Second quarter 2009
Volume 2, Issue 2

THE ARETE QUARTERLY

Welcome

One could almost hear the collective "sigh" of relief as the market finally rebounded strongly in the second quarter after getting beaten up for two consecutive quarters. While the rebound has allowed us all to breathe a little easier, it now poses some very important questions.

These questions are deep and wide-ranging. For some, the role of equities in a diversified portfolio is being questioned now that their risk is all too apparent. Others are challenging the business processes that failed to identify numerous fraudsters and are asking what can be done to protect against such malfeasance. In short, these and many other questions suggest we are in the midst of the most thorough and fundamental re-evaluation of the whole investment business in at least twenty years.

As a result, we believe the industry is likely to undergo some significant changes over the next several years. One of those changes will be an ever-growing demand for transparency from money managers. In our effort to promote transparency, and to facilitate your evaluation of us, we publish and distribute the *Arete Quarterly* at the end of each quarter.

This newsletter serves as a compendium of "vital statistics" of Arete's Mid Cap Core (AMCC) product including portfolio characteristics and performance. In addition, it provides important information and updates about the company and how we go about the process of managing portfolios. If you are interested, you can also find a great deal more information about us on our website at www.areteam.com.

Inside This Issue

As always, we appreciate your comments and suggestions regarding any aspect of the business which might make our services more useful to you. We hope you find our proposition compelling and always look forward to talking with you!

Business Update

It has now been one year since Arete's first portfolio was funded and what a year it has been! Not surprisingly, the timing of Arete's inception often begs the question of whether the market turmoil has helped or hurt the business. This question also serves as an appropriate segue into an evaluation of the business environment over the past year and my expectations going forward.

First and foremost, the market turmoil and volatility has lengthened the sales cycle.

All else equal, this obviously forestalls business development and pushes back the timing of the break-even point. The good news is that the actual marketing environment is falling well within the variety of scenarios considered in the startup business plan. In addition, the business has been built on the premise of tightly managing costs so the business is especially resilient to delays in revenue growth.

Perhaps the greatest effect of the turmoil has been on Arete's competitive position relative to the rest of the industry. In this regard, I see several elements of the business environment that bode extremely well for the company.

First, while the market downturn has hurt revenue growth, it is important to note that it has also hurt everyone else in the business as well. *Institutional Investor* just reported that the top 300 money management firms had assets fall by over 23% last year. In fact, one industry veteran reported recently in the *Economist* that "as many as half the world's asset managers are breaking even at best."

The important issues, I believe, are who manages better through the downturn and who improves their competitive position? Regarding these issues, I firmly believe that Arete has a lower and more flexible cost structure than the vast majority of its peers. I also believe that advantage will be virtually impossible for most competitors to replicate. Some of these advantages are due to starting with a clean slate, some are due to establishing a clean and simple business model, and some are due to aggressively scrutinizing services for value. All of these advantages begin with the goal of saving money for investors and thereby creating an outstanding value proposition for them.

In addition to having an advantage with costs, Arete is also benefitting from weaker demand for talent across the industry. Many larger competitors, in order to better manage costs, are letting some of their people go. This is widespread across the industry. It also means that at exactly the same time when Arete is trying grow its business, a plethora of highly qualified analysts and internship candidates are available. I could hardly conceive a better environment for adding analytical personnel.

Finally, and I would argue most importantly, the way the market turmoil is helping the business is because it is spawning an almost universal re-evaluation of existing managers and the business as a whole. In times of low volatility and high returns, there is very little incentive to change things. Now however, investors are challenging incumbents and demanding value. There could hardly be a better environment to contrast the work ethic, fiduciary principles, transparency and passion for the business that exemplify Arete with the rampant conflicts of interest and excessive fees endemic to so many competitors.

I always enjoy talking about stocks, the business, and the market so if you are going to be in Baltimore, please stop by. I'd love to get together and talk about what Arete can do for you.

Thanks and take care!

David Robertson, CFA
CEO, Portfolio Manager

Portfolio Characteristics – Arete 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.

We believe maintaining a truly representative mid cap portfolio is important for two reasons. First, a truly mid cap portfolio faithfully plays its role in a broader asset allocation scheme. Second, it allows for accurate assessment of performance. Without an appropriate benchmark it is difficult if not impossible to judge whether performance differentials are due to skill or luck, and are sustainable or transient. For example, the "games" that so many fund managers play such as timing the market through changing cash allocations and allowing style to drift rarely generate sustainble out-performance. To us, such activities usually just serve to obfuscate the underlying inability of the manager to add value through a coherent and disciplined investment process.

Portfolio characteristics for the quarter confirm our claim that AMCC is a very representative mid cap portfolio. Market caps are a little bit higher for AMCC than for the mid cap index and valuation metrics are fairly comparable. The only noticeable difference is that average ROE for AMCC at 20.6% is much higher than the 15.5% average ROE for the index.

Portfolio Characteristics (6/30/09)

	Arete MCC*	Midcap Index**
Size		
Average Market Cap ($ mil.)	4,003	3,371
Median Market Cap ($ mil.)	3,072	2,696
Minimum Market Cap ($ mil.)	253	307
Maximum Market Cap ($ mil.)	11,247	13,010
Number of holdings	51	777
Valuation		
P/E current year	12.8	14.7
P/E forecast Y1	18.4	17.7
P/B	2.4	2.5
P/S	0.7	0.9
Yield (%)	1.6	3.2
Valuation drivers		
ROE (%)	20.6	15.5
LT eps growth forecast (%)	12.6	12.4

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 second quarter did not change much and were again for the most part well within our general guidelines of 50% - 150% of benchmark sector weights. One exception to the guideline weights was autos and transportation. This sector started Q408 very close to the 150% mark, but these stocks have consistently outperformed the rest of the market since then, raising their weight to over 200% of the guideline currently.

Conversely, the weight in consumer staples remained under our guideline minimum of 50% due to a dearth of attractive valuations in that group. We are actively seeking attractive new candidates to add to the staples group, but are at least somewhat restrained by the prolific opportunities we find in other sectors. The utilities and technology sectors were within range, but at the low end of our guidelines, due to poor performance of the stocks in those sectors the last few quarters.

Sector exposure (percent of assets on 6/30/09)

Economic sector	Arete MCC*	Midcap Index**	Percentage Comparison
Autos & Transportation	5.8	2.8	205.4%
Consumer Discretionary	16.9	15.8	106.8%
Consumer Staples	1.9	5.9	31.9%
Financial Services	18.4	19.2	95.9%
Health Care	10.9	9.0	121.0%
Energy	8.5	7.3	116.5%
Materials & Processing	11.5	9.5	120.6%
Producer Durables	9.3	8.8	106.2%
Technology	7.0	11.4	61.6%
Utilities	6.4	9.6	66.3%
Other	1.9	0.6	315.1%
Equity exposure	98.5	100.0	
Cash and equivalent	1.5	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 – Arete Mid Cap Core

As the market bottomed out in March, as during any period of extreme volatility, there were certainly temptations to take extreme actions. The nature of how we conduct research and manage portfolios is probably better indicated by what we did not do than by what we actually did do in this tumultuous environment.

Notably, there were no portfolio transactions in the second quarter. This lack of trading activity indicates the out-performance the strategy experienced in the quarter was generated primarily by research and actions taken in prior quarters. This also indicates an important attribute of Arete's modus operandi: We carefully distinguish between process and outcome. We do extensive research on companies before buying them with the expectation of holding them for at least three to five years. We then constantly research and review existing stocks, along with new candidates, to determine the most attractive opportunities.

As we executed this process through the last few quarters, we were generally happy with existing holdings and therefore limited transaction activity to a few selected, and opportunistic trades. In other words, the process remained exactly the same, despite very different actual outcomes between Q408 and Q209.

This absence of trading activity in Q209 gives us the opportunity to discuss our philosophy of low turnover, insofar as it is often dubbed "Buy and Hold". We will discuss our views as to what constitutes "Buy and Hold" and comment on the recent banter about "Buy and Hold" being dead.

To start with, the investment industry, as we all know, is extremely large and diverse. As such, it is perfectly understandable that efforts are made and monikers are applied in order to "simplify" such a complex business. To be sure, many of these efforts do capture important elements of reality in an accessible way.

The phrase "Buy and Hold" achieved widespread recognition during the unprecedented bull market of the 80s and 90s. During this period, it is not surprising that many managers benefitted from the good fortune of simply being in the market during such a powerful run and it is not surprising that many learned it was usually far better holding on to securities than selling them. Their process can be likened to buying a refrigerator; doing some research, buying it, and not doing anything more with it until in conks out fifteen years later. For these managers, the "Buy and Hold" label is apt and this particular process probably is dead.

Today, however, "Buy and Hold" is used to describe a far broader group of strategies which include any that generate low turnover. The unfortunate, and we believe unfair, connotation is that low turnover strategies just "Hold" securities; they do not apply any meaningful effort to the ongoing research and review of holdings, nor do they make active and constant comparisons against new opportunities. Like the refrigerator just sitting in the kitchen day after day, so do the stocks just sit in the portfolio day after day — until they conk out. The suggestion is that these managers aren't really doing anything to add value because they aren't *trading*.

For better or worse, some simplifications go too far and "Buy and Hold" has become one of them. Even though "Buy and Constantly Review, Re-evaluate, Compare, Adjust, and Replace When Justified" does not provide the same catchy tagline, it is undoubtedly a more accurate descriptor for our low turnover product as well as many others like it. Careful investors will be able to identify when low trading activity (and therefore lower costs) coincides with low intellectual activity, and when it does not.

Market Overview

As we reflect back on the quarter, we saw two key causes for the market rebound. The most important, and the initial catalyst, was the improvement in financial institutions and markets. So much of the economic downturn was caused by the freeze in credit and collapse of confidence that it is not surprising improvements in the financial industry were an important precondition for recovery. As capital began flowing again, we also witnessed sprouting signs of economic recovery which further improved expectations, and therefore facilitated market recovery.

As we look at it, the defining moment of improvement occurred with the disclosure of the bank stress tests. The most important element of the bank stress tests was that they relieved the worst fears of massive insolvency and financial collapse, and therefore stanched the impending sense of panic. We believe the process of thoroughly reviewing the banks fundamentally changed attitudes towards the markets by providing legitimate assurance that the financial system was not going to break.

Although credit is still not easy to secure, nor available to all-comers, a number of improvements have been witnessed. For one, the TALF program restarted credit availability through securitizations. We witnessed this when CarMax was one of the first to participate in TALF with a securitization backed by auto loans in April. Improvement was also evident as many of the better firms were able to refinance tranches of debt on reasonably attractive terms. Many of the larger banks were even able to access to equity markets to raise capital.

The other element of market recovery was based on improving fundamentals in the underlying economy. As spring progressed, we gathered increasing evidence that the economy was no longer in free fall, and there were also a number of glimpses of things getting better. Improving credit markets provided more attractive mortgage rates which allowed for improvement in home sales in some areas as well as some refinancing activity. Consumer confidence responded in kind by leaping up from its nadir in the first quarter. Many companies, after aggressively managing inventories through the downturn, halted de-stocking when they saw hints of renewed, albeit moderate, revenue growth in a number of industries.

Where does this leave our opinion of market opportunities going forward? Our short-term outlook is that we still see a lot of attractive (and attractively priced) stocks, and therefore are reasonably optimistic about stock selection opportunities. While some semblance of normalcy has returned to the credit markets, in many cases the equity markets still seem to be discounting significant chances of default for some high quality companies. In addition, the market seems to be very cautious about discounting improving competitive positions at a number of companies. Finally, there is still about $3.7 trillion in money market funds that sooner or later will migrate to investments that generate higher returns.

Our positive short-term outlook is moderated by a number of risks though. First, it is no secret any more that consumers need to reduce their debt and that is likely to take several years to accomplish. Despite this arithmetic necessity, the market still seems surprised when retailers and other consumer spending beneficiaries fall short of revenue estimates. This is not a good sign that the market has fully digested and discounted the weakened financial state of the U.S. consumer.

This raises a couple of other concerns. One is that many business leaders and politicians are managing to levels of growth that we are unlikely to attain. Companies that aim break-even levels too high are unlikely to find forgiving creditors when proven wrong. Second, the very idea of a weak consumer is a different paradigm for thinking about U.S. economic growth. How will consumer spending habits change? Who or what will replace the consumer as the growth engine of the economy? Nobody knows the answers to these questions yet. Until sources of incremental growth emerge, we will be faced with a level of uncertainty we haven't known in the markets for quite some time. Not trivially, lower growth rates during the interim will increase the premium on managing risks well, because there will be far fewer opportunities to recover losses.

Longer-term, we are still extremely bullish on U.S. Mid Cap stocks. Regarding attractiveness of U.S. markets, we remain strong believers in the quality and nature of U.S. government, institutions, and entrepreneurial culture. Short-term glitches aside, property rights, the rule of law, and capitalism function as well or better here than anywhere else in the world. These characteristics bode extremely well for the economy's efficiency and resilience, and are critical for long-term success. In addition, mid caps now, as much as ever, seem to be in the sweet spot of being at the forefront of very attractive markets and growth opportunities, but large and experienced enough to manage through difficulties in professional and effective manner.

Our strong belief in U.S. stocks deserves mention especially relative to much popular opinion that emerging markets deserve a significantly higher allocation in a diversified portfolio. We believe this conventional view understates two important points. The first point is that U.S. stocks are not uniformly exposed to the U.S. economy and therefore not equally vulnerable to expectations of weaker consumer spending. The conventional view of emerging market exposure hugely understates the vast and diverse businesses many U.S. companies have abroad which represent very real *economic* exposures to emerging economies.

We believe the conventional view of emerging market exposure also significantly understates the risks associated with immature markets in developing countries. Absent robust governments, strong laws and enforcement, and cultural respect for efficiency, markets simply don't work as well. Immature markets can be subject to a whole host of risks including liquidity constraints, arbitrary rule-setting, and nationalization. In short, emerging markets are generally (still) far riskier than U.S. markets.

We provide such a lengthy overview for a couple of reasons. Certainly we want investors and prospects to understand how we view market opportunities so we can be evaluated for appropriateness. Due to the significant changes we see in the market, however, we believe it is also extremely important to fully appreciate that the markets of the future may look quite a bit different than what most of us are familiar with. Therefore, while we remain optimistic about short-term opportunities and the long-term future, the path between the two may be a lot different, and sometimes less enjoyable, than what we have become accustomed to.

Performance review – Arete 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 in the Mid Cap Core strategy is that market value is significantly less than our estimate of intrinsic value. In other words, we try to find situations in which our research generates expectations for a company's growth and profitability that justify substantially greater valuations than what the market discounts.

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 market rebounded nicely in the second quarter as did Arete's Mid Cap Core (AMCC) strategy. Specifically, the AMCC composite returned 28.78% (net of fees) which beat the 20.80% return of the Russell Midcap Index (RMC) by 7.98%. While AMCC's outperformance persisted through each month of the quarter, by far the largest burst occurred during the initial rebound in April.

The best and worst performing stocks tell an important part of the performance story for the quarter. The best stocks showed huge returns with each of the top four more than doubling. We do not believe the stellar returns in the quarter were due to stellar stockpicking in the quarter any more than the subpar returns of the last two quarters were due to subpar stockpicking. Two relevant facts substantiate this position: We executed very few trades in Q408 and Q109 and none in the latest quarter, and each of the best-performing stocks for Q209 was among the worst performers the prior three quarters. We do believe the strong second quarter returns are more indicative of our ability to do the appropriate research upfront and to stand by our convictions when things get difficult.

Stock performance* (3/31/09 - 6/30/09)

Best performers

Company	Return in quarter (%)
CapitalSource	300.0
Genworth Financial	267.9
Commscope	131.2
Oshkosh Corp.	115.7
AES Corp.	99.8

Worst performers

Company	Return in quarter (%)
Mylan Inc.	-2.7
Toll Brothers	-6.6
Synovus Financial	-8.0
Investment Technology Group	-20.1
Eastman Kodak	-22.1

**Note*: Performance includes price changes only, it does not include dividend income in the quarter.

Another way to characterize AMCC performance is to say the latent quality of the portfolio was masked by the dysfunctional markets of Q408 and Q109. Indeed, we said last quarter, "Our philosophy of buying stocks at prices well below intrinsic value requires conditions for those intrinsic values to eventually be realized." As the second quarter provided some important conditions for those intrinsic values to be realized, that is exactly what happened.

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.

Arete Mid Cap Core Composite

Arete Asset Management, LLC
Mid Cap Core Composite*
July 31, 2008 - June 30, 2009

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	5.54	5.54	4.27	3	NA	207,031	207,031	100%	207,031
January	-7.54	-7.62	-7.4	3	NA	191,258	191,258	100%	191,258
February	-11.02	-11.02	-9.95	4	NA	318,767	318,767	100%	318,767
March	8.67	8.67	9.15	4	NA	346,401	346,401	100%	346,401
April	20.86	20.86	15.37	4	NA	418,645	418,645	100%	418,645
May	4.72	4.68	4.34	4	NA	438,238	438,238	100%	438,238
June	1.80	1.80	0.35	4	NA	446,106	446,106	100%	446,106
**2008	-37.97	-38.16	-35.01	3	NA	207,031	207,031	100%	207,031
Q1 2009	-10.60	-10.67	-8.98	4	NA	346,401	346,401	100%	346,401
Q2 2009	28.83	28.78	20.8	4	NA	446,106	446,106	100%	446,106
YTD 2009	15.17	15.04	9.96	4	NA	446,106	446,106	100%	446,106

**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 recurrence.

***Note*: Peformance through 12/31/08 from inception of composite on 7/31/08.

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®).

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.

Arete Asset Management Mid Cap Core performance composite disclosures continued:

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.

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.

Arete Asset Management Mid Cap Core performance composite disclosures continued:

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.

Arete Asset Management