

**Part 2A of Form ADV: *Firm Brochure***

**American Fundstars Financial Group LLC**

**(Primary Business Name: American Fundstars)**

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This Brochure provides information about the qualifications and business practices of American Fundstars Financial Group LLC (primary business name: American Fundstars). If you have any questions about the contents of this Brochure, please contact us at 949-877-8838 and [daniel.feng@americanfundstars.com](mailto:daniel.feng@americanfundstars.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

American Fundstars Financial Group LLC is registered with the SEC as both an investment adviser and a broker-dealer and is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). Registration of an investment adviser does not imply any level of skill or training.

Additional information about American Fundstars also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for American Fundstars is 315860.

## **Item 2: Material Changes**

American Fundstars has updated Item 4 to include International Fees.

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## Item 4: Advisory Business

### Description of Advisory Firm

American Fundstars Financial Group LLC (primary business name: American Fundstars) is an investment adviser registered with the SEC. This disclosure brochure is being provided to you pursuant to Section 204 of the Investment Advisers Act of 1940, as amended (“Advisers Act”). American Fundstars is also registered with the SEC and FINRA as a broker dealer. In addition, American Fundstars is an insurance agency licensed with California Department of Insurance (doing business as American Fundstars Insurance Agency).

The principal owner of American Fundstars is American Stars Group, Inc.

American Fundstars has \$332,687,583 client assets under management as of, December 23, 2025, of which \$18,890,309 is managed on a discretionary basis and \$313,797,274 is managed on a non-discretionary basis.

This brochure, including any brochure supplement, is intended for those clients to whom American Fundstars provides investment advisory services. Investors in any fund advised by American Fundstars or any affiliate should rely on the fund’s offering materials, and may therefore refer to this brochure, or any brochure supplement, for informational purposes only.

### Types of Advisory Services

American Fundstars provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. We take the following steps to create and manage an investment portfolio for a client:

1. Create Investor Profile. We meet and personally discuss with a client to understand the client’s particular circumstances so that we can establish goals and objectives of the client. During the process, we will determine the client’s individual objectives, time horizon, risk tolerance, and liquidity needs. We also review and discuss a client’s prior investment history, family composition and background. We input these detailed financial information and pertinent data on a risk profile worksheet to enable us to determine the appropriate investment guidelines, risk tolerance and other factors that will be useful in determining suitability of investments.
2. Portfolio Management Selection. Once the investor profile and analysis are completed, we will develop an investment strategy with the client to address specific investment styles and allocation of client’s assets and create and manage an investment portfolio for the client. We diversify the client’s portfolio. Investments are determined based upon the client’s investment objectives, risk tolerance, net worth, net income and other various suitability factors. We manage the client’s accounts on an individualized basis. Clients may impose investment restrictions and guidelines. Therefore, performance of portfolios with the same investment objective may differ among clients of American Fundstars.

Each private commingled fund (the “American Fundstars Advised Funds”) advised by American Fundstars is managed in accordance with its investment guidelines, restrictions and is generally not tailored to address the specific investment objectives or circumstances of any fund investor. Accordingly, an investment in such fund does not, in and of itself, create an advisory relationship between the investor and American Fundstars.

### **Third-Party Advisers**

In addition to creating and managing clients’ portfolios and advising American Fundstars Advised Funds, we also use third-party advisers. We have entered into agreements with various non-affiliated investment advisers to offer asset allocation and asset management services to our clients. We assist the client in choosing appropriate investment advisers based on investment objectives, setting investment restrictions and limitations, and reviewing the performance of investment advisers at least quarterly. American Fundstars may receive compensation from non-affiliated investment advisers in exchange for introducing clients to them. Compensation to American Fundstars may be in the form of a percentage of the fee charged to the client by the non-affiliated investment adviser for its services. These fees will usually be calculated as a percentage of assets under management. The relationship with the non-affiliated investment advisers will be clearly communicated to all clients in a disclosure statement provided by the non-affiliated investment adviser and/or American Fundstars.

We will monitor the performance of the non-affiliated investment advisers. If we determine that a particular investment adviser is not providing appropriate investment management services to the client, we will raise the issue with the adviser and may advise the client to change investment advisers, but ultimately, whether to stay with an existing investment adviser or change to a new investment adviser will be solely at the discretion of the client.

### **Wrap Fee Programs**

American Fundstars does not participate in or sponsor any wrap fee programs.

### **Conflicts of Interest Disclosure (California Code of Regulations (CCR) Section 260.238(k))**

California requires investment advisers to disclose to clients and prospective clients the potential conflicts of interest between themselves and their client’s best interest (CCR Section 260.238(k)). A material conflict of interest exists when the firm, its representatives or its employees could reasonably be expected to be impaired in rendering unbiased or objective advice. Conflicts of interest generally include compensation arrangements, other industry activities or affiliations or participation in client transactions.

For clients who are being introduced to non-affiliated investment advisers, we will disclose to them that a material conflict exists between the interests of our firm and the interests of our client, because we may receive compensation from non-affiliated investment advisers in exchange for introducing clients to them. The client is under no obligation to act upon our recommendation. If

the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through our firm.

## Item 5: Fees and Compensation

Please note, unless a client has received the firm's Brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees. Our standard advisory fee will be based on the market value of the assets under management and complexity of the advisory program.

Our standard advisory fees are as follows:

Account Asset Value	Annual Advisory Fees	Fixed Income Portfolio
\$0 - \$99,999	1.50%	0.65%
\$100,000 - \$249,999	1.40%	0.60%
\$250,000 - \$499,999	1.30%	0.55%
\$500,000 - \$999,999	1.20%	0.50%
\$1,000,000 - \$1,999,999	1.00%	0.40%
\$2,000,000 - \$4,999,999	0.90%	0.35%
\$5,000,000 - \$9,999,999	0.80%	0.35%
\$10,000,000 - \$24,999,999	0.70%	0.30%
\$25,000,000 - \$49,999,999	0.55%	0.30%
\$50,000,000 - \$99,999,999	0.40%	0.25%
\$100,000,000 and above	0.35%	0.25%

The annual advisory fees are negotiable, prorated, and paid monthly in arrears based on the fair market value of the account on the last trading day of the previous month. Any increase to the advisory fees will require written consent from the client. Advisory fees will be directly debited from client accounts or by separate payment from the client. Accounts initiated or terminated during a calendar month will be charged a pro-rated fee. An account may be terminated with 30 days' prior written notice. Due to advisory fees payment in arrears, no refund will be needed upon termination of advisory services.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses imposed by custodians, brokers, and other third parties. Mutual fund, exchange-traded funds and private funds also charge management fees and other fees, which are disclosed in a fund's prospectus or private placement memorandum.

For international accounts, we charge a one-time consulting fee for initial consultation and account maintenance. The fee for individual accounts is \$599; for organization accounts the fee is \$799.

We may charge performance-based fees to accredited investors and qualified clients. See Item 6 of this Brochure.

Item 12 of this Brochure further describes the factors that we consider in selecting or

recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

The American Fundstars Advised Funds pay management fees to American Fundstars. Please refer to the applicable offering documents, subscription agreement and/or other governing document of the American Fundstars Advised Funds for information about fees and expenses with respect to the American Fundstars Advised Funds.

### **Third-Party Advisers**

For clients introduced by American Fundstars to third-party advisers, American Fundstars may receive compensation from third-party advisers in the form of a percentage of the fees that third-party advisers received from such introduced clients. Client advisory fees are not increased in any way as a result of our referral of any clients to a third-party adviser. We may receive up to 50% of the advisory management fee paid by the client to the third-party adviser.

Fees received from third-party advisers are generally paid to American Fundstars within 30 days after third-party advisers collect such fees from the client. Fees are charged in arrears at the end of every month. All refunds of fees paid under these advisory referral programs must be obtained directly from the third-party adviser, not from American Fundstars. Clients should refer to the third-party adviser's disclosure documents for information regarding their fees, billing practices, minimum required investments and termination of advisory agreement.

### **Investment Funds**

In addition to the American Fundstars Advised Funds, American Fundstars may also recommend that clients invest in investment funds unaffiliated with us. If clients follow our recommendations, in addition to payment of our advisory fees, clients will also indirectly pay to the investment fund or its advisers or administrators the client's pro rata share of certain fees and payments associated with the management, operation or distribution of the investment fund, including but not limited to distribution fees, shareholder servicing fees, "revenue share" payments, finder's fees, fund management fees, and custodial fees, which are directly paid by the fund or its adviser but are, in whole or in part, ultimately borne by the fund's shareholders.

Certain mutual funds pay their distributors fees pursuant to Rule 12b-1 under the Investment Company Act of 1940 (a "12b-1 fee"). Like other fees paid by a mutual fund, a 12b-1 fee has the effect of reducing the investment returns on the mutual fund held by the investors in that fund. Investment advisers are incentivized to recommend share classes that pay 12b-1 fees to them or their affiliated broker-dealers over share classes that pay lower or no 12b-1 fees, which represents a conflict of interest for the investment advisers. However, American Fundstars generally does not intend to utilize for client accounts mutual fund share classes that pay American Fundstars 12b-1 fees; in the event that American Fundstars does receive 12b-1 fees from a mutual fund attributable to shares of the fund held in a client account, American Fundstars will credit those 12b-1 fees to that account.

An investment fund may offer several "classes" of shares, with each "class" charging different fees and costs. Please review the investment fund's prospectus or private placement memorandum for a detailed description of the fund's fees and expenses. Certain lower cost investment fund share

classes may be available through a financial services firm other than American Fundstars. American Fundstars cannot offer any assurance that clients will be invested in the lowest cost share class available.

### **Broker Dealer Business**

American Fundstars is registered with the SEC and FINRA as a broker dealer and offers brokerage service to retail investors primarily through offerings of private securities, traditional retail brokerage services, which typically include the buying and selling of publicly traded stocks, bonds, mutual funds, and ETFs. As a result, clients will pay traditional brokerage fees to American Fundstars. American Fundstars can also be engaged as an underwriter or selling group participant, where, based on their role, will be paid a fee or commission. As the placement agent for a private offering or private placement, all fees and commissions are borne by the issuer of the securities (i.e., the company conducting the private placement). However, any commissions or fees paid by the issuer can ultimately be attributed back to the investor. Clients should carefully read all documentation provided to them by the issuer (i.e., private placement memorandum, limited partnership agreement, etc.) and be aware of all fees and carried interest (if applicable) that will be charged by the issuer with respect to their investment in the issue. American Fundstars will be participating in the EB-5 immigrant investor program.

### **Consulting Business**

American Fundstars may provide consulting services to corporations that want to become public company in the United States of America under the applicable U.S. Securities laws. American Fundstars will conduct due diligence on these corporations, advise them on business plan and capital structure, facilitate engagement of qualified professional firms including law firms, auditors, and other service providers, and assist the corporate clients in the process of becoming public companies. American Fundstars will be paid a fixed fees for such consulting services.

### **Insurance Agency**

American Fundstars is an insurance agency licensed with California Department of Insurance (license # 6005918) (doing business as American Fundstars Insurance Agency) and is able to offer accident and health insurance and life insurance coverage to interested parties through various unaffiliated insurance companies where American Fundstars receives commission or renewal payments from the issuer on a client's purchase of an insurance contract. American Fundstars will recommend insurance products to clients. This may create a material conflict since American Fundstars could generate insurance-related commissions from advisory clients by offering to sell insurance products to them. The receipt of commissions and other compensation on insurance products gives American Fundstars an incentive to recommend investments based on the compensation we receive on insurance products rather than on the client's needs.

To address this conflict, American Fundstars will disclose (in advance of an advisory service) the capacity in which we are serving a client, including the potential or actual conflict of interest the service to be provided may incur. We will provide the client/prospective client with Form ADV Part 2A and 2B (and Form CRS if the client/prospective client is a retail investor) which will reference our services or advice to be offered. American Fundstars takes its responsibilities seriously and only recommends investments and advisory services believed appropriate for the



client. In addition, at no time will there be tying between business practices and/or services, i.e., a condition where a client or prospective client would be required to accept one product or service which is conditional upon the selection of a second distinctive tied product or service. No clients are under obligation to purchase insurance products through American Fundstars. They can purchase insurance products through other insurance agents or insurance brokers.

#### **Disclosure on Lower Fee Alternatives (CCR Section 260.238(j) Disclosure)**

Please note, lower fees for comparable services may be available from other sources.

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

We may charge fees based on a share of capital gains or on capital appreciation of the assets of a client. Performance-based fees will only be charged to accredited investors (as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”)) and qualified clients (as defined in Rule 205-3 of the Advisers Act) and in accordance with the provisions of CCR Section 260.234.

Performance-based compensation may create an incentive for American Fundstars to recommend an investment that may carry a higher degree of risk to the client.

If a client is both an accredited investor and a qualified client, with the client’s consent, the client’s account (the “Account”) may be charged performance fees (the “Performance Fees”) based on a share of capital gains or on capital appreciation of the Account. The Performance Fees will be up to 20% of Net New Profit (defined below) in respect of the Account. “Net New Profit” of the Account is the amount (if any) by which the net asset value of the Account as of the end of each calendar year or as of the date on which client receives a withdrawal or distribution from the Account (an “Performance Fee Calculation Date”) exceeds (i) the High Water Mark (defined below) for the Account, plus (ii) the Hurdle Amount (defined below) as of such Performance Fee Calculation Date. The “High Water Mark” for the Account is the net asset value of the Account immediately after the charge of the most recent Performance Fee or, if the Account has never been charged a Performance Fee, the starting value of the Account. The “Hurdle Amount” is an amount that would provide a three percent (3%) annual rate of return from the date on which a Performance Fee was most recently charged to the Account. If a withdrawal is made from the Account at a time when the balance of the Account is at or below its High Water Mark, the High Water Mark for the Account will be decreased pro rata (in the same proportion as the amount of the withdrawal bears to the balance of the Account immediately before such withdrawal). The High-Water Mark for the Account will be increased pro rata for any additional contributions to the Account (in the same proportion as the amount of the additional contribution bears to the balance of the Account immediately before such additional contribution). Although the High-Water Mark for the Account carries forward from year to year until exceeded, American Fundstars is not required to “repay” any Performance Fee paid to it in respect of the Account in the event the Account subsequently declines in value. The Performance Fees are negotiable and paid annually in arrears. Any increase to the Performance Fees will require written consent from client. The Performance Fees will be directly debited from the Account or by separate payment from client.

## **Item 7: Types of Clients**

We provide portfolio management services to individuals, high net-worth individuals, trusts, charitable organizations and corporations or other businesses.

Our minimum account size requirement is \$50,000, which may be waived at the firm's sole discretion.

We also provide investment advisory service to the American Fundstars Advised Funds.

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

### **Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and managing client assets:

#### **Fundamental Analysis**

We attempt to measure the intrinsic value of a security by examining related economic and financial factors, from macroeconomic factors such as the state of the economy and industry conditions to microeconomic factors like the effectiveness of the company's management. Our goal is to determine if the security is undervalued (indicating it may be a good time to buy) or overvalued (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

#### **Technical Analysis**

We evaluate investments and identify trading opportunities by analyzing statistical trends gathered from trading activity, such as price movement and volume. We use technical analysis to generate short-term trading signals from various charting tools and evaluate a security's strength or weakness relative to the broader market or one of its sectors.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk that a poorly managed or financially unsound company may underperform regardless of market movement.

### **Cyclical Analysis**

In this type of method, we apply statistical analysis of specific events occurring at enough regular intervals in an attempt to predict the price movement of the security.

### **Risks for all forms of analysis**

Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we will watch for indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **Investment Strategies**

We will apply a flexible and opportunistic investment approach in managing client accounts and evaluate current attractiveness of various investment classes, including equities, bonds, mutual funds, exchange-traded funds, speculative investments and cash equivalents, provided that such approach is appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons. The following investment strategies will be used:

### **Buy and Hold**

Under the buy and hold investment strategy, we purchase securities and hold them for a long period regardless of fluctuations in the market. We will actively select investments but has no concern for short-term price movements and technical indicators.

A risk with the buy and hold strategy is that by holding the security for a long period, we may not take advantage of the opportunity to sell at optimal times. In addition, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

### **Short-Term Trading**

Under the short-term trading investment strategy, we will follow the short-term price fluctuations of securities closely and attempt to buy low and sell high.

A risk with short-term trading is that the price of a security may not recover from a downswing within the time frame we anticipated and may in fact drop further in price. In addition, frequent trading will involve more transaction expenses and any profits from short-term trading will be taxed at a rate higher than long-term capital gains.

### **Short Sales**

Under this investment strategy, we speculate on the decline in a security's price or hedge against the downside risk of a long position in the same security or a related one. In speculative short selling, we borrow shares of a stock for your portfolio from someone who owns the stock on a

promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

### **Margin Transactions**

With this investment strategy, we will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stocks than you would be able to with your available cash and allows us to purchase stocks without selling other holdings.

### **Risk of Loss**

The business of investing in securities is highly competitive, and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear. Many of these risks apply equally to stocks, bonds, commodities, and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** All investments in securities and other financial instruments involves substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond our control, such as: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; and changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements. Unexpected volatility or illiquidity in the markets in which the client's account holds positions could impair our ability to achieve the investment objectives for the client and cause the client's account to incur losses.

**Long Positions:** The success of the long positions established for the client's account by American Fundstars depends in large part on our ability to accurately assess the fundamental value of those positions. An accurate assessment of fundamental value depends on a complex analysis of a number of financial and legal factors. No assurance can be given that we will be in a position to assess the nature and magnitude of all material factors having a bearing on the value of the long positions in the client's account, or that we will be able to accurately assess the impact of all factors.

**Short Sales:** Selling securities short is part of our investment strategies. A short sale is effected by selling a security which a client account does not own or selling a security which the client account owns but which it does not deliver upon consummation of the sale. In order to make delivery to the buyer of a security sold short, the client account must borrow the security. In so doing, it incurs the obligation to replace that security, whatever the security's price may be, at the time it is

required to deliver the security to the lender. The client account must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the security necessary to cover the short position will be available for purchase by the client account. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by the client account. Furthermore, the client account may prematurely be forced to close out a short position if a counterparty from which the client account borrowed securities demands their return, resulting in a loss on what might otherwise have been a profitable position.

**Exchange Traded Fund (ETF) Risk:** Although the ETFs in which the client's account may hold are listed for trading on a listing exchange, there can be no assurance that an active trading market for such ETFs will be maintained. Secondary market trading in ETFs may be halted by an exchange because of market conditions or for other reasons. In addition, trading in ETFs is subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules. These restrictions on trading may impede our efforts to effect our investment strategy. ETFs may trade at, above or below their most recent net asset value ("NAV"). While ETFs' creation/redemption feature is designed to make it likely that an ETF's shares normally will trade close to its NAV, exchange prices are not expected to correlate exactly with a ETFs' NAV due to timing reasons as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme volatility may result in trading prices that differ significantly from NAV.

**Turnover Risk:** At times, an investment strategy we implement for a client's account may have a portfolio turnover rate that is higher than other investment strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the accounts' performance.

## **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Equity Securities:** Some of our investment strategies are based on attempting to predict the future price level of different equity or equity-related securities. Numerous inter-related and difficult to quantify economic factors, as well as market sentiment, and subjective and extraneous political climate-related and terrorist factors, influence the cost of equities. There can be no assurance that we will be able to predict future price levels correctly. If the directional equity positions in a client's account are leveraged, then even comparatively minor adverse market movements can result in substantial losses to the account.

**Debt Securities:** The debt securities in which a client's account will invest are interest-rate sensitive and may be subject to price volatility due to various factors including changes in interest rates, market perception of the creditworthiness of the issuer, and general market liquidity. Typically, the debt securities held in our client's account will be investment grade, but at the client's discretion, the account may also hold low investment grade or no investment grade debt securities, which are typically subject to greater market fluctuations and risks of loss of income and principal than lower yielding investment grade securities, and are often influenced by many of the same unpredictable factors which affect equity prices. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues. The client's investments in debt securities may experience substantial losses due to adverse changes in interest rates and the market's perception of issuers' creditworthiness.

**Private Investments and Illiquid Investments:** For our clients who are accredited investors and qualified clients, we may recommend investment in illiquid and restricted, as well as thinly traded, securities (including privately placed and restricted securities). There may be no trading market for these securities, and we might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, client's account may be required to hold such securities despite adverse price movements. In addition, if we make a short sale of an illiquid security, it may have difficulty in covering the short sale, resulting in a potentially unlimited loss on that position. We will value the illiquid securities in the client's portfolio using fair value principles.

## **Item 9: Disciplinary Information**

### **Criminal or Civil Actions**

American Fundstars and its management have not been involved in any criminal or civil action.

### **Administrative Enforcement Proceedings**

American Fundstars and its management have not been involved in administrative enforcement proceedings.

### **Self-Regulatory Organization Enforcement Proceedings**

American Fundstars and its management have not been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of American Fundstars or the integrity of its management.

## **Item 10: Other Financial Industry Activities and Affiliations**

American Fundstars is also registered with the SEC and FINRA as a broker-dealer. Clients should be aware that, when serving in the capacity of broker, American Fundstars may have an incentive to recommend investment products to a client based on commissions to be paid to American Fundstars rather than the needs of the client. Accordingly, clients should be aware that they have the option to purchase investment products recommended by American Fundstars through other brokers or agents not affiliated with American Fundstars.

American Fundstars acts in an advisory capacity to the American Fundstars Advised Funds for which an affiliate may act as manager. These arrangements are disclosed in each fund's offering document in accordance with any disclosure requirements. American Fundstars and its affiliates will receive management or advisory fees with respect to these services. These fees will be in addition to any advisory fees or other fees agreed between the investors in their capacities as clients and American Fundstars and its affiliates for investment advisory or other services. When American Fundstars recommends or invests advisory account assets in American Fundstars Advised Funds conflict of interests arise where American Fundstars and/or its affiliates may benefit from increased allocations to the American Fundstars Advised Funds, and certain affiliates of American Fundstars may receive advisory or other fees for services provided to such funds.

No American Fundstars employee is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor.

American Fundstars receives compensation directly from clients and from third-party advisers and from insurance companies as described in Item 5. As a broker dealer, American Fundstars may receive commissions from issuers of securities. American Fundstars does not receive compensation from any other outside source. Except for the conflict of interest involved in referring clients to third-party advisers as described in Item 4 and the conflict of interest created by the broker dealer business and insurance agency of American Fundstars as described in Item 5, we do not have any other conflicts of interest with any other outside party.

### **Insurance Agency**

American Fundstars is an insurance agency licensed with California Department of Insurance (license # 6005918) (doing business as American Fundstars Insurance Agency) and is able to offer accident and health insurance and life insurance coverage to interested parties through various unaffiliated insurance companies where American Fundstars receives commission or renewal payments from the issuer on a client's purchase of an insurance contract. Please refer to the disclosure in Item 5 on such activities.

### **Recommendations or Selections of Other Investment Advisers**

As referenced in Item 4 of this Brochure, American Fundstars recommends clients to non-affiliated investment advisers to manage their accounts. In the event that we recommend a non-affiliated investment adviser, please note that we may share in their advisory fees. You are not obligated, contractually or otherwise, to use the services of any non-affiliated investment adviser that we

recommend. Before selecting any third-party adviser for our clients, we will check the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) to make sure that the third-party adviser is properly licensed or registered as an investment adviser. We will also obtain representation from third-party advisers with respect to their status as properly licensed or registered investment advisers.

### **Disclosure of Material Conflicts**

All material conflicts of interest under CCR Section 260.238(k) are disclosed regarding American Fundstars, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

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

### **Code of Ethics**

As a fiduciary, our firm and its associates have a duty of utmost good faith to act solely in the best interests of each client. Our clients entrust us with their funds and personal information, which in turn places a high standard on our conduct and integrity. Our fiduciary duty is a core aspect of our Code of Ethics and represents the expected basis of all of our dealings. Pursuant to the requirements of the Advisers Act, American Fundstars has implemented a code of ethics (the "Code of Ethics"), which is available to clients at any time upon request, and is designed, among other things, to manage potential conflicts of interest arising in connection with personal trading and to ensure that personal trading of all American Fundstars officers, employees and partners (the "Access Persons") and knowledge of client transactions does not impermissibly disadvantage any client's account. Pursuant to the Code of Ethics, Access Persons must, among other things:

- place the interest of American Fundstars clients first and avoid activities, interests and relationships that might interfere with the duty to make decisions in the best interests of these clients;
- conduct all personal securities transactions in a manner consistent with the Code of Ethics and in such a manner as to avoid any actual, potential or perceived conflict of interest or any abuse of an individual's position of trust and responsibility;
- conduct all personal securities transactions in compliance with all applicable federal securities laws;
- not take inappropriate advantage of their positions to benefit themselves at the expense of Code of Ethics clients.

Access Persons are prohibited from engaging in fraudulent personal trading activities such as "front running" or "scalping," which involve trading in a personal securities account on the basis of the anticipated market effect of trades for American Fundstars clients.



We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all Access Persons to attest to their understanding of and adherence to the Code of Ethics at least annually.

### **Participation in Client Transactions and Personal Trading**

Our firm and related persons will not engage in principal transactions or agency cross transactions. Except for the personal trading practices described below, our firm and related persons will not recommend to clients or buy or sell for clients' accounts investments in which our firm or any related person has a material financial interest.

Our firm and related persons may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related persons may have an interest or position in certain securities which may also be recommended to a client.

If our firm and related persons invest in the same securities, or related securities, e.g., warrants, options or futures, which we recommend to clients, we will avoid front-running by entering our own trade not less than 3 hours after our clients' trade had been entered at first.

### **Churning Trade Avoidance**

We will keep the turnover rate at a reasonable level rather than frequently churning our clients' assets to seek our own interests. If a client considered him/herself to be a speculative investor which might result in relatively high-frequency trading activities in his/her account, we will recommend a flat-fee program as a solution and also remind the potential risks of those activities to the clients for their best interests.

### **Reg-BI Suitability**

Prior to any solicitation about investment proposal, we will fully understand clients' financial conditions so as to only solicit suitable investment solutions to meet their investment objectives. We will also monitor our clients' portfolio in terms of returns, volatility and liquidity in needs on a regular basis.

## **Item 12: Brokerage Practices**

### **Factors Used to Select Custodians and/or Broker-Dealers**

American Fundstars does not have any affiliation with any broker-dealers. Specific custodian recommendations are made to the client based on their need for such services. We recommend custodians based on the reputation and services provided.

#### **1. Research and Other Soft-Dollar Benefits**

We receive soft dollar benefits. All the soft dollar benefits we receive are eligible “research or brokerage services” under section 28E of the Securities Exchange Act of 1934.

## **2. Brokerage for Client Referrals**

We receive no referrals from a broker-dealer in exchange for using that broker-dealer.

## **3. Clients Directing Which Broker/Dealer/Custodian to Use**

While we recommend a specific custodian for clients to use, clients may custody their assets at a custodian of their choice. Clients may also direct us to use a specific broker-dealer to execute transactions. By allowing clients to choose a specific custodian, we may be unable to achieve the most favorable execution of client transactions, which may be more expensive to clients, compared to using a lower-cost custodian.

### **The Custodians and Brokers We Use (Charles Schwab and Interactive Brokers)**

The custodians and brokers we use maintain custody of your assets that we manage, although we may be deemed to have limited custody of your assets due to our ability to withdraw fees from your account (see Item 15 – Custody, below).

We recommend that our clients use Charles Schwab & Co., Inc. (“Schwab”) and Interactive Brokers (“IB”), each a registered broker-dealer, member SIPC, as the qualified custodians. We are not affiliated with Schwab or IB. Schwab or IB will hold your assets in a brokerage account and buy and sell securities with our instruction. Unless clients direct us to use a specific custodian broker, we will use Schwab and/or IB as custodian broker. You will open your account with Schwab and/or IB by entering into an account agreement directly with them. We do not open the account for you, although we will assist you in the account opening process. Even though your account is maintained at Schwab or IB, we can still use other brokers to execute trades for your account as described below (see “Your brokerage and custody costs”).

### **How we select brokers/custodians**

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are overall most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services

- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below (see “Products and services available to us from Schwab and IB”)

### **Your brokerage and custody costs**

For our clients’ accounts that Schwab or IB maintains, Schwab and IB generally do not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab or IB account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab or IB commissions or transaction fees. Schwab and IB are also compensated by earning interest on the uninvested cash in your account in Schwab’s or IB’s cash program.

### **Products and services available to us from Schwab and IB**

Both Schwab and IB have platforms for independent investment advisory firms like us, namely Schwab Advisor Services and IB Advisor Portal. They provide our clients and us with access to their institutional brokerage services (trading, custody, reporting and related services), many of which are not typically available to their retail customers. Schwab and IB also make available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s and IB’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. Following is a more detailed description of their support services:

#### **Services that benefit you**

Schwab’s and IB’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab and IB include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s and IB’s services described in this paragraph generally benefit you and your account.

#### **Services that may not directly benefit you**

Schwab and IB also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s or IB’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab or IB. In addition to investment research, Schwab and IB also make available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements)

- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide pricing and other market data
- facilitate payment of our fees from our clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

### **Services that generally benefit only us**

Schwab and IB also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession do not require that you maintain your account with Schwab or IB, based on our interest in receiving Schwab's or IB's services that benefit our business and Schwab's or IB's payment for services for which we would otherwise have to pay rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab and IB as custodians and brokers is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's and IB's services (see "How we select brokers/ custodians") and not Schwab's or IB's services that benefit only us.

### **Aggregating (Block) Trading for Multiple Client Accounts**

Third-party investment advisers used by American Fundstars may block client trades at their discretion. Their specific practices are further discussed in their ADV Part 2A, Item 12.

## **Item 13: Review of Accounts**

Fan Feng, Founder and CEO of American Fundstars, and other qualified and registered investment advisors, will work with clients to obtain current information regarding their assets and investment holdings and will review this information as part of our advisory services.

Client accounts will be reviewed on an annual basis by Fan Feng or other qualified and registered investment advisors. The account is reviewed with regards to the client's investment policies and risk tolerance levels. Some events may trigger a special review, such as unusual performance, addition or deletions of client imposed restrictions, excessive draw-down, volatility in performance, or buy and sell decisions from American Fundstars or per client's needs.

Clients will receive trade confirmations from the broker(s) for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodians showing all activity in the accounts, such as receipt of dividends and interest.

## **Item 14: Client Referrals and Other Compensation**

We receive an economic benefit from Schwab and IB in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab or IB. In addition, Schwab and IB have also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at Schwab or IB reaches a certain size. You do not pay more for assets maintained at Schwab or IB as a result of these arrangements. However, we benefit from the arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab or IB, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices).

For clients who are being introduced to non-affiliated investment advisers, we will receive compensation from non-affiliated investment advisers in exchange for introducing clients to them. Please see Item 4 of this Brochure.

As a broker dealer, American Fundstars will receive commissions from the issuers of the securities. American Fundstars and its affiliates receive advisory and management fees from American Fundstars Advised Funds. American Fundstars may receive fixed fees from corporations that want to become public company in the United States of America. As an insurance agency, American Fundstars will receive commission or renewal payments from insurance companies on clients' purchase of insurance contracts. Please see Item 5 of this Brochure.

Aside from the benefits outlined above, we do not receive any economic benefit, directly or indirectly, from any other third party for advice rendered to our clients.

We may pay referral fees to affiliated or unaffiliated persons or entities that refer clients to us. Such referral arrangements are designed to comply with applicable provisions of the California regulations and federal regulations. The fees paid to any such solicitors will typically consist of a payment as a percentage of assets under management. The compensated persons are properly registered as solicitors and meet the qualification requirements or qualify for applicable waiver or exemption as provided under CCR 260.236.

## **Item 15: Custody**

American Fundstars does not accept custody of client funds.

Unless clients agree to pay our advisory fees separately, we will directly debit the advisory fees as follows:

- i. The custodian will send at least quarterly statements to the client showing all disbursements for the account, including the amount of the advisory fee.

- ii. The client will provide written authorization to American Fundstars, permitting us to be paid directly from their accounts held by the custodian.

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16: Investment Discretion**

American Fundstars offers investment advisory services on both a discretionary and non-discretionary basis. For client accounts managed on a discretionary basis, we maintain discretion over client accounts with respect to securities to be bought and sold, amount of securities to be bought and sold, and American Fundstars will not give advance notice or seek the client's consent for any changes to the portfolio. For client accounts managed on a non-discretionary basis, American Fundstars must obtain the client's consent before executing each transaction.

Investment discretion is explained to clients in detail when an advisory relationship has commenced. The discretionary relationship will be outlined in the advisory contract and signed by the client.

## **Item 17: Voting Client Securities**

We do not vote client proxies. Therefore, clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the client's investment assets. The client must instruct the client's qualified custodian to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this Brochure.

## **Item 18: Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

We do not have custody of client funds or securities or require or solicit prepayment of more than \$500 in fees per client six months in advance.