

F-Squared Alternative Investments, LLC

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Form ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of F-Squared Alternative Investments, LLC (hereinafter "F-Squared"). If you have any questions about the contents of this brochure, please contact us at 866-288-7657 or info@f2inv.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Registration with the SEC does not imply that F-Squared or any person associated with F-Squared has achieved a certain level of skill or training.

Additional information about F-Squared is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Summary of Material Changes

F-Squared has revised its brochure to clarify its two primary business lines:

- (i) F-Squared provides index products to third party entities; and
- (ii) F-Squared provides advisory services through the implementation of its index products.

In addition, F-Squared has also removed references to information prior to 2011. F-Squared's last annual Form ADV update was filed on March 28, 2013.

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Item 4: Advisory Business

Description of our Firm

F-Squared Alternative Investments, LLC (“F-Squared”) is an SEC registered investment management firm located in Wellesley, Massachusetts that commenced operations as an investment adviser in 2011. F-Squared provides (i) index products and (ii) investment advisory services based on the application of its index products.

F-Squared is a wholly-owned subsidiary of F-Squared Investment Management, LLC. F-Squared Investment Management, LLC is a privately owned company with no one individual shareholder owning 25% or more of the company as of August 31, 2013. Howard Present is the managing member of F-Squared.

Types of Services We Offer

F-Squared provides various index products (the “Index Provider Services”) and, separately, provides investment advisory services relating to those index products (the “Advisory Services”).

Index Provider Services: AlphaSector Indexes

An affiliate of F-Squared has created a suite of indexes (the “AlphaSector Indexes”) designed to meet real investment needs. F-Squared has licensed the AlphaSector Indexes from F-Squared Investments, Inc. The AlphaSector Indexes seek to achieve relative returns in rising markets and limit negative returns in declining markets. The AlphaSector Indexes are quantitative models programmed to utilize price movements and volatility of exchange-traded funds (“ETFs”) as a criteria for component inclusion. There are currently 75 AlphaSector Indexes (including both standard and customized indexes). F-Squared licenses the right to use the AlphaSector Indexes to unaffiliated third parties.

Advisory Services

F-Squared provides investment advisory services on a discretionary basis to a pooled investment vehicle (the “Private Fund”), separately managed accounts (the “SMAs”) and serves as a sub-adviser to third-party entities (the “Sub-Advisory Services”).

F-Squared’s Advisory Services utilize investment portfolios designed to create long-term value by tracking or replicating one or a combination of the AlphaSector Indexes (such portfolios, the “Strategies”). The Strategies are offered to unaffiliated investment advisers, broker-dealers, wealth managers, family offices, trust companies and institutional investors. Individual investors may access the Strategies through one of F-Squared’s sub-advised mutual funds or through a similar platform.

Tailored Advisory Services:

F-Squared provides the Advisory Services by seeking to replicate in an account one or more of the AlphaSector Indexes. Although F-Squared generally does not tailor its Advisory Services, F-Squared may offer custom advisory services to institutional investors upon request. F-Squared generally does not allow clients to impose restrictions on investing in certain securities or types of securities.

Wrap Fee Programs

F-Squared does not currently participate in any wrap fee programs.

Assets under Management

As of August 31, 2013, the total assets under management¹ for F-Squared are as follows:

<i>Discretionary:</i>	\$ 1,464,395,897
<i>Non-Discretionary:</i>	0
<i>Total:</i>	\$ 1,464,395,897

Item 5: Fees and Compensation

Fee Schedule

Index Provider Services

In connection with the licensing of its AlphaSector Indexes, F-Squared is entitled to receive a fee based on the market value of the assets managed by the third party using the AlphaSector Indexes. F-Squared generally receives this fee on a monthly or quarterly basis, paid in arrears. The rates for such fee generally range from 10 to 60 basis points. Such fees may be negotiable. Third party unaffiliated entities that license the use of the AlphaSector Indexes may charge fees and expenses with which F-Squared has no involvement. Such entities may employ fee and expense structures, as well as timing, that differ from F-Squared's.

Advisory Services

F-Squared receives management fees for the provision of its Advisory Services.

Sub-Advisory Services

With respect to Sub-Advisory Services, F-Squared generally receives a fee based on the market value of the total assets invested by the client using the AlphaSector Indexes. F-Squared generally receives the management fee on a monthly or quarterly basis, paid in arrears. The rates for such management fee are negotiable.

Private Fund

¹ In addition, as of August 31, 2013, F-Squared had \$27,289,579 in assets attributable to its Index Provider Services.

With respect to the Private Fund, F-Squared receives a quarterly management fee, payable in advance, calculated at an annual rate of 1.5% of the total net assets of the Private Fund (the “Private Fund Management Fee”). The Private Fund Management Fee is adjusted to reflect contributions and withdrawals made during a quarter. The Private Fund Management Fee is negotiable.

An affiliate of F-Squared is also entitled to performance-based compensation from the Private Fund in the form of an incentive allocation, which is compensation that is based on a share of capital gains or capital appreciation of the Private Fund’s assets. This compensation is generally equal to 20% and is subject to a non-cumulative hurdle rate of 8%.

Payment of Fees

Both Index Provider Service counterparties and Advisory Service clients are billed at the end of each month or quarter, as applicable. Index Provider Service counterparties and Advisory Service clients that operate on platforms may use different billing methods for applying fees to their underlying investors.

Other Types of Fees or Expenses

In addition to the management fees and performance-based compensation described above charged by F-Squared, Advisory Service clients may also incur fees and expenses charged by custodians and imposed by financial intermediaries, including but not limited to any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client’s account(s). See Item 12 which describes F-Squared’s brokerage practices and the process for reviewing and recommending a broker-dealer for Advisory Service clients’ transactions in applicable situations.

Prepayment of Fees

Where an Advisory Services client is required to pay F-Squared’s fees in advance, F-Squared will refund a prepaid fee in the event an advisory contract is terminated or a withdrawal is made from an account before the end of a billing period.

Item 6: Performance-Based Fees

F-Squared may receive performance-based compensation for its Advisory Services as further described in Item 5 above.

Item 7: Types of Clients

Index Provider Services

F-Squared may provide Index Provider Services to third party unaffiliated entities, including investment advisers. F-Squared may have requirements for entering into an index provider relationship, including limiting the provision of Index Provider Services related to Indexes using leverage or shorting to Qualified Clients, as provided in Rule 205-3 of the Investment Advisers Act of 1940.

Advisory Services

F-Squared provides Advisory Services to a number of clients including private funds, registered investment companies, pensions, endowments, trusts, other business entities, and individuals.

There are minimums for accounts, varying by account type.

Sub-Advisory Services

F-Squared does not have a minimum amount necessary to enter into a Sub-Advisory Services relationship.

Private Fund

The applicable minimum capital contribution amounts for the Private Fund are set forth in the Private Fund's Confidential Private Offering Memorandum.

Advisory Services - General

F-Squared may waive any and all minimum account requirements in its sole discretion.

Item 8: Method of Analysis, Investment Strategies and Risk of Loss

Index Provider Services – Description of Index Construction

The investment rationale of the AlphaSector Indexes is based on seeking to avoid market declines. The index algorithms generally seek to control risk in down markets and participate in up markets. Index components include up to 9 ETFs reflecting the primary sectors of the U.S. economy. In periods of extreme distress, the AlphaSector Indexes may allow partial or complete allocations to cash equivalents. There are currently 75 standard and/or customized AlphaSector Indexes.

Methods of Analysis for Advisory Services

The Strategies seek to track or replicate one or more of the AlphaSector Indexes in an effort to modestly outperform its assigned benchmark in growth markets and significantly outperform its benchmark during bear markets. The quantitative models underlying the Strategies are based on three primary components:

- Historical Price Return
- Volatility
- Changing Levels of Volatility

The Strategies cover several major asset classes: U.S. Equity, International, Fixed Income, and Real Assets (Gold and Real Estate), plus asset allocation strategies that combine various combinations of these core asset classes.

Investment Strategies for Advisory Services

Long/Short Strategy

The investment objective of the Long/Short Strategy employs a similar systematic approach to construct a portfolio of ETFs with varying degrees of exposure. The portfolios are rebalanced to weight toward those ETFs that are priced at the largest discount for long positions and those that are priced at the largest premium for short positions, as determined by the applicable AlphaSector Index. The objective is to achieve capital appreciation through both long and short investments in ETFs. The applicable AlphaSector Index identifies industry sectors that are predicted to have positive or negative price movement, and the Strategy portfolio will be positioned with long and short sector exposures accordingly. The portfolio also uses dynamic leverage to seek to increase long exposure when the AlphaSector Index predicts that a majority of the sectors will have positive performance.

The portfolio also utilizes a proprietary methodology which seeks to remove all short exposure in the Strategy portfolio when the market is predicted to rebound.

Long Only Strategy

F-Squared also offers long only suites of products through the AlphaSector Strategies.

The Long Only Strategy seeks to provide superior downside risk management, especially in weak markets. The long-only strategy does not use derivatives, leverage, or shorting.

Advisory Services – Strategy Portfolio Construction and Design

All monthly Strategy portfolios are reviewed monthly and all AlphaSector Premium Portfolios are reviewed weekly for reconstitution and rebalancing.

The following is a summary of the core Strategies.

AlphaSector U.S. Equity Strategy seeks to replicate the applicable Index ETFs representing the 9 sectors of the S&P 500 or short-term Treasuries. The implementation of the strategy is most often through ETFs, which are low cost, highly liquid index-linked vehicles tracking the performance of each respective sector. The ETFs most often used are published industry leading ETF providers representing the 9 sectors of the S&P 500 and an ETF tracking short term Treasury securities as the proxy for a cash equivalent. As such, there are a maximum number of 9 securities in the portfolio at any one time, resulting in operational ease and lower transaction costs.

The Private Fund utilizes the AlphaSector U.S. Equity Strategy as its foundation.

AlphaSector Hedge Portfolio Strategy represents an investment “overlay” applied to the live investment signals of the AlphaSector U.S. Equity Index. The overlay represents the application of leverage and short exposure and is generated through the use of a rules-based, quantitative model.

AlphaSector Global Index Strategy is a blend of two index strategies: the AlphaSector U.S. Equity Strategy and the AlphaSector International Strategy. The AlphaSector International Index includes 5

ETFs reflecting the key world economic regions outside the U.S. as well as a Short-term Treasury ETF used as a proxy for a cash equivalent.

Alpha Sector INFINITY (Fixed Income) Strategy is a diversified multi-sector, inflation neutral fixed income offering which includes ETFs tracking 6 bond sectors and 1 short-term treasury ETF as a cash equivalent.

AlphaSector Allocator Strategy is a diversified portfolio of the U.S. Equity, International and Fixed Income Strategies adding in ETFs tracking “alternative” asset classes such as gold and REITs.

AlphaSector Target Risk Portfolio Strategies represent a series of risk-based portfolios ranging from Conservative through Aggressive leveraging the diversification of the AlphaSector Allocator Strategy as its foundation.

Default “position” within each AlphaSector Index is typically to have all available ETFs (other than cash equivalents) invested and equally weighted within that index or sleeve at the time of rebalancing. Decisions to remove a sector, asset class or short position from the portfolio at any time are based on a probabilistic determination that that sector or asset class is viewed as likely to lose money on a forward looking basis.

Risk of Loss Relating to Advisory Services

All investments in securities include a risk of loss that clients should be prepared to bear.

The principal risks of the Strategies comprising the Strategies are as follows:

- **Market Risk:** The risk that the value of the securities in which the Strategies invest may drop in reaction to tangible and intangible events and conditions, independent of a security’s particular underlying circumstances. For example, political, economic, and social conditions may cause a change in the value of the securities. Price changes may be temporary or may last for extended periods.
- **Equity Securities Risk:** The risk that events or circumstances at a particular industry, or a particular company within an industry will impact the value of the stocks and ETFs held by the Strategy and thus, the value of your investment over short or extended periods.
- **Interest-Rate Risk:** The risk that fluctuations in interest rates may cause investment prices to fluctuate and impact the value of Fixed Income securities or ETFs held by the Strategy. For example, when interest rates rise, yields on existing bonds become less attractive causing their market values to decline.
- **ETF Risk:** The risk that the value of an ETF in which a Strategy invests will be more volatile than the underlying portfolio of securities the ETF is designed to track, or that the costs to the fund of owning shares of the ETF will exceed those the fund would incur by investing in such securities directly.
- **Sector Concentration Risk:** The risk that events negatively affecting an industry or market sector in which the Strategy invests will cause the overall value of the Strategy to decline. To the extent that some of the Strategies invest significant portions of their portfolio in ETFs representing particular markets or sectors (such as Energy, Healthcare, Real Estate, etc.) or in an ETF

representing U.S. Treasuries, the Strategy is more vulnerable to conditions that negatively affect such sectors as compared to an investment strategy that is not significantly invested in such sectors.

- **Turnover Risk:** The risk that frequent trading will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains that can negatively impact an investor's overall investment as compared to investments in strategies with low turnover.
- **U.S. Government Securities Risk:** The risk that U.S. Government securities in a Strategy will be subject to price fluctuations, or that an agency or instrumentality will default on an obligation not backed by the full faith and credit of the United States.
- **Quantitative Risk:** The risk that the effectiveness of the quantitative model used for the strategy can dissipate over time as similar Strategies are adopted and as the market becomes more efficiently priced.
- **Programming / Modeling Risk:** F-Squared's research and modeling process is extremely complex and the results of that process must then be translated into computer code. Although F-Squared seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raises the chances that the finished model may contain an error; one or more of such errors could adversely affect a client's portfolio and likely would not constitute a trade error under F-Squared's policies.
- **System Risk:** F-Squared relies extensively on computer programs and systems in its proprietary modeling to evaluate securities, to monitor its portfolio, and to generate reports that are critical to oversight of its activities. In addition, certain systems operated by third parties, including counterparties and service providers, may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Any such defect or failure could have a material adverse effect on F-Squared's activities. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect F-Squared's ability to monitor its investment portfolios and its risks.
- **Operational Risk:** F-Squared has developed systems and procedures to control operational risk. Operational risks arising from mistakes made in the trading confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in F-Squared's operations may cause F-Squared to suffer financial loss; the disruption of its business; liability to clients or third parties; regulatory intervention; or reputational damage. F-Squared relies heavily on its financial, accounting and other data processing systems.
- **Swaps and Derivatives Risk:** F-Squared may make use of swaps and other forms of derivative contracts. In general, a derivative contract (including options) typically involves leverage, i.e., it provides exposure to potential gain or loss from a change in the level of the market price of a

security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in the derivative contract. Depending on the Strategy, many of the derivative contracts used by F-Squared may be privately negotiated in the over-the-counter market. These contracts also involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty or the counterparty's guarantor. These transactions may also involve significant transaction costs and may expose a portfolio to counterparty risk.

- **Short Selling Risk:** A short sale involves the sale of a security that a portfolio does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. To make delivery to the buyer, the portfolio must borrow the security, and the portfolio is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the portfolio. In some cases, the lender may rescind the loan of securities and cause the borrower to repurchase shares at inflated prices, resulting in a loss. When a portfolio makes a short sale in the United States, it must leave the proceeds with the broker and it must also deposit with the broker an amount of cash or marketable securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are affected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. The extent to which a portfolio will engage in short sales depends upon the particular Strategy and perception of market direction. In addition, global regulatory prohibitions on short sales may impair F-Squared's ability to implement its investment process. Bans may add additional constraints to a Strategy, which may increase transaction costs as well as the time required to monitor compliance with the restrictions.
- **Leverage Risk:** Certain Strategies utilize varying amounts of leverage, which involves the borrowing of funds and may also be embedded in financial instruments, including short sales, over-the-counter derivatives, options, swaps, and forwards, which enable investors to gain exposure to assets whose value exceeds the amount of capital necessary to obtain such exposure. The use of leverage allows F-Squared to increase its exposure to assets, such that total assets may be greater than capital invested. However, the use of leverage may also magnify the volatility – or the likelihood of short-term changes in value – of any portfolio. The effect of the use of leverage in a portfolio may result in losses to the portfolio that exceed losses to the portfolio if such portfolio did not utilize leverage.

Item 9: Disciplinary Information

This Item is not applicable.

Item 10: Other Financial Industry Activities and Affiliations

Broker-Dealer Affiliations

F-Squared is not registered nor does it have any pending application to register as a broker-dealer.

Futures/Commodities Affiliations

Neither F-Squared nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Investment Adviser Affiliations

F-Squared is a subsidiary of F-Squared Investment Management, LLC. Other registered investment adviser subsidiaries of F-Squared Investment Management, LLC include F-Squared Investments, Inc., F-Squared Institutional Advisors, LLC, F-Squared Retirement Solutions, LLC and F-Squared Capital, LLC. F-Squared does not recommend or select any of the above affiliates, or any other investment adviser, for its clients.

Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading

F-Squared has adopted a Code of Ethics (the “Code”) which sets forth high ethical standards of business conduct for our employees and governs a number of potential conflicts of interest that we may encounter when providing investment advisory services. The Code is based on the principle that F-Squared owes a fiduciary duty to the investors for which we serve as an adviser. In adherence with the Code, F-Squared and its employees must avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interests of our clients. The Code seeks to place the interests of F-Squared clients over the interests of the firm and any of its employees, and to comply with the applicable Federal securities laws and other applicable law.

F-Squared distributes the Code to each employee at the time of hire and annually thereafter. Each employee is required to sign the Code acknowledging that they have read, understand, and will abide by the Code and its requirements. All employees receive training and are monitored for compliance with the Code.

F-Squared will provide a copy of our Code to any client or prospective client upon request.

Our Code includes, but is not limited to the following:

- Requirements on fiduciary duty
- Prohibitions on the acceptance of gifts and entertainment that exceed our policy standards
- Prohibitions on insider trading and communication of material non-public information
- Requirements on the handling of confidential information
- Requirements for pre-clearance of employee transactions
- Identification and pre-clearance requirements on accounts where employees have beneficial interest
- Requirements for reporting applicable personal securities transactions

Personal Securities Transactions Requirements

All Access Persons (any employee of F-Squared who has access to nonpublic information concerning any clients' securities transactions or account holdings; has access to securities recommendations delivered to clients; or is a director or executive officer) must not engage, and must not permit any other person or entity to engage, in any purchase or sale of a Covered Security (all securities except Exempt Securities set forth below) in which such Access Person has, or by reason of the transaction will acquire any Beneficial Ownership (direct or indirect pecuniary interest), unless (i) the transaction is an Exempt Security (as set forth below) or (ii) he/she has have complied with the provisions set forth below.

Pre-clearance

Access Persons must seek to obtain pre-clearance trading approval from the Chief Compliance Officer to purchase or sell any Covered Security which has been placed on the "Restricted List" or the "Pre-Clearance List" for which the person has or will have by reason of the trade a Beneficial Ownership and that F-Squared actively engages in trading, advisory services or performs research on such Covered Security.

Finally, Access Persons must seek to obtain pre-clearance trading approval from the Chief Compliance Officer before directly or indirectly acquiring beneficial ownership in any security in an initial public offering or in a limited offering.

In addition to Access Persons, all employees of F-Squared are required to receive pre-clearance trading approval from the Chief Compliance Officer to purchase or sell any security placed on the "Pre-Clearance List" or the "Restricted List."

Exempt Securities

Access Persons are required to report all transactions in Covered Securities. The following are generally not considered Covered Securities:

- Direct obligations of the Government of the United States;
- Bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements;
- Shares issued by money market funds;
- Shares issued by open-end funds except Reportable Funds (any Fund for which F-Squared serves as investment adviser or any fund whose investment adviser controls, is controlled by, or is under common control with F-Squared).

Item 12: Brokerage Practices

Index Provider Services

Brokerage practices are not applicable with respect to F-Squared's Index Provider Services.

Advisory Services

F-Squared's objective in selecting brokers and dealers and in effecting portfolio transactions relating to Advisory Services is to seek the best combination of price and execution with respect to account portfolio transactions.

For SMA and Sub-Advisory relationships, any selection or recommendation of broker-dealers for client transaction is generally made by the SMA or Sub-Advisory platform manager and not F-Squared.

For SMAs for institutional investors, F-Squared may from time to time recommend a broker-dealer to execute the trading of underlying securities. In those circumstances, F-Squared will use best efforts to select and recommend a broker-dealer that F-Squared believes will provide the best services at the lowest commission rates. Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker is appropriate if the difference in cost is reasonably justified by the quality of the service offered. When reviewing a brokerage firm and the services they provide, our assessment includes, but is not limited to the following:

- Reputation/Stability of brokerage firm
- Ability to execute trades in a timely and efficient manner
- Ability to interface with client's custodian bank
- Competitive Commission Rates

F-Squared currently has not entered into any formal soft dollar arrangements.

F-Squared's Advisory Services clients trade on different days with varying AlphaSector Index outputs. Therefore, practices surrounding aggregation of purchase or sale of securities for Advisory Services client accounts are not applicable. Any aggregation of orders would be done only by the underlying SMA platform manager.

Item 13: Review of Accounts

F-Squared reviews its Advisory Services accounts as described below.

F-Squared reviews unaudited holdings and cash weekly and review the unaudited portfolio monthly for the Private Fund. F-Squared generally does not have access to client accounts for SMA or Sub-Advisory relationships. These accounts are reviewed quarterly to ensure that all transactions are in accordance with Strategy instructions and that any tracking error to the AlphaSector Index is within a reasonably acceptable threshold. All institutional accounts are also reviewed post any trading activity to ensure proper trade execution and settlement. These accounts receive confirmation of activity reports post any trading activity and on receive account statements on a quarterly and annual basis. These reports are provided by the custodian or SMA platform manager that administers the account.

Item 14: Client Referrals and Other Compensation

Other Compensation

F-Squared does not have any compensation agreements where we receive cash or other economic benefit from someone who is not a client of ours in connection with providing services to our clients.

Client Referrals

Index Provider Services

F-Squared may compensate third party solicitors for client referrals in connection with counterparties identified for its index provider business.

Advisory Services

F-Squared does not directly or indirectly compensate any third party solicitor for individual client referrals. However, an institutional investor may be introduced to F-Squared by a third party solicitor, in which case F-Squared may make a cash payment to that solicitor provided that such relationship and such payment are in accordance with Rule 206(4)-3. Any such cash payment shall be paid solely from F-Squared's revenue and shall not result in any additional charge to the client.

Item 15: Custody

This Item is not applicable.

Item 16: Investment Discretion

Index Provider Services

F-Squared does not have investment discretion or manage client assets in connection with its Index Provider Services.

Advisory Services

F-Squared provides its Advisory Services on a discretionary basis. F-Squared has the authority to make investment decisions in accordance with the applicable governing documents of the Private Fund, SMA or Sub-Advisory relationship. In the case of Sub-Advisory Services, F-Squared's discretion is limited to advising on the trade allocations within the entity to match the appropriate AlphaSector Strategy and as otherwise described in the sub-advisory agreement between the parties. F-Squared does not accept discretion over individual client accounts.

To the extent that F-Squared has investment discretion and the mandate to implement or seek to replicate an index on behalf of an Advisory Services client, F-Squared will do so after distribution of any index information. Index Provider Services counterparties and Advisory Services clients that implement the index on their own (such that F-Squared does not have investment discretion) may be

disadvantaged in the event of a delay or lag in their implementation of or attempt to replicate an index relative to the dissemination of index information.

Item 17: Voting Client Securities

Index Provider Services

Proxy voting is not applicable to F-Squared's Index Provider Services business.

Advisory Services

The Private Fund invests exclusively in ETFs. Voting authority for all corporate actions of underlying security holdings of the ETF remain with the ETF provider. In rare instances where the actual ETF has a corporate action, the voting authority will remain with F-Squared and F-Squared will vote in accordance with its proxy voting policies and procedures.

To the extent a Sub-Advisory client has not retained proxy voting authority F-Squared will vote proxies relating to securities held in Sub-Advisory client portfolios in accordance with its proxy voting policies and procedures.

Item 18: Financial Information

This Item is not applicable.