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THE ARETE QUARTERLY

Welcome

The lively and ongoing debate about climate change can also be aptly applied to the investment management business. While the climate is certainly changing for money management, in this case it is getting distinctly cooler.

For perspective, it helps to harken back to the beginning of the major bull market in 1982. At the time interest rates were extremely high as a function of expectations for continued high inflation. The market finally turned when inflation was brought under control by tight monetary policy.

History shows us that the stock returns from 1982 to 2000 were hugely anomalous relative to any other period and bond returns have been exceptional from 1982 through the present day. In addition, during that time, productivity increased and mutual funds and defined contribution programs vastly broadened access to markets, adding fuel to the fire.

This all amounted to a warm and bountiful environment for money managers. They grew in three ways: through high returns on portfolios, from new money flowing in, and from increasing profitability driven by economies of scale. There was little push-back on fees which looked small in comparison to high returns. Many money management firms became huge, sprawling entities without extraordinary effort, just by feeding off the abundant landscape. They became dinosaurs.

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The financial crisis of 2008 finally marked the end of the gig for a problem that had been brewing for many years: Persistent trade imbalances and unchecked credit creation had led to asset bubbles and unsustainably high debt in many countries. While the initial response by the government was very good in providing emergency liquidity and fiscal stimulus, successive efforts have largely failed to address the core issues.

Instead, the Fed has responded with monetary policy that is primarily designed to buy time. This program consists of various forms of monetary easing of which quantitative easing has been prominent. One of the key effects of these actions is to artifically lower interest rates (that a free and open market would establish) such that the costs to maintain high levels of debt remain manageable (see Market Overview for more).

This policy of extended low rates also has other effects. By suppressing rates, the Fed is also inhibiting the returns savers and investors can expect to achieve.

High levels of debt and suppressed interest rates inhibit investment returns in much the same way cooler weather stunts plant development. It's harder to grow and there is more risk things go wrong.

The low rate environment has very significant implications for the investment management business. All the factors of growth are negatively affected. Lower expected returns reduce the growth rate of exisiting assets and reduces the prospect of new inflows, and may even lead to outflows. If assets decline, economies of scale work in reverse and profits fall disproportionately.

The prospect for low returns also signficantly compromises the value proposition. Since existing management fees will consume a much larger portion of of returns, they will be harder to justify. Investment clients have already begun pushing back on fees and this trend rightfully shows every sign of continuing. Insofar as it does, the business model of a large investment firm, which depends on large fees to support its massive body, will be seriously challenged. If such firms fail to evolve, they are likely to go the way of the dinosaur.

What will work? We suspect the successful investment management firm in this new cooler environment will be a lean and efficient creature that doesn't require massive resources to sustain. Further, it is likely to be one that is also nimble, adept at searching for and finding nourishment, as well as hearty and resilient to changes in climate.

For a long time, size was considered to be an enormous advantage in investment management and often connoted quality as well. As the investment environment changes, however, size is beginning to look like a distinct disadvantage in many respects. We believe Arete is well suited to the new investment climate and look forward to competing in it. We also look forward to helping investors manage through these very interesting, and different times.

Business Update

Of course this cooling climate also affects investors directly and they are feeling the impact in a variety of ways. Feelings of disappointment, confusion, and being overwhelmed are commonplace among investors who have seen their stocks make them no better off after ten years and yet are confronting greater uncertainty than ever before.

Investors are responding to these changes, although priorities differ substantially. Some, as I mentioned in The Arete Quarterly Q112, are finding better advisors. Some are trying to maintain investment income. Some are trying to better manage risk in order to preserve wealth.

What is clear to me is that a lot of people are trying to find a way to become more confident with their investing. It is also clear to me that the priorities of many investors are much more fundamental than the investment service Arete provides with its mid cap core strategy.

To be sure, I am still a very firm believer in the terrific value proposition Arete presents. For an investor with a long investment horizon that is looking for a very thoughtful and disciplined investment process designed for performance, a highly secure separate account structure, and an extremely reasonable management fee, I think s/he will be hard pressed to find a better value. But I also realize this is not the highest priority right now for many investors. In this sense Arete's vision may be a little ahead of the business prospect.

As such, I am actively exploring ways in which Arete can help investors who aren't ready or aren't interested in mid cap investing right now. I also mentioned in The Arete Quarterly Q112 that "In the process of researching, analyzing, and valuing a lot of companies for the mid cap strategy, Arete develops a lot of important insights into the market that can be extremely useful to investors. These insights inform and guide a wide variety of investment decisions."

It is also true that being a student of investing, I consume a great deal of non-stock specific research and material. This ranges from books, to academic articles, to articles discussing the business environment for investment management. I do this largely because it helps me gain perspective regarding investment challenges, investors' needs, and useful solutions, but I also learn a lot about how to better manage my own investments.

Historically this has been an informal exercise, but now I am trying to formalize the insights and knowledge I gain from the effort. As such, I am experimenting with a knowledge database constructed out of the pieces of information I gather on a regular basis. The goals are twofold: To better organize and manage knowledge internally, and to create a vehicle by which more investors may be able to benefit from the work. This is a natural manifestation of Arete's value proposition: "Leveraging our investment expertise for your success."

My hunch is that this could prove quite useful for a number of investors. In addition to the market's own challenges, investors often also contend with misinformation in the form of vastly differing opinions and insights from a wide variety of vendors. Not surprisingly, many exclusively offer advice which extols the virtues of their own products at the expense of other more appropriate options. Too often investors are left without a neutral arbiter to validate arguments or to highlight inconsistencies.

A key impetus for this project was my own curiosity for better understanding this unique investment environment. Given the distinct prospects of the environment remaining difficult for some time, I have also been studying a variety of ideas for managing through it. I refer to the exercise as the "Investment Challenge" and would be happy to discuss it with you or to present it to your organization.

Finally, I would like to say that as Arete rapidly approaches its fifth anniversary, I have occasions to compare the environment at Arete to situations at other firms. While I do at times get frustrated that Arete is not yet reaching as many people as I would like, I can also honestly say that I have never felt so intellectually stimulated, so uninhibited to reason through issues, or so free to brainstorm new ways to help investors. These are the reasons why I chose investment management as a career and I still have a ton of fun with it!

Thanks for your support!

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.

Portfolio Characteristics (9/30/12)

	Arete MCC*	Midcap Index**
Size		
Average Market Cap ($ mil.)	6,254	5,798
Median Market Cap ($ mil.)	4,325	4,313
Minimum Market Cap ($ mil.)	51	301
Maximum Market Cap ($ mil.)	30,370	22,064
Number of holdings	39	796
Valuation		
P/E current year	17.2	18.8
P/E forecast Y1	18.0	17.5
P/B	1.9	3.1
P/S	0.8	1.5
Yield (%)	1.4	2.6
Valuation drivers		
ROE (%)***	11.4	15.0
LT eps growth forecast (%)	11.0	11.8

Source: The Applied Finance Group™
**Note:* Excludes OSH and OSHSP positions which are less than 0.1% weights.
***Note*: Arete currently does not subscribe to the Russell Indexes and therefore the statistics presented here represent approximations of the Russell Midcap® Index.

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, many fund managers attempt to beat their benchmark by timing the market and/or migrating style. These tactics 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.

Sector exposure (percent of assets on 09/30/12)

Economic sector	Arete MCC*	Midcap Index**	Percentage Comparison
Consumer Discretionary	10.5	17.4	60.2%
Consumer Staples	3.2	6.1	52.8%
Energy	5.1	7.3	69.8%
Financial Services	12.0	21.4	56.1%
Health Care	8.1	9.5	85.0%
Materials & Processing	6.1	6.9	88.2%
Producer Durables	9.9	12.6	78.8%
Technology	7.3	11.8	61.9%
Utilities	4.7	7.0	67.2%
Equity exposure	66.9	100.0	
Cash and equivalent	33.1	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.

Portfolio characteristics for the quarter continue to confirm that AMCC is a very representative mid cap portfolio. Market caps for AMCC are extremely similar to the mid cap index and with the clear exception of yield, AMCC is cheaper. ROE is noticeably lower, but is subject to many distortions and has not been especially reliable.

Sector exposures were all below benchmarket weights due to the high cash position, but within our general guidelines of 50% - 150% of benchmark weights. Two sectors are currently very close to guideline minimums including Consumer Staples and Financial Services. While we always target best ideas in our research process, we will also be sensitive to these underweights as we deploy cash in upcoming quarters.

Transactions review – Arete Mid Cap Core

There were no major transactions in the quarter, but there was one minor one. Sears Holdings distributed a rights offering for a new company that will contain its Hometown and outlet stores. While the stock will be modestly attractive, it will also be considerably smaller than our guideline minimum of $1 billion for a mid cap stock. As a result, we decided to reap the value of the rights by selling them rather than by exercising them and investing incrementally in a small cap company.

Market Overview

The third quarter was characterized by relatively strong returns, and significant short-term trading activity around economic statistics and macro news. These conditions have prevailed most of the past two years due to the Fed's continued commitment to quantitative easing.

While it is tempting to see rising stock prices as evidence of economic and financial improvement, we see something very different. Our valuation work and fundamental research shows that stock market prices continue to be meaningfully separated from intrinsic values on both the positive and negative sides.

We aren't the only ones seeing this. In a recent article in the *Financial Times*, Mohamed El-Erian from PIMCO described, "Essentially, the Fed is inserting a sizeable policy wedge between market values and underlying fundamentals . . . In the process, many asset prices have been taken close to what would normally be regarded as bubble territory, with some already there."

As stocks have run up, so has interest in gaining exposure to markets in classical herd behavior. Significant inflows continue to be booked by exchange traded funds (ETFs) and other passive vehicles. Conversely, virtually no active managers are outperforming right now and money continues to flow out of active funds.

Given these observations, what should long-term investors be doing? Some nuances of the investment landscape can be better understood by analyzing the Fed's actions, intent, and rationale in a critical light.

For example, we know, based on Chairman Bernanke's own statements, that he believes money easing will inflate stock prices and that higher stock prices increase consumption due to the "wealth effect".

Certainly, traders have been compelled to bid up prices in response to the Fed's easing based on the conventional wisdom, "Don't fight the Fed". Not only has the Fed signaled its intention of wanting higher stock prices, but rock-bottom interest rates provide virtually no opportunity costs for speculators interested in taking a flier. As a result, short-term trading activity has been a prominent feature of market activity since the Fed began its major interventions.

So, one message for long-term investors is: understand that most prices are being set by short-term interests which are often very different than yours.

We also argue that the effort to invoke the wealth effect by inflating stock prices misses a very basic reality: Houses are by far the most important asset for the vast majority of individuals. Stocks aren't even close. And we know that on average, home equity has crashed over the last thirty years.

Households with mortgages had equity in their homes of almost 50 percent of the house's value, on average, in the early 1980s (Gary Shilling, *The Age of Deleveraging*). The most recent figure for home equity, reported in Shilling's October 2012 *Insight* newsletter, is less than half that at 20.5%. Further, almost a quarter of mortgages are under water. Shilling reports concisely, "median net worth of families fell 39% in these years [from 2007 – 2010]."

As a result, we suspect that many households are no longer in a position in which they feel they can take risks with investments. They simply can't afford to lose any more. In other terminology, they have lost their "animal spirits". Given the massive decline in housing and two market crashes in the last twelve years, we also suspect many have lost faith in institutions such as the Fed to improve their lot in life.

In light of this analysis, it's a fair question to ask: Why would the Fed continue pursuing such an extreme and experimental monetary policy (and it is extreme!) in light of compelling evidence that it is ineffective and perhaps even counterproductive?

We believe this question leads to the one of the most important and least appreciated elements of the current investment landscape. While bank lending remains weak, it is well known and documented. What is far less appreciated is that other forms of credit provided by the shadow banking system are continuing to unravel. In short, a big part of the reason the Fed is flooding the system with money is to offset the losses from shadow banking.

Without getting into the details, many aspects of shadow banking are the deals referenced by incomprehensible acronyms like CMBS, ABS, RMBS, etc. One of the key features of shadow lending is that it adds credit to the system without any reserves backing it up. This worked beautifully as asset prices kept going up. Once that stopped, however, the gig was up. Further, the shadow banking system is not trivial; it accounts for several trillions of dollars of credit. Since it started drying up in 2007, it has created a massive vacuum of demand in the economy. This is the hole the Fed is trying to fill with quantitative easing.

This insight really helps define the problem for investors now. We aren't dealing with a little incremental fix here or there. The Fed is trying to offset the loss of trillions of dollars of credit by printing money. In doing so, it is balancing the risk of a sudden and substantial loss of demand if it replaces credit too slowly vs. the risk of inflation if it prints too much money or fails to withdraw it soon enough when things pick up again.

Another message for long-term investors, then, is: In the face of strong headwinds of deleveraging, be very leery of substantial, and sustained, increases in demand any time soon.

As a result, our view of the market is nuanced. On one hand, we believe the job of balancing a recovery without help from complementary fiscal policy will be fraught with danger. Shorter-term trading activity has bid a great number of stocks up well past reasonable targets making them unattractive. Further, we have been shocked by the almost complete absence of considerations for the fiscal cliff or for financial market dislocation in calendar 2013 earnings estimates.

On the other hand, there are a number of stocks which currently discount financial disaster, which is unlikely to happen. The magnitude of disparity normally spells significant opportunity for active, valuation-based investors, although the opportunity has proven elusive in this market. We will be watching for evidence that the market is ready to acknowledge valuation/fundamentals disparities with third quarter earnings.

Finally, as is so often the case in the capital markets, the thing that you really want for the next ten years is very different than what has been exciting for the last couple of years. Looking forward, we think Treasuries will perform miserably and simple index exposure to the stock market will have its own dangers. Although Fed policy can certainly forestall things for some period of time, we believe conditions are setting up for a very profitable new age of active, valuation-based management.

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 per year, net of fees, over the course of a market cycle.

Our target of 200-400 basis points of outperformance is based upon our experience with the strategy and upon our judgment of value creation. The primary metric we use to judge value creation is the information ratio. The information ratio compares a portfolio's excess return to its risk as measured by tracking error. Our goal is to outperform by a large enough margin relative to risk to clearly merit the cost in time and resources to evaluate investing with us.

Stock performance* (6/30/12 - 9/30/12)

Best performers

Company	Return in quarter (%)
Shaw Group	59.7
Foster Wheeler	38.3
Dex One Corp	35.1
Thor Industries	32.5
Oshkosh Corp	30.9

Worst performers

Company	Return in quarter (%)
NII Holdings	-23.5
Eastman Kodak	-16.6
AES Corp	-14.5
TD Ameritrade	-9.6
Peabody Energy	-9.1

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

Arete's Mid Cap Core (AMCC) strategy returned 4.93% (net of fees) for the quarter versus 5.59% for the Russell Midcap Index® (RMC) (see pages 10 – 12 for performance and related disclosures). Although the portfolio as a whole modestly underperformed the index, strong stock performance significantly offset the drag of the large cash position in an up market.

Among the top performers several company-specific factors were at work. SHAW received a takeout offer from Chicago Bridge and Iron, DEXO announced a merger agreement with Supermedia, and THO announced strong results for their fourth quarter. The improvement for both FWLT and OSK weren't related to any material company-specific news, but were undoubtedly assisted by extremely low valuations.

The story of the underperformers had more to do with negative momentum than any company news. NIHD, EKDKQ, and BTU all continued to perform poorly based on news that has long since been discounted. AMTD was likely hurt by the Fed's decision to extend quantitative easing as their profitability is sensitive to interest rate spreads.

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 - September 30, 2012

Period	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 ($)
2008*	-37.97	-38.16	-35.01	3	NA	207,031	207,031	100%	207,031
2009	48.63	47.83	40.48	3	NA	471,867	471,867	100%	673,806
2010	16.86	15.78	25.48	3	NA	546,315	546,315	100%	877,368
2011	-8.20	-8.88	-1.55	3	NA	497,767	797,767	100%	897,918
2012									
January	5.55	5.09	6.06	3	NA	523,081	523,081	100%	936,465
February	4.32	4.32	4.15	3	NA	545,671	545,671	100%	970,094
March	0.50	0.50	2.24	3	NA	548,446	548,446	100%	973,638
April	-1.67	-1.67	-0.33	4	NA	760,009	760,009	100%	958,759
May	-5.31	-5.54	-6.71	4	NA	717,926	717,926	100%	913,063
June	2.31	2.31	2.81	4	NA	734,538	734,538	100%	930,858
July	0.08	-0.18	0.23	4	NA	733,237	733,237	100%	929,838
August	3.16	3.16	3.15	4	NA	756,435	756,435	100%	955,123
September	1.89	1.89	2.12	4	NA	770,744	770,744	100%	970,296
Q1	10.65	10.17	12.94	3	NA	548,446	548,446	100%	973,638
Q2	-4.74	-4.97	-4.40	4	NA	734,538	734,538	100%	930,858
Q3	5.19	4.93	5.59	4	NA	770,774	770,774	100%	970,296
YTD	10.88	9.86	14.00	4	NA	770,744	770,744	100%	970,296

**Note*: Peformance through 12/31/08 is from inception of composite on 7/31/08.
***Note*: Two new accounts contributed additional funds which were not at least 90% invested by the end of the quarter.
Per our rules for inclusion, these accounts were excluded from the composite and will be added once the funds are fully invested.

Arete Asset Management Mid Cap Core performance composite disclosures follow:

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. Every new portfolio is added to the composite in the first complete calendar month that it is "fully invested". For purposes of composite construction, a portfolio is "fully invested" if its equity composition is greater than 90% of the equity composition of the composite. Each portfolio will remain in the composite until its equity composition becomes less than 90% of that of the composite. A complete list and description of firm composites is available upon request.

*As of March 31, 2012, the composite has been redefined in order to clarify policy in light of unusually high cash positions recently. Prior to March 31, 2012, a portfolio was considered to be "fully invested" if greater than 90% of portfolio assets were invested in equity securities which implicitly assumed a nearly 100% equity position in the composite.

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.