

QuantAdvisor Capital Management

Brochure of Ethics, Offerings, Investment Philosophy, and Wrap Program

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Designation as a registered investment adviser does not imply any specific skill or training.

This wrap fee program brochure provides information about the qualifications and business practices of QuantAdvisor. If you have any questions about the contents of this brochure, please contact us at 512-473-0800. 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 QuantAdvisor is also available on the SEC's website at www.advisorinfo.sec.gov.

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Material Changes

There have been no material changes as this is the first wrap fee program brochure.

Professional advisor business

Ownership and History

QuantAdvisor, a registered trade name of Forcastix LLC (hereafter known as “QuantAdvisor”), is a privately held internet-only Investment Professional advisor company, based in Austin, TX and registered in Gaithersburg, MD. QuantAdvisor was founded in 2011 by Richard Alan Dude, Jr., who is the majority owner of the company and Chief Executive Officer. Zeshan Khan and Blake Baltzley are both minority owners. QuantAdvisor Capital Management is a specific title for QuantAdvisor’s wrap program, which is available to non-professional individuals who would like their assets managed by QuantAdvisor.

Professional Advisor Service Offerings

QuantAdvisor was founded on the principals of simplifying the decision making process when investing in equities (“stocks”) for other wealth managers and QuantAdvisor’s non-professional clients whose portfolios we manage. We have a proprietary engine which analyzes US-based and International companies that are publicly traded on a stock exchange, and advise clients on what companies, sectors, and geographic regions offer the best balance of safety and opportunity in investments.

All of QuantAdvisor’s advice is from the perspective of purchasing publicly traded common stock and is indirect, which means that the advice is offered as solicited by QuantAdvisor’s clients through means of QuantAdvisor’s web portal. The investment strategy is self-tailored by the client, using the capabilities of QuantAdvisor’s web portal offerings. QuantAdvisor’s proprietary software optimizes the equities portion of an individual’s or company’s entire investment portfolio by helping screening companies with the strongest financials, and then keeping the portfolio in balance through strategic rebalancing. We utilize other instruments, such as bond funds, to round out the non-equity portion of QuantAdvisor’s client’s portfolios.

Our clients are both other professional investment advisors and non-professional individuals. We may from time to time exercise discretionary control over client funds to in order to execute equity strategies generated by QuantAdvisor’s proprietary software. We do not offer comprehensive financial planning and partner with financial planners when requested by QuantAdvisor’s clients.

For QuantAdvisor's professional advisor clients, investment decisions are executed directly by the client. We do not act as a portfolio manager for separately managed accounts ("SMAs") to other advisors, as their strategies are executed directly by them, through QuantAdvisor's web platform. All of QuantAdvisor's services are internet-based, and are as follows:

Equity Model Construction

The QuantAdvisor platform has 25 fundamental factors against 40,000 equities, reconstructed every week, which can be used in any assortment to create a basket of equities. Professional advisor clients utilize this software in order to tailor equity portfolios based on their investment philosophy and their client's risk tolerance. We will occasionally build to spec specific functionality which will allow proprietary screens or weightings for QuantAdvisor's professional advisor clients. The QuantAdvisor team will also use this platform when managing discretionary assets.

Model Backtesting

The models created in the QuantAdvisor platform can all be tested for 20 years, historically, in the case of domestic models, and 10 years, historically, for international models. The backtesting analyzes the price appreciation of the model to that of the S&P500. It also analyzes certain performance metrics, such as the Alpha, Beta, and Volatility. This is used to optimize the model according to the goals of the client.

Order Management

Orders can be generated against models in the QuantAdvisor platform, and sent over FIX for execution to 60 different brokers and 9 broker networks. This is done through a partnership with EZX Inc., who is responsible for FIX certification and order routing. Through this manner, money can be applied to any model created in QuantAdvisor, and the portfolio can be rebalanced back to the model to reduce portfolio drift at any point. We encourage this to be done no more often than monthly to reduce transaction fees.

Fees and Compensation

Professional Advisor Clients

QuantAdvisor bills professional advisor clients on a pre-paid subscription basis. The fee scheduled is dependent on the negotiated rate with the client. The standard fee is \$2500 per advisor/quarter. The fee can be discounted at QuantAdvisor's discretion. Clients can request prorated refunds for any portion of service not used, as allowed by the executed contract. Terms for refunds for data feeds and customized research are negotiated at the time the contract is executed, are reasonable, and are uniform among clients to the best of QuantAdvisor's ability. All fees must be paid prior to service being delivered. All investments recommended by us and purchased by the client advisor are done so through an unaffiliated third party broker of the advisor's choosing.

Wrap Fee Clients

For individual non-professional clients, QuantAdvisor charges an asset-based wrap fee of 1% on total assets managed. This fee includes all transaction costs and other incidental costs. As with QuantAdvisor's professional advisor clients, QuantAdvisor's fees for individual clients are uniform to the best of QuantAdvisor's ability and are generally non-negotiable. 100% of the fee is paid to the portfolio manager. The program may cost the client more or less than purchasing services separately through another advisory firm. Trading activity and cost of services are factors that influence the total cost of the program. There are no additional fees outside of the wrap fee of 1%. There is no other method for non-professional clients to work with QuantAdvisor outside of the QuantAdvisor Capital Management wrap program, and therefore representatives do not have an incentive to recommend the wrap program over any other program.

Performance-Based Fees and Side-by-Side Management

QuantAdvisor does not bill nor accept performance based fees, and therefore exhibits no conflict of interest in the investments we recommend. QuantAdvisor does manage portfolios for their non-advisor clients, however these portfolios are separate from advisor client's portfolios, and follow strategies tailored to the individual needs of the client, and therefore exhibit no conflicts of interest due to side-by-side management of portfolios.

Account Requirements

There are no minimum account requirements for clients involved in the wrap fee program.

Types of Clients

QuantAdvisor services individual non-advisor clients in a traditional asset management role, and provides access to the QuantAdvisor software to other professional advisor clients via subscription. QuantAdvisor currently does not service complex-structured non-advisor clients such as pension funds, 401ks, or charities.

Methods of Portfolio Manager Selection, Investment Strategies and Risk of Loss

Portfolio Manager Selection

QuantAdvisor does not use external portfolio managers, and instead uses internal portfolio managers to manage their client's portfolios. The portfolio managers use the QuantAdvisor platform to build and maintain equity models, which are described in greater detail in the following sections.

QuantAdvisor Models

QuantAdvisor offers the ability to create a large variety of equity models based on the 25 in house fundamental factors. When QuantAdvisor manages non-advisor client's assets, they will use this platform to construct a style-based portfolio that reflects the risk tolerance, investment objectives, and preference for allocation of each individual client. Because the QuantAdvisor platform constructs models with individual equities, there is bottom line savings in comparison to a fund-based portfolio. All QuantAdvisor strategies are tracked carefully against benchmark indexes so the client understands clearly where their portfolio is performing in relation to the market.

Non-Equity Strategies

Some portion of assets are allocated outside of the QuantAdvisor platform, in other vehicles such as bond funds. The goal of allocation is to provide the largest diversification of risk via blended bond funds, and targeting the bond funds with the lowest expense ratio. It is QuantAdvisor's belief that superior portfolio performance is generated through strategic equity selection, and therefore allocates the non-equity portion of their client's portfolios in a manner that provides the most risk reduction and least expense. The non-equity portion of the client's portfolio will be from 5% to 50%, depending on the needs of the client. QuantAdvisor will not advise clients to allocate outside of equities over 50%, as historically equities have outperformed other vehicles as a class over 20 year periods, and therefore equities are essentially to creating superior portfolio performance.

Risks

It is important to note that past performance and backtesting is not an indication of future returns. This should be carefully weighed by advisors when using any backtesting results created by QuantAdvisor for equities selection. QuantAdvisor appropriately diversifies the client's assets into many QuantAdvisor models with various levels of volatility and different zones of exposure (such as large cap, small cap, domestic, international, value, growth) in order to properly reduce over-dependence on historical performance of one particular model.

Since QuantAdvisor makes recommendations on individual securities, unforeseen company risk can expose the investment to complete loss in a single security. QuantAdvisor encourages diversification to hedge against this risk. QuantAdvisor-endorsed models will always hold at least 15 securities to diversify the risk.

Unforeseen total market risk can expose an entire lot of investments to significant loss. QuantAdvisor performs rebalancing to ensure that the portfolio is adjusting with the market, and poised for recovery in these kinds of events. Only a complete, prolonged meltdown of the global equity markets would expose QuantAdvisor client's to unreasonable risk. This arguably would be an unavoidable risk for even the most savvy of advisors.

The QuantAdvisor platform enables advisor clients to construct their own strategies, using backtests and screens based upon fundamental factors the advisor customizes. Since this strategy has not been vetted by QuantAdvisor, there is additional risk that the strategy may not conform to common standards for risk management in equity selection and diversification, and increase risk of significant or total loss. It is

reinforced to QuantAdvisor's advisor clients through the initial subscription agreement and throughout the application that past performance and backtesting results are not indicative of future returns. All investments in individual equities carry the risk of significant and even total loss.

Disciplinary Information

Neither QuantAdvisor, nor any persons affiliated with or under the control of QuantAdvisor has been accused of or disciplined for any actions in regards to financial misdemeanors of any type or a felony of any kind.

Other Financial Industry Activities and Affiliations

QuantAdvisor, persons under control of QuantAdvisor, or its affiliates are not engaged in any other Financial Industry activities outside of what has already been stated in this brochure.

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

From time to time, managers of QuantAdvisor, persons under the control of QuantAdvisor, and affiliates may buy or sell securities from their personal accounts. This presents a conflict of interest when the recommendations provided by QuantAdvisor cover securities which persons affiliated with QuantAdvisor may own, intend to buy, or intend to sell. This conflict of interest is mitigated because QuantAdvisor makes recommendations on a purely quantitative basis, specific to each advisor and non-advisor individual, without any consideration as to non-formulaic qualitative opinions of the issue. Therefore, all recommendations from QuantAdvisor will be free and independent of any affiliated individual's investing ownership or trading activity.

QuantAdvisor upholds the highest standard of ethics for both their professional advisor clients and non-advisor individual clients. QuantAdvisor employees a strict policy of privacy, fiduciary duty and rejecting conflict of interest.

Brokerage Practices

QuantAdvisor is not a broker-dealer, and is not affiliated with or incentivized by any broker-dealers. QuantAdvisor does hold a master account with Interactive Brokers, and will encourage their non-advisor clients as well as advisor clients to use Interactive Brokers, primarily because of the very low transaction fees, and wide range of available international markets. All actions based upon QuantAdvisor recommendations that a client may execute are done so through a third-party broker-dealer of the clients choosing, whether it be Interactive Brokers or another broker-dealer of the client's choosing.

Review of Accounts

QuantAdvisor will review non-advisor client's trading accounts at least on a quarterly basis, and inform clients of results of the review, via GIPS-compliant performance reports. Furthermore, the non-advisor individual is free at any time to access their account and request information from the broker-dealer, and even move assets into and out of their account, without QuantAdvisor's explicit consent.

Professional advisor client's for QuantAdvisor are responsible for the review and proper fiduciary management of their client's accounts. QuantAdvisor has no discretion or control over their Professional advisor client's accounts. QuantAdvisor does have access as is necessary for FIX-based order management, however no individual at QuantAdvisor is authorized to make trades or any adjustments in Professional advisor client's accounts at any time. All account adjustments are done explicitly by QuantAdvisor's Professional advisor clients.

Client Referrals and Other Compensation

QuantAdvisor may refer other Advisors and non-advisor individuals to Interactive Brokers for their competitive fees and broad international market access, however QuantAdvisor does not receive any compensation, kickbacks, or commission on these referrals.

Custody

QuantAdvisor does not have custody of any client funds or securities.

Investment Discretion

QuantAdvisor engages in discretionary control of non-advisor client funds with whom they engage. Assets remain at the broker of choice for the non-advisor client. If the client does not have a broker or is dissatisfied with their broker, QuantAdvisor will recommend the client select Interactive Broker.

Voting Client Securities

QuantAdvisor does not have custody of any client funds or securities, and therefore would not carry any voting authority in the client's behalf.

Financial Information

QuantAdvisor does not collect or solicit money for any services 6 months or more in advance and has not been subject to any bankruptcy petition and therefore is not obligated to disclose financial information. Discretionary control of assets is maintained for non-advisor client's and is exercised with all normal and customary fiduciary duties.