are subject to negotiation at our sole discretion and may vary on a case by case basis.

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement upon written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Sub-advisory Services

We have arrangements with Morgan Stanley ("MS") and Wells Fargo Advisors ("Wells Fargo") for sub-advisory services. We receive a fee from MS and Wells Fargo computed on a monthly or quarterly basis, paid in advance at an annual rate of 0.75% of all assets in the account(s).

Additional Fees and Expenses

You will incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by our firm and the broker-dealer and/or the custodian for your account. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

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

We do not accept performance-based fees or participate in side-by-side management. 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.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 Types of Clients

We provide investment advisory services to individuals, high net worth clients and state and municipal government entities.

In general, we require a minimum of \$100,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

We use the following methods of analysis or investment strategies when providing investment advice to you:

Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

Our investment management portfolio will consist of an average of 10 to 20 stocks of companies of all sizes. It is a concentrated portfolio; therefore, the portfolio volatility is high. Stocks are purchased with the idea of investing in the business. All of the portfolio management focus is placed on the individual companies and their business as opposed to the stock market or the indices. We do not use market timing, and stocks are purchased with the intention of holding them for a minimum of three to five years. We apply a "bottom up" approach in choosing investments. In other words, the portfolio manager looks at companies one at a time to determine if a company is an attractive investment opportunity and is consistent with the characteristics below. If the portfolio manager is unable to find such investments, an account's un-invested assets may be held in cash or similar investments. In general, companies in the portfolio have the following characteristics:

1. Strong Management

- Competent and honest management with good track record.
- Responsible management with interests in line with shareholders.
- Significant stock ownership and reasonable salaries and stock options.

2. Good Businesses

- Favorable long-term outlook with predictable earnings.
- Sustainable operating and net margins.

- 5 Year average Return On Equity preferably higher than 15%.
- Consistent growth of shareholder equity.

3. Attractive Valuations and Strong Balance Sheet

- Stocks selling at or below intrinsic value.
- Attractive Price to Earnings, Price to Book and Price to Sales ratios in relation to similar businesses.
- Price to Earnings ratio preferably less than the annual earning growth rate
- No or very little debt.
- High quality assets (e.g. cash) and/or strong cash flow business.

Companies with an aggressive acquisition strategy are of no interest to us. On the other hand, we are very interested in companies that buy back their own stock in a significant way. The account turnover ratio has been averaging about 30% for the past 5 years. Stocks are sold mainly for the following reasons:

1. If valuations become excessive in terms of Price to Earnings, Price to Sales, etc., and believed to be unsustainable.
2. Unexpected changes or deterioration in the business fundamentals.
3. To make room for another attractive investment opportunity.

Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this Brochure, we primarily recommend common stocks. You should be advised of the following risks when investing in these types of securities:

Risk of Loss

Our portfolio management service is "non-diversified." This status allows us to invest more than 5% of the assets in your account in the stock of a single company. To the extent you are invested in a greater percentage of the assets of a single company, the greater the exposure will be to the performance and risks of the stock of that company. The account's value approach carries the risk that the market will not recognize a security's intrinsic value for a long time, or that a stock judged to be undervalued may actually be appropriately priced. If your account has large holdings in a relatively small number of companies, disappointing performance by those companies will have a more adverse impact on your account than would be the case with a more diversified account.

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Item 9 Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

Item 10 Other Financial Industry Activities and Affiliations

We have not provided information on other financial industry activities and affiliations because we do not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. 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)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. We maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Raja El-Achkar at raja@rkam.com.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

Item 12 Brokerage Practices

We recommend the brokerage and custodial services of TD Ameritrade, Inc., a securities broker-dealer and a member of the Financial Industry Regulatory Authority, the Securities Investor Protection Corporation, and the National Futures Association. We believe that TD Ameritrade provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by TD Ameritrade, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services TD Ameritrade provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

As disclosed above, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, we reserve the right not to accept your account if the custodian used is not TD Ameritrade. While we endeavor at all times to put your interest first as part of our fiduciary duty, you should be aware that the receipt of additional compensation itself creates a conflict of interest.

*We have legacy portfolio management accounts that are currently custodied at Wells Fargo. These accounts were established prior to the year 2000. Currently, no new accounts are being offered or established under this arrangement.

Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

Directed Brokerage

We routinely require that you direct our firm to execute transactions through TD Ameritrade, Inc. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

Block Trades

We combine multiple orders for shares of the same securities purchased for the advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. To ensure fair and equitable allocation of shares we utilize a trade rotation schedule amongst the broker-dealers we use for trade execution. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions. Transaction costs are applied per account and will differ based upon the broker-dealer used, the account size and whether the client utilizes an electronic statement feature. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, according to a trade rotation schedule governing individual client accounts. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Item 13 Review of Accounts

Raja A. El-Achkar, Managing Member of RK Asset Management, will monitor your accounts on a continuous basis and will conduct a formal account review at least annually. Additional reviews will be provided at your request.

With respect to sub-advisory accounts, Raja A. El-Achkar manages the accounts on a continuous basis based on market conditions, securities valuations and other factors as deemed appropriate by Mr. El-Achkar. The management of the MS and Wells Fargo accounts are supervised by MS and Wells Fargo respectively.

We will provide you with a quarterly report. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

Item 14 Client Referrals and Other Compensation

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with TD Ameritrade and Morgan Stanley.

Item 15 Custody

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account.

You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Raja El-Achkar, Managing Member, at (313) 647-4717 and/or raja@rkam.com.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

Item 17 Voting Client Securities

Generally, we will not take any action or render any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which your assets may be invested.

However, upon request by certain sub-advisory or institutional clients, we will determine how to vote proxies based on our judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue. Unless we receive specific instructions on behalf of our sub-advisory or institutional clients, we will not base votes on social considerations.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

Item 19 Requirements for State Registered Advisers

RK Asset Management, LLC is SEC registered.

Refer to the Part(s) 2B for background information about management personnel and those giving advice on behalf of our firm.

Item 20 Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Raja El-Achkar at (313) 343-9061 and/or raja@rkam.com, if you have any questions regarding this policy.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and you will not keep the profit.