

## Part 2A of Form ADV: Firm Brochure

Item 1

### Cover Page

QUANTBOT TECHNOLOGIES, LLC  
122 East 42<sup>nd</sup> Street  
Suite 1001  
New York, New York 10168

Mr. Michael Botlo  
Chief Executive Officer  
[michi@quantbot.com](mailto:michi@quantbot.com)  
646-461-6207

Website: none

February 2012

Statement:

**This brochure provides information about the qualifications and business practices of Quantbot Technologies, LLC. If you have any questions about the contents of this brochure, please contact us at 212-461-6207. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Quantbot Technologies, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Disclaimer:

**Quantbot Technologies, LLC is in the process of applying to become a Registered Investment Advisor with the Securities and Exchange Commission ("SEC"). Such registration with the SEC does not imply a certain level of skill or training in the performance of the investment advisory duties.**

## Item 2

### Material Changes

This is an initial filing for registration as an Investment Advisor and there are no material changes to discuss at the present time.

## Item 3

### Table of Contents

<b>COVER PAGE</b>	<b>1</b>
<b>MATERIAL CHANGES</b>	<b>2</b>
<b>ADVISORY BUSINESS</b>	<b>3</b>
<b>FEES AND COMPENSATION</b>	<b>4</b>
<b>PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT</b>	<b>4</b>
<b>TYPES OF CLIENTS</b>	<b>5</b>
<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS</b>	<b>5</b>
<b>DISCIPLINARY INFORMATION</b>	<b>9</b>
<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS</b>	<b>9</b>
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</b>	<b>10</b>
<b>BROKERAGE PRACTICES</b>	<b>11</b>
<b>REVIEW OF ACCOUNTS</b>	<b>12</b>
<b>CLIENT REFERRALS AND OTHER COMPENSATION</b>	<b>12</b>
<b>CUSTODY</b>	<b>13</b>
<b>INVESTMENT DISCRETION</b>	<b>13</b>
<b>VOTING CLIENT SECURITIES</b>	<b>14</b>
<b>FINANCIAL INFORMATION</b>	<b>14</b>

### **Advisory Business**

The applicant, Quantbot Technologies, LLC (the “Firm” or “Quantbot”) is a limited liability company organized under the laws of New York. The Firm was founded in 2009.

#### **Structure of the Organization**

Quantbot currently serves as the investment adviser to one client (the “Client”). Pursuant to an Investment Management Agreement (the “IMA”), Quantbot has discretionary trading authority with regard to the Client’s securities accounts, subject to the limitations discussed further below. Quantbot is entitled to receive certain performance and supplemental fees and expense reimbursement, as described further below.

Quantbot currently has no advisory clients other than the Client. The principal owners and senior executives of Quantbot are Michael Botlo, its Chief Executive Officer, Paul White, its President, Ashar Mahboob, its Chief Investment Officer and Michael Lisak. The Firm conducts its foreign trading operations, in part, through an affiliated entity, Quantbot Technologies LTD; a company organized under the laws of the United Kingdom, and is described further below.

#### **Investment Strategy**

The investment objective of Quantbot is to seek to achieve superior risk-adjusted returns by applying a statistically driven approach to global investing. Quantbot uses investment techniques and strategies generally referred to as statistical arbitrage in order to accomplish its goal. As a general matter, statistical arbitrage entails the use of proprietary computer software systems and technology in making and managing investments across a broad range of equity securities, involving both long and short investment holdings, within a short-term investment time frame, ranging from duration of several seconds to several days. The statistical arbitrage strategies deployed by Quantbot on behalf of the Client are all specified pursuant to the IMA or otherwise specifically agreed to by the Client.

The Client may utilize leverage as part of its investment program; all decisions regarding the use of leverage are made by the Client. Quantbot, as investment manager, exercises no authority in this regard.

Quantbot strives to identify, develop and adopt new strategies it believes are consistent with the objective to achieve superior risk-adjusted returns. Execution of all investment strategies are made through securities exchanges.

Quantbot may enter into short sales and use other financial instruments, including exchange traded funds and equity index futures products, for hedging and to manage risk.

As of December 31, 2011, Quantbot had investment discretion over approximately \$300,000,000 of client assets.

Items 5 and 6

## **Fees and Compensation**

### **Performance Based Fees and Side-by-Side Management**

Pursuant to the IMA, Quantbot is only entitled to receive compensation for its advisory services in the form of fees calculated based on the performance of the Client, as described further below.

#### **Performance Fee**

Quantbot is generally entitled to receive from the Client an annual performance fee (the "Performance Fee"), payable in arrears, equal to 30% of the net profits for the prior year.

#### **Supplemental Fee**

Quantbot is also entitled to receive from the Client a supplemental fee (the "Supplemental Fee"), payable monthly in arrears, equal to 20% of the Client's net profits, if any, for the prior calendar month. Quantbot is not entitled to receive any Supplemental Fee with respect to net profits in the aggregate in excess of \$100 million.

For purposes of calculating both the Performance Fee and the Supplemental Fee, net profits and net losses are calculated as gross revenue for the Client less direct trading expenses, including execution and clearing commissions, ticket charges, financing expenses and other related charges.

The Performance Fees and Supplemental Fees payable to Quantbot under the IMA are calculated and determined by the Manager based upon the valuation of account securities as determined by Client's domestic and international prime brokers. The calculations are forwarded to the Client for review and approval prior to payment.

Quantbot does not currently participate in any wrap fee programs.

#### **Termination**

The IMA between and among Quantbot and the Client has a term of seven (7) years from the date that gross market value in the Client accounts exceeds a threshold amount, subject thereafter to additional extension by mutual consent.

All performance-based compensation is calculated and paid to the extent permitted by Rule 205-3 under the Investment Advisors Act of 1940.

## Item 7

### Types of Clients

Quantbot performs portfolio management for a single Client with investors who exclusively consist of sophisticated institutional investors and high net worth individuals.

## Item 8

### Methods of Analysis, Investment Strategies and Risk of Loss

Quantbot develops its investment strategies for its Client based primarily on techniques and methods commonly referred to as statistical arbitrage. While some aspects of statistical arbitrage may vary from one technological implementation to another, the analytic investment process rests on certain shared fundamental principles, such as broad diversification through investment in a wide array of highly liquid securities, with such securities typically being owned for very short duration, and with the use of extensive computer modeling and algorithms in order to identify market pricing anomalies that present the opportunity to realize profit as a result of reversion to historic pricing patterns.

The precise methodologies and technology deployed by Quantbot in performing statistical arbitrage is proprietary and highly confidential. But in general terms, Quantbot's investment strategy is focused on highly liquid equity securities, traded on exchanges in US and European markets, which may be held long or sold short, for periods typically lasting only a few hours or days.

In selecting investments for the Client, Quantbot also determines suitability based upon the portfolio requirements that have been agreed to with the Client and are embodied as contractual requirements in the IMA. These portfolio requirements include, among other things, overnight and intra-day investment limits per position, per issuer, per industry and as a percentage of total portfolio size, all of which are factored into Quantbot's analysis with regard to the size and duration of its investment decisions.

From time to time, Quantbot may enter into short sales and use other financial instruments, including exchange traded funds and equity index futures products, for hedging purposes and to manage portfolio risk.

Investing in securities always involves risk of loss that clients should be prepared to bear. The Firm invests primarily in equity securities and the risks associated with such investments vary depending on the specific company and its performance, in general, including risks associated with unexpected financial results, the possibility of default or insolvency, and other unanticipated occurrences outside the range of expectations and models developed by Quantbot. In general,

these risks typically increase as the economy generally experiences increased financial distress and/or the market experience increased volatility.

## **Investment Risk**

Investments for the Client are inherently speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment. Some of these risks, but not all, are discussed further below. The investment program implemented by Quantbot will involve, without limitation, risks associated with inadequate diversification, currency fluctuation, volatility, borrowing risks with respect to securities that are sold short, general market and systemic risks, technology performance risks, communication errors and other risks inherent in trading that is dependent on technology for timely information and trade implementation. Certain investment techniques used by Quantbot can, in certain circumstances, magnify the impact of adverse market moves to which its investments may be subject.

Quantbot attempts to manage risk by various methods of hedging, including the purchase of exchange traded funds and equity index futures products, however the modeling and assumptions that Quantbot relies upon in such hedging activity may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be subject to misinterpretation.

The success of the Firm's investment activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Client's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices as well as available liquidity in the market. Volatility or illiquidity could impair the Firm's profitability or result in losses. Quantbot may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.

In the normal course of making investments on behalf of the Client, Quantbot undertakes substantial diversification of the investment portfolio. As noted above, some of this diversification is contractually specified by the terms of the IMA, which requires Quantbot to maintain investment concentration below threshold levels with respect to individual holdings and particular sectors. However, no matter how diversified the investment portfolio may be, there remain substantial risks that portions of the portfolio will be highly correlated to investments held by other investment funds using statistical arbitrage or similar strategies. Such correlation could expose the investments held by the Client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those highly correlated investments.

Liquidity may be important to the success of Quantbot's investment strategy. Under certain market conditions, such as during volatile markets or when trading in a security or market is

otherwise impaired, the liquidity of the Client's portfolio positions may be reduced. During such times, the Client may be unable to dispose of certain assets, which would adversely affect their ability to rebalance their portfolios or otherwise to protect against unforeseen market risk. In addition, such circumstances may force the sale of assets at reduced prices, thereby adversely affecting performance. If there are other market participants seeking to dispose of similar assets at the same time, Quantbot may be unable to sell such assets or prevent losses relating to such assets on behalf of the Client. Furthermore, if the Client incurs substantial trading losses, the need for liquidity could rise sharply while their access to liquidity is nonetheless impaired. In addition, in conjunction with a market downturn, the Client's broker-dealer counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Client's credit risk to them.

From time to time, Quantbot may also use financial instruments for risk management purposes in order to (i) protect against possible changes in the market value of the Client's investment portfolios resulting from general fluctuations in the securities markets and changes in interest rates; (ii) protect the Client's unrealized gains in the value of their investment portfolios; (iii) hedge the currency exchange rate on any of the Client's assets; or (vii) for any other reason that Quantbot deems appropriate. To the extent that the Firm deploys these hedging strategies, hedges that are intended to reduce risk of loss under various scenarios may not perform as intended under conditions involving extreme market stress.

Quantbot also engages in short selling on behalf of the Client, pursuant to which it sells securities not presently owned, and borrows them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Client engages in short sales will depend upon Quantbot's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Client of buying those securities to cover the short position. There can be no assurance that the Client will be able to maintain the ability to borrow securities sold short. In such cases, the Client can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

The Client's investment portfolio includes long and short positions in registered equity securities of U.S. and non-U.S. listed and unlisted companies. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by Quantbot on the Client's behalf. Additionally, should the equity security of any given company in the portfolio go into bankruptcy then that position could become worthless or substantially diminish in value.

Quantbot also makes investments on behalf of the Client in securities of issuers outside of the United States. These securities may be traded on foreign exchanges as ordinary shares and may be subject to foreign currency fluctuations outside of the anticipated scope of the Client investment strategy.

### **Portfolio Risk Management**

Quantbot undertakes daily monitoring of performance and risk for the Client's investment portfolios using risk calculation and reporting tools it has developed internally. These tools provide intra-day reporting and analysis of the portfolio performance and exposures, based on real time data feeds from a variety of sources, distributed hourly via email ("Risk Reports"), and also provide exposure analysis by position, strategy and industry segment. Analytic tools are also available to provide risk measurement in connection with testing the portfolio under various stressed market scenarios. Risk Reports are distributed on an hourly basis to Quantbot's investment team, including the CEO and President, which is responsible for ongoing monitoring and fine-tuning of the portfolio based on deviation from expected performance. The Risk Reports contain detailed information, including flash profit and loss estimates, available funds, and securities available to borrow.

The Firm's investment committee, which includes both the CEO and President, meets weekly to review performance and approve the implementation of any new strategy or discontinuation of an existing one. The Firm also periodically meets with the Client, typically at least every two months, to monitor and review portfolio performance, and consider any appropriate change in the portfolio and risk parameters as agreed to and set forth in the IMA.

### **Operational Risk Management**

As a statistical arbitrage investment firm, Quantbot is highly dependent upon the technology, including computer hardware and proprietary software systems it has developed, for insuring both the formulation and execution of its investment strategies. Further, successful implementation of Quantbot's strategies is highly depended on maintaining uninterrupted access to real-time market data. Quantbot has implemented monitoring and reporting routines that provide the Firm's management with tools to monitor overall system performance, including latencies on access to market data and order execution. However, as with any business highly dependent on technology, there is a risk that these technologies and reporting systems will not perform as intended resulting in faulty execution and potential loss of investment value in the Client's portfolio.



Item 9

**Disciplinary Information**

There has been no legal or disciplinary event material to the evaluation of the integrity of the adviser or its management personnel.

Item 10

**Other Financial Industry Activities and Affiliations**

Quantbot is not registered as a broker dealer. Quantbot is not registered as a futures commission merchant. Quantbot does not have any affiliation with any broker dealers or futures commission merchants, except in an ordinary client-vendor relationship. Quantbot does not have any arrangements to recommend other investment advisors for compensation.

Quantbot's affiliate, Quantbot Technologies LTD, is registered with the Financial Services Authority in the United Kingdom. Its sole business activity is to provide order handling and processing services in connection with international securities transactions undertaken on behalf of the Client.

As currently organized, the firm serves only as investment manager to the single Client. Consequently, this minimizes potential conflicts of interest in as much as Quantbot's full business resources are dedicated to maximizing returns for the Client through the various strategies and trading opportunities that it implements and pursues.

Quantbot is not precluded from providing advisory services to other clients and reserves the right to do so in the future. Quantbot currently does not trade in any securities for its own account, which further reduces the potential for conflict; however the principals of the Firm have a contractual right to invest side-by-side in the Fund, which right has not been exercised as of the date of this filing.

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

Quantbot strives to adhere to the high standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, Quantbot has implemented an Employee Handbook, which sets forth important policies regarding confidentiality and ethical conduct (the “Handbook”). A copy of the Handbook is available to clients upon request. The Handbook incorporates the following principles among others that all employees are expected to uphold; (a) employees must treat clients on a fair and equitable basis; (b) investment decisions must be made in accordance with Quantbot’s fiduciary duties; and (c) information concerning the identity of securities and financial circumstances of the clients, and its investors, must be kept confidential.

The Firm has also implemented a separate policy regarding personal trading by its members and employees. Pursuant to this policy, the Firm seeks to promote investment rather than trading among its members and employees with respect to their personal securities accounts. The policy specifically requires that all personal securities transactions by Quantbot members and employees shall be (i) undertaken through an account maintained with one of the Firm’s approved broker dealers with copies of account statements supplied monthly, (ii) subject to a minimum five (5) day holding period (which may be waived by the Firm’s CEO or President on a discretionary basis), and (iii) solely with respect to futures and commodities transactions, subject to prior written approval.

Quantbot also maintains Insider Trading policies and procedures that are designed to prevent the misuse of material, non-public information. Quantbot’s members and employees are required to agree to comply with these policies and procedures as a term of their employment.

Quantbot considers relevant business and technical experience an important criterion in selecting investment personnel. Quantbot does not have specific guidelines that a person must satisfy. Rather, the Firm seeks individuals with relevant business and/or technical experience, professional training, high academic credentials, moral integrity, and skills and intelligence levels necessary to perform the investment advisory tasks.

### **Gifts and Entertainment**

Quantbot requires employees to decline to accept the direct or indirect offering or acceptance of gifts or other consideration in merchandise or services (other than perishable items of nominal value) from any person, firm, corporation, association or other entity in the course of their employment or otherwise in relation to their employment with the Firm. In addition, employees are prohibited from giving or offering to promise or make payments or gifts to third parties with the intent to influence or appear to influence such third party. The Firm maintains a log of any gifts made to third parties.

### Brokerage Practices

Pursuant to the IMA, Quantbot is responsible for trading decisions with respect to account securities for its Client; however the Client has retained the power to designate the executing brokers for all such transactions. The Client has currently exercised this power to designate JP Morgan as the executed broker with respect to domestic securities transactions and Nomura as the executed broker with respect to international securities. In any case, Quantbot has no obligation or right to solicit competitive bids or seek the lowest available commissions or other transaction costs.

The Client is a sophisticated and experienced institutional investor and has negotiated for the right to designate the executing broker, realizing that by so doing it may forego the opportunity for the Firm to realize more favorable execution of transaction through other brokers on its behalf.

As Quantbot currently only serves the Client, Quantbot does not currently aggregate purchases or sales for the Client with those undertaken for any other client.

As a result of the directed brokerage arrangements with the Client, Quantbot has not entered into any soft dollar agreements with any of the executing brokers under the safe harbor provisions of Section 28(e) of the Securities and Exchange Act of 1934. Quantbot does not separately compensate any broker for any services provided in connection with transaction executed for the Client.

## Item 13

### Review of Accounts

Quantbot performs intra-day, daily, weekly and monthly reviews of the Client's portfolios regarding performance, risk, volatility and other statistical analysis. Using its proprietary technology platform, Quantbot generates email alerts that provide intra-day hourly reports on portfolio performance, which are then summarized on a daily basis. Quantbot provides full transparency to the Client by making all reporting available on whatever frequency the Client requests.

Quantbot performs daily review and reconciliation to confirm all account transactions undertaken by executing brokers conform to its own records and to ensure that the Client's books and records are complete and accurately maintained.

The Quantbot investment team (including the CEO and President) meet weekly to review and discuss all investment strategies deployed by the Firm. Every decision regarding the implementation of a new strategy or discontinuation of an existing strategy must be approved by the Quantbot investment team at the weekly meeting. The Quantbot investment team meets with the Client periodically, typically at six (6) week intervals, in order to review account performance and strategies.

## Item 14

### Client Referrals and Other Compensation

Quantbot does not currently retain, and does not anticipate retaining in the future, any placement agents or other third parties in connection with the offering of shares in any investment fund for which it serves as manager.

Quantbot receives no economic benefit from parties other than its investment clients for providing advice to its investment clients.

#### Item 15

##### **Custody**

Quantbot does not have custody of any client assets. Custody of securities is maintained through the prime brokers for the Client's respective domestic and international securities accounts.

Quantbot manages Client assets on a discretionary basis but has no authority to withdraw cash from the Client's accounts. Quantbot has only limited power of attorney and does not have authorization to remove funds from the Client's accounts.

#### Item 16

##### **Investment Discretion**

Quantbot is responsible for decisions to buy and sell securities for the Client with respect to the designated securities accounts and has been granted a limited power of attorney for such purpose by the Client pursuant to the IMA. The IMA further obligates Quantbot to make any such decisions in accordance with investment guidelines that have been agreed to with the Client, which may be amended from time to time. These investment guidelines include, among other things, limitations based on the daily turnover rate for such securities, listing requirements, as well as overnight and intra-day investment limits per position, per issuer, per industry and as a percentage of total portfolio size.

Item 17

**Voting Client Securities**

**Proxy Voting**

By agreement with the Client, with respect to Client securities for which it act as investment manager, Quantbot only exercises voting rights with respect to such securities in connection with monetary matters, such as the form of dividend distribution, or similar issues pertaining to current cash flow. Quantbot consistently exercise such voting rights by making elections that minimize risk and maximize cash return.

All other proxy-voting rights (including matters pertaining to corporate governance) are retained and exercised directly by the Client.

Item 18

**Financial Information**

Quantbot does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

The Manager has retained Cornick Garber Sandler as independent accountants.

**Manhattan Office (Headquarters)**

825 Third Avenue,

New York, NY 10022-9524

T 212.557.3900 F 212.557.3936

Quantbot has never been the subject of a federal bankruptcy proceeding or similar insolvency proceeding under applicable state law.