Fourth quarter 2008
Volume 1, Issue 2

ARETE INSIGHTS

Welcome

The fourth quarter was difficult any way you look at it and left many investors confused and seriously challenging many deeply-held beliefs. This was captured well in a recent conversation with a friend about the markets and the economy when he remarked, "This doesn't look like anything I've seen before." I think this straightforward comment captures a lot of what people are feeling right now and reveals a great deal about many of the difficulties facing investors.

For one, there is widespread loss of confidence in the financial system and loss of trust in business leaders. We have seen a great deal of evidence that far too many of those who got ahead were not better, but simply more aggressive and/or less ethical.

I absolutely appreciate these very real concerns and share more than a few of them myself. The prevailing deep sense of concern, however, seems disproportionate to some of the real opportunities that exist. While I do not believe there are any obvious answers or clear forecasts, I do very much believe investors have tools at their disposal that can help improve their situation. The following are some ideas and guidelines intended to help make the most out of these market conditions.

For starters, it has never been clearer that there are enormous differences in quality of investment advisors. But how can one tell the difference? Even in the in the best of times, it is very difficult to evaluate a professional service such as investment management. Every investment manager says they are good and of high quality, but how can an investor make a reasonable judgment?

Inside This Issue

One of the most important tools people use to make such decisions is that of proxies. Many people use referrals as proxies for competence and trustworthiness. For example, "if my friend/ family member/ colleague trusts ABC Advisors, then maybe I should be able to trust ABC." The advantage of using proxies is that they are much more widely available and often do contain information. The disadvantage of using proxies is that they can be poor representations of quality and can be not only deceptive, but outright wrong.

So are some proxies better indicators of quality than others? The answer to this question is a resounding YES! The following ideas should also serve as a strong message of empowerment to investors frustrated with much of the financial system and its leaders right now.

We argue that one of the most important proxies of quality investment management is that of organizational **structure**. By this we do not mean reporting structures, but rather the combination of various *types* of businesses. There are several reasons why this is important. First, it can give some indication as to the level of complexity of the operation. If it is hard to for you to make sense of it all, it may also be hard for the adviser's managers to manage it all. Second, it can give a very important indication as to the potential for conflicts of interest.

The potential for conflicts of interest are important because it provides insight into the *context* of where things can go wrong. In *The Tipping Point*, by Malcolm Gladwell, he reports that honesty is not a fundamental trait, specific to certain people. Instead, people deceive in some situations and not in others. In other words, people succomb to temptation, and that happens more in some situations than others.

Not too surprisingly, when people are monitored, and subject to checks and balances, and have little to gain, they tend to be more honest – because the costs are large and the payouts small. By contrast, when people work under the shroud of secrecy, and benefit directly from deception, the payoffs can be large and the risks small.

Investors can do themselves an enormous favor in their quest to find quality by looking for advisors that have straightforward business models, minimal potential for conflicts of interest, and significant disclosure of business practices. It is not a trivial point that the SEC incorporates the same factors in order to assess the potential risk of an adviser and to help calibrate the appropriate level of enforcement.

Another proxy for quality management is **diligence**. Certainly as an investor, you want to know that your adviser is doing a lot of research on investments. But this is hard to evaluate if you aren't a stock-picker yourself. It highlights the asymmetry of information which makes evaluating any "expert" difficult.

Since diligence manifests itself in all of the little things an adviser does, there are plenty of proxies available to investors. Does the adviser communicate clearly? Does the strategy make sense? Is the website updated regularly? Do numbers have adequate disclosures such that they can be meaningfully compared? While these indicators do not guarantee diligence with investment research or acumen with stock selection, they often represent an overarching firm attitude that indicates the adviser cares about getting things right, and is willing to fight those fights on behalf of its clients.

Finally, another useful proxy for quality is **transparency**. Transparency is a useful proxy because it sends a signal that the adviser has nothing to hide and is confident in its business model. For example, at Arete we registered as an investment advisor from day one in order to allow regulators to keep an eye on us, and to enable all clients and prospects to learn more about us in our Form ADV. We also sponsor a website which provides a great deal of information about us and our investment philosophy and process, and we produce this newsletter each quarter which provides investment updates. How much do you know about other advisers?

So is all of this effort in trying to find quality in an investment adviser worth it? Recently, I was evaluating a business which is having difficulty getting paid for all of the "quality" work they are doing in the form of quality assurance standards, safety checks, and the like. Many competitors are not performing the same checks and can therefore compete on price. In good times, these "extras" are nice, but often customers are not willing to pay for them. When things go wrong, however, all of a sudden, these "extras" seem essential.

Certainly this same dynamic is playing out in the investment management business. It occurred to me that the dynamic was similar to a commodity being bundled with some type of insurance. In other words, quality is in some sense, an insurance policy assuring that the product holds up under adverse conditions.

What I find so especially striking about this environment, is that at the same time it is becoming phenomenally obvious that there are big differences in investment managers, many investors are retreating from professional help for fear of hiring one of the "bad" ones.

We would argue this is a perfect time to evaluate managers; there are few occasions when the differences will be so clear and the implications so obvious. If you have any long-term interest in equities at all, this is a great time to start doing the work on finding the right advisor(s). Certainly everything about Arete has been designed to be a terrific value and we would love to show you how we do things differently than many other managers out there today.

We hope you find our proposition compelling and as always, welcome any feedback you may have!

Insights

Just as there are tools available to help investors make good, informed decisions about an investment advisor, so too are there guidelines which can prove useful in coping with a volatile market for individual stocks.

The first guideline to making better decisions about stocks that we'll mention is to stay focused on stocks, and to resist trying to pick the market bottom. Did it make sense to stay out of the market in September, October, and November? Sure. Does anyone who bought stocks in September or October look dumb for not waiting to buy them in November or December? You bet.

For most people, however, the purpose of owning stocks is to benefit from the superior returns stocks generate over longer periods of time. Although extreme market volatility presents the *illusion* of profit potential, it is a very, very difficult game for anybody to win. Low trading volumes, rapid and violent changes, and a high degree of randomness in short time frames conspire to substantially limit any investor's ability to materially benefit from timing a bottom. As a result, one guideline for investors is to adhere to a long-term strategy of equity exposure and to avoid the siren calls of market timing.

Another guideline for investing in stocks is to not get too hung up on today's prices. Are prices lower today than last year? Yes. Is a slowing economy going to reduce revenues and earnings? Yes. One challenge we face is that in our overarching effort as humans to make sense of things, we have a natural tendency to assume a strong correlation between *price* and *value*. When markets are functioning well, there should be a high correlation. The markets we have experienced since the middle of September, however, have not been functioning well.

In other words, a dominant factor currently affecting market prices is the supply and demand dynamic for stocks as opposed to the intrinsic value of stocks. There is no doubt that a lot of stocks are worth a lot less than they were a few months ago on a fundamental basis. This is quite clearly the case with many banks and financials. However, as leveraged investors and others rushed for the exits to sell anything liquid, virtually all stocks have suffered. Insofar as this is the case, an investor's primary challenge is to do, and to have done, enough research to *differentiate* between the bargain stocks and the permanently impaired ones.

In order to visualize this better, let's conduct a thought experiment. Imagine instead of stock, there is a material item you want to purchase. Imagine it is on clearance at the store for 50% off. You've always wanted it and now it's cheap! Do you buy it, or do you wait, hoping that the price may go down more? Are you more likely to think, "If it's down 50%, how do I know it won't be down 75% next week?", or, "What if the sale ends unannounced and suddenly the price goes right back to where it was? Then I will have missed a bargain."

The last guideline I will mention here is something I always recommend, but is especially relevant now, and that is to balance the information you receive. It is no secret that most television is supported by advertising, that advertising generates higher fees for bigger audiences, and bigger audiences are generated by negative news. Is it any wonder that we hear a lot of negative news?

There are two lessons. One, if you want to hear less negative news, turn off the television. Two, television delivers information only insofar as it can be manufactured into entertainment. If you want information and want to learn, look to more objective information sources, not entertainment vehicles.

Part of the effort to balance information (which is an important part of any analytically rigorous dialogue) is to evaluate both confirming and disconfirming evidence. We have all heard the negative news about the economy and the markets. There are real problems, no doubt. However, it behooves us to actively seek a balanced view. There are also real positives.

One of the positives we see today is that valuations are far lower than they have been for decades, and are entering the territory of levels experienced only at major bear market bottoms. In addition, there is an enormous amount of cash and money market assets on the sidelines. Virtually nonexistent returns to cash are essentially daring investors to remain withdrawn from the market. The current average gas price of $1.78 per gallon versus over $4 per gallon in the middle of last summer provides the equivalent of a tax cut of about two hundred billion dollars. It all helps. Finally, what if the numerous Fed programs, the Troubled Asset Relief Program, fiscal stimulus and other measures actually start working? There is no doubt there is risk to all of these, but how much success is the market discounting? I would argue very little.

With these guidelines in our toolbox, what do we see for the upcoming year? As a matter of practice, we do not make point predictions; nobody *knows* what is going to happen. However, we do try to identify significant risks and understand probability distributions. As intimated by the foregoing discussion, we believe there is evidence to support a significant rally during the year. However, we do not disagree that there are very serious risks to the economy and the markets that could last for several years. It will be exceptionally difficult to time. In short, we expect 2009 and perhaps beyond to be a wild ride. This is likely to be difficult and challenging for many, but is also likely to present once-in-a-lifetime types of opportunities for the well-prepared.

Business Update

In the last edition of this letter, I remarked that one of the key features of the business plan for Arete is to tightly manage operational costs. I argued that "by closely managing costs and converting some normally fixed costs into variable ones, I believe the chances for the sustainability of Arete's business are vastly improved."

After the fourth quarter, that statement couldn't be any truer or more heartfelt. Thus far, I am extremely pleased with the execution of our business plan and am very comfortable with Arete's financial position. While other firms are cutting staff and restructuring, and employees are more worried about their jobs than in running the business, we are able to keep our focus on serving our clients and on growing the business.

One precept of our business management is that of applying the lessons we have learned *in* the business *to* the business. One way in which this has been manifested has been to tightly manage costs in order to make the business more efficient, and more durable. When all expenses are subject to scrutiny and to demands for adequate returns, there is very little "fat". These characteristics describe some of the best stocks we have followed, and serve as "role models" of sorts for our own business.

Along those lines, we avoided taking out permanent office space when we started operations. The logic was simple; we thought it made more sense to defer the costs of office space until there was more immediate visibility on getting a return on that expenditure. We visualize the effort as scaling up expenses in a fairly linear way with business needs. This can't always be done, but we try.

Now that we have gotten the Mid Cap Core strategy firmly launched, have taken on external clients, and expanded our efforts to market to individuals and institutions, our needs for space have changed. As a result, we started sub-leasing office space in November. The space is small, but very affordable (it is a good market to be looking for office space in Baltimore!) and gives us access to a conference room for client meetings.

So, if you are going to be in downtown Baltimore, please stop in and see us. We'd love to get together and talk about what we can do for you.

Thanks and take care!

David Robertson, CFA
CEO, Portfolio Manager

Portfolio Characteristics – Mid Cap Core

A key proposition for Arete's Mid Cap Core strategy is that it is a truly representative mid cap portfolio. In general, this suggests that over time, you can expect to see the aggregate characteristics and sector exposures of the strategy migrate to those of the Russell Midcap Index. During intervening periods, however, sector exposures and other characteristics will reflect the opportunities we find in the market at that point in time.

Portfolio Characteristics (12/31/08)

	Arete MCC*	Midcap Index**
Size		
Average Market Cap ($ mil.)	3,607	3,201
Median Market Cap ($ mil.)	3,014	2,445
Minimum Market Cap ($ mil.)	546	24
Maximum Market Cap ($ mil.)	11,823	14,553
Number of holdings	52	798
Valuation		
P/E current year	12.1	12.7
P/E forecast Y1	13.0	12.3
P/B	1.9	2.2
P/S	1.2	1.4
Yield (%)	1.9	3.3
Valuation drivers		
ROE (%)	20.2	22.0
LT eps growth forecast (%)	14.7	14.0

Source: The Applied Finance Group™
**Note:* Excludes ASCMA allocation resulting from DISCA corporate action.
***Note* : Arete currently does not subscribe to the Russell Indexes and therefore the statistics presented here represent approximations of the Russell Midcap® Index.

Sector exposures for the strategy in the fourth quarter were for the most part well within our general guidelines of 50% - 150% of benchmark sector weights. The most important exceptions were autos and transportation which were right at 150% due to especially attractive stocks we have found in that sector, and in consumer staples where we are slightly under our guideline minimum of 50% due to a dearth of attractive valuations there.

Sector exposure (percent of assets on 12/31/08)

Economic sector	Arete MCC*	Midcap Index**	Difference
Autos & Transportation	4.8	3.3	1.5
Consumer Discretionary	15.7	16.4	-0.7
Consumer Staples	2.3	5.7	-3.4
Financial Services	19.5	21.2	-1.7
Health Care	12.0	8.8	3.2
Energy	8.7	6.5	2.2
Materials & Processing	11.3	8.4	2.9
Producer Durables	9.0	7.6	1.4
Technology	6.2	10.0	-3.8
Utilities	7.5	10.9	-3.4
Other	2.1	1.2	0.9
Equity exposure	99.1	100.0	
Cash and equivalent	0.9	0.0	

Source: The Applied Finance Group™
**Note*: Arete Mid Cap Core is represented by the aggregate of all assets in the composite at the given date.
***Note* : Arete currently does not subscribe to the Russell Indexes and therefore the sector weights presented here represent approximations of the Russell Midcap® Index.

Transactions review – Mid Cap Core

I think it is notable, and telling of our investment strategy and process, that we did not make any wholesale changes to the portfolio in the quarter. Despite the rapid and violent swing from expectations of global growth and moderate inflation to expectations of a global financial meltdown and deflation, we continued to adhere to our long-term strategy and outlook.

The few transactions we did place in the quarter were generally directed towards taking advantage of very attractive prices as markets collapsed. In October, we added to positions of Genworth and NRG Energy. In November we sold some Xcel

Energy in order to add to our Commscope position. In 2009, we will continue to look for chances to reallocate assets and to upgrade the portfolio as opportunities present themselves.

Performance review – Mid Cap Core

The Arete Mid Cap Core product is designed with the flexibility to invest in the most attractive mid cap stocks, regardless of any particular "style" designation. With that context, the primary criterion for selecting a stock is market value that is significantly less than our estimation of intrinsic value. In other words, we try to find situations in which our expectations for a company are substantially more positive than the expectations discounted by the market and our expectations are borne out over time.

Stock performance (9/30/08 - 12/31/08)

Best performers

Company	Return in quarter (%)
Annaly Capital Management	18.0
Amerigroup	17.0
Constellation Energy	3.3
Discovery Communications	-0.6
NRG Energy	-5.7

Worst performers

Company	Return in quarter (%)
Genworth Financial	-67.1
Seagate Technology	-63.5
Capitalsource Inc.	-62.4
Sears Holdings	-58.4
Eastman Kodak	-57.2

Our investment process is designed to discover, analyze, and assemble stocks into a diversified portfolio that consistently outperforms its benchmark over time. Specifically, our investment objective is to outperform the benchmark Russell Midcap® Index by 200-400 basis points, net of fees, over the course of a market cycle.

The fact that only three stocks showed positive performance is indicative of how difficult the markets were in the quarter. There were very few places to hide and that was certainly reflected in the performance of the Mid Cap Core strategy.

There is an adage about the markets that says, "The only things that go up in a bear market are correlations." To me, this was probably the most distinctive feature of the markets in the fourth quarter. I have certainly seen the mechanism of panic and increasing correlations, but it has always been within a reasonably limited context, and never on such a universal scale.

John Authers of the *Financial Times* recently reported, "The average correlation of stocks in the US S&P 500 index reached 66 per cent by the end of the year, by far the highest in two decades, while correlations within economic sectors were even higher." He continued, "Put simply, the 'top-down' or 'macro' bad news on the economy swamped any 'bottom-up' or 'micro' news that might have helped to differentiate companies. Instead, everyone sank together. Picking stocks became an irrelevant skill."

We absolutely saw this in our Mid Cap Core product. A couple of stocks, Annaly Capital Management and Amerigroup did perform well. Constellation Energy and NRG Energy performed relatively well in the quarter, but only after being among the worst performers last quarter. Overall, performance for the strategy was dominated by companies caught up in the maelstrom of negative headlines and associations. This has been especially frustrating to watch (in the short-term) given that price declines have been either unrelated to, or hugely disproportionate from fundamental results.

For example, virtually anything related to consumer spending was clobbered. The stocks of Sears Holdings and Eastman Kodak suffered despite what we consider to be significant underlying asset values. Seagate, along with Western Digital, has the economies of scale to benefit most from the troubles of weaker competitors, but the market is discounting industry-wide failure. Capitalsource is conservatively leveraged and has a strong capital position, but those positives were overwhelmed by its association with companies backed by private equity sponsors. And poor Genworth. They made the mistake of being in both the mortgage insurance and life insurance businesses. With those powerfully negative associations, the stock was a target regardless of what the company did.

As a result, I think it is especially hard to divine much from fourth quarter performance. One thing that can be divined is that the market very quickly and violently switched from a belief in global growth to one of intermediate-term deflation. Given that the Mid Cap Core portfolio was built around an expectation of long-term global growth, and remains so, this exposure clearly hurt performance in the fourth quarter.

Another important observation is that a great deal of the dynamics of fourth quarter stock price movements was a function of broken markets. Forced selling by those needing to de-leverage, selling caused by fear, and margin calls forced by ever-lower stock prices was exacerbated by low volumes of buyers intrepid enough to step in front of the speeding locomotive.

In short, the prices set in the market in many cases, were not "good" prices in the sense that they reflected the clearing level of a diverse and well-balanced market. As a result, prices reflected intermediate supply and demand imbalances far more than an efficient reflection of fundamentals.

The high correlations in the fourth quarter also provide a direct answer to a question consultants and prospective investors often ask, "Under what conditions would you expect your strategy to under-perform its benchmark?" The answer is clear: The Mid Cap Core strategy can underperform when stock correlations are extremely high and the market systematically fails to differentiate between good stocks and bad stocks.

While we are never happy with underperforming our benchmark, the fourth quarter wasn't a "fair fight" for equity investors — if you were there, you got hurt — and we took our nicks. The silver lining we take from performance, however, is that we have not (at least, not yet) suffered any really significant, permanent impairments of capital. Further, the balance sheets and fundamentals of our stocks seem to be holding up fairly well, especially given the radically different environment from when we opened the strategy in July.

Finally, the lack of differentiation in the broad market moves has created enormous disparities between market prices and intrinsic values. As the market stabilizes, we are likely to experience excellent conditions for creating value through stock selection.

Investment philosophy

We firmly believe in the critical importance of a cogent investment philosophy for any investment operation. In order to emphasize this point, and to assist you in understanding how we work, we provide an abbreviated version of our investment philosophy here. The text of our investment philosophy is also provided, in its entirety, in our Form ADV, Part II which is available upon request at any time.

Performance derives from exploiting mispriced securities.

The key to investment performance is finding and exploiting market inefficiencies in the form of mispriced securities. There are two components to this. One component involves determining the fair price of securities in the form of underlying intrinsic value, which we do primarily through calculating discounted cash flows. The second component of exploiting mispriced securities is establishing a clear understanding as to the various mechanisms at work that allow mispricing to occur. By understanding the mechanisms and motivations of the marginal buyer and seller, we believe we can more accurately estimate the probabilities and expected values of investment opportunities.

Nobody has perfect information.

Competitive pressure and technological development have conspired, over the years, to make most data and analysis commodities which no longer provide a meaningful competitive advantage. What can provide an advantage, however, is *how* that information is used and *how* it gets interpreted in making investment decisions.

In order to convert the raw material of information into the useful output of a good investment decision, it is necessary to assimilate and synthesize the information into some meaningful form. We believe the most effective way to accomplish this is to thoughtfully deploy resources available according to the nature of the research tasks at hand.

Research culture and research prioritization are also important in relation to analyzing and synthesizing information. We believe that the best way to leverage the collective knowledge and experience of a research team is to encourage active and open dialogue designed to explore multiple perspectives and to challenge individual assumptions, biases, and beliefs. Only by enduring such scrutiny do the best ideas rise to the top. Further, in order to fully leverage these ideas, we believe research efforts must be dynamic and flexible in allocating resources such that ideas receive attention in proportion to the expected benefit to the portfolio.

Execution is crucial for investment success.

In order to create value, an investment strategy needs to be implemented continuously and comprehensively. Actions speak louder than words. We believe the most effective efforts focus on a few simple, but key concepts that work to ensure proper execution of a firm's investment strategy.

The first key to execution is structural in nature and involves a firm's independence. By maintaining independent ownership, an investment firm eliminates agency effects which can present a conflict of interest between clients and certain of its ownership groups. Independent ownership ensures that client and manager interests are optimally aligned.

The second key to execution is temperament. The best investors tend to have a temperament that provides them the courage and initiative to act, often going against the grain, when opportunities arise. However, the same temperament provides balance such that decision-making is not simply a risk-taking activity, but a very conscious and targeted effort to engage in propositions with high risk-adjusted expected returns.

Finally, another important element of execution is simply doing what you say you do in your investment process. Too often, perfectly acceptable investment processes fail when actual investment activities bear little resemblance to the process described in the marketing presentation. We call this the "marketing gap;" the difference between what is said and what is done. Execution is optimized when the marketing gap is minimized.

Mid Cap Core composite

Arete Asset Management, LLC
Mid Cap Core Composite*
July 31, 2008 - December 31, 2008

Month	Gross-of-Fees Return (percent)	Net-of-Fees Return (percent)	Russell Midcap® Index Return (percent)	Number of Portfolios	Internal Dispersion (percent)	Total Composite Assets ($)	Composite Assets With Bundled Fees ($)	Percentage of Composite Assets With Bundled Fees	Total Firm Assets ($)
August	3.75	3.75	1.85	1	NA	117,163	117,163	100%	318,582
September	-12.58	-12.58	-12.26	1	NA	102,420	102,420	100%	286,761
October	-23.75	-23.98	-22.35	1	NA	77,858	77,858	100%	230,830
November	-15.02	-15.02	-10.18	3	NA	196,168	196,168	100%	196,168
December	5.53	5.53	4.27	3	NA	207,023	207,023	100%	207,023
Q4 2008	-31.62	-31.82	-27.27						
Cumulative	-37.98	-38.17	-35.01						

**Note*: Composite returns for September have been corrected for an error that occurred in the calculation of accrued income. The new, corrected performance is higher by 10 basis points, which equals our threshhold for materiality. The error occurred due to an ex-post adjustment made by our reporting software. We have identified the source of the problem and have created procedures designed to avoid recurrance.

Arete Asset Management Mid Cap Core performance composite disclosures:

Compliance statement

Arete Asset Management has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Arete Asset Management Mid Cap Core performance composite disclosures continued:

Definition of the firm
Arete Asset Management, LLC (Arete) was established in 2008 and is registered as an investment adviser in the state of Maryland. Arete is defined as an independent investment management firm and is not affiliated with any parent organization. Arete currently manages one strategy, the U.S. equity mid cap core strategy, which it markets to individual and institutional clients.

Benchmark
The benchmark is the Russell Midcap® Index and its performance is reported in U.S. dollars.

Calculation methodology
Portfolio valuations are calculated as of calendar month-end and are computed in U.S. dollars and performance is also reported in U.S. dollars. Time-weighted rates of return are used which adjust for external cash flows. Our smaller, retail accounts contain fee structures in which one flat, per-transaction fee is charged for trading expenses and which embeds an implicit charge for custody. Since trading and custody charges cannot be directly segregated in these cases, they constitute "bundled fees". Gross-of-fees performance returns are presented before management and custodial fees when custodial fees can be segregated from trading, but are presented before management fees and after bundled (trading and custodial) expenses for our retail accounts. Net-of-fees returns are presented after management fees, trading expenses, and custodial expenses are deducted or after management fees and bundled (trading and custodial) fees for retail accounts. There are no instances in which management fees are bundled with trading or custodial fees. Returns are presented net of nonreclaimable withholding taxes when applicable. Arete does not use leverage or derivatives in the management of portfolios. Additional information regarding policies for calculating and reporting returns is available upon request.

The composite
This U.S. Equity Mid Cap Core composite was created in August, 2008 and includes all fee-paying, taxable and non-taxable, discretionary, long only, fully invested portfolios benchmarked to the Russell Midcap Index. For purposes of composite construction, "fully invested" is defined as having greater than 90% of portfolio assets invested in equity securities. Every new portfolio is added to the composite in the first complete calendar month that it is "fully invested". A complete list and description of firm composites is available upon request.

Fee schedule
The management fee schedule is as follows: 1% of AUM up to $1 million, 0.75% on AUM greater than $1 million, but less than $5 million, and 0.65% on assets greater than $5 million.

Minimum account size
There is no minimum account size for inclusion in the composite. Please note, however, the minimum initial account size accepted is $100,000.

Arete Asset Management Mid Cap Core performance composite disclosures continued:

Dispersion
Internal dispersion is currently not meaningful as there are five or fewer portfolios included in the composite. In the future, we plan to calculate dispersion using the dollar-weighted standard deviation of all portfolios included in the composite for each performance period.

Verification
Arete has not been verified by an independent verifier for its compliance with GIPS. Please note that the initial minimum period for which verification can be performed is one year and Arete does not currently have sufficient history to meet this requirement.

To receive a copy of the firm's Form ADV Part II, please contact David Robertson at 410/649-0086 x710, by email at droberston@areteam.com, or by mail at the address listed below.