

# **ALPHA TITANS**

*Sourcing Alpha | Managing Risk*

## **FIRM BROCHURE** (Part 2A of Form ADV)

**March 31, 2014**

## **ALPHA TITANS LLC**

24 El Paseo Bldg. | Santa Barbara, CA 93101  
(805) 879-1699 phone | (805) 568-5321 fax  
[www.AlphaTitans.com](http://www.AlphaTitans.com)

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of ALPHA TITANS LLC. If you have any questions about the contents of this Brochure, please contact us at (805) 879-1699 or by email at [AlphaTitans@ALPHATITANS.com](mailto:AlphaTitans@ALPHATITANS.com). 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.

ALPHA TITANS LLC is currently registered as an investment adviser with Securities and Exchange Commission; however any such registration does not imply any level of skill or training and no inference to the contrary should be made. Additional information about ALPHA TITANS LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Since our prior Brochure, dated April 1, 2013, ALPHA TITANS LLC has engaged LICCAR, Certified Public Accountants, as the independent third party administrator to replace AlphaMetrix 360 LLC as a provider of the accounting administration services. LICCAR has been providing hedge fund administration services since 1988.

Additional information about ALPHA TITANS LLC and its investment adviser representatives is available on the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 – Advisory Business**

### **A. Description of the Firm**

ALPHA TITANS LLC, a California limited liability company founded in 2007, provides investment services to affiliated private investment entities structured as limited partnerships, companies, and segregated portfolio companies – commonly referred to in the industry as “hedge funds” – as a general partner or investment advisor pursuant to an investment manager agreement. The entities that ALPHA TITANS LLC manages will be referred to for the remainder of this brochure collectively as the “Funds.”

Tim McCormack is the Principal, Managing Member and Chief Investment Officer of ALPHA TITANS LLC. Tim McCormack has over 25 years of experience trading and allocating to alpha return investment strategies. As CIO his duties include sourcing managers, strategy due diligence, portfolio construction, and risk management.

### **B. Types of Services Offered**

ALPHA TITANS LLC manages Funds with the investment objective to deliver superior risk-adjusted returns that are uncorrelated with other investments. ALPHA TITANS LLC tailors these advisory services to the specific share classes offered within the funds it manages.

Fixed fee and/or performance-based consulting is also available. Consulting services provide assistance to investors who are seeking exposure to managers that qualify as Alpha Titans. These services seek to provide innovative ways to access hard to access managers while integrating superior liquidity and more favorable investment minimums.

### **C. Investment Management Agreement**

The investment advice provided by ALPHA TITANS LLC is governed by an investment management agreement or limited partnership agreement between ALPHA TITANS LLC and the Funds. Prior to engaging ALPHA TITANS LLC to provide investment advisory services, each Fund is required to enter into a written agreement with ALPHA TITANS LLC setting forth the terms and conditions under which ALPHA TITANS LLC shall render its services. ALPHA TITANS LLC will provide a Brochure and one or more Brochure Supplements to the Private Fund for which ALPHA TITANS LLC acts as investment adviser. The Agreement will

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continue in effect until terminated by either party pursuant to the terms of the Agreement. ALPHA TITANS LLC's fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded, as appropriate, in a timely manner. Neither party may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of ALPHA TITANS LLC shall not be considered an assignment.

## **D. Assets Under Management**

As of February 28, 2014, ALPHA TITANS LLC manages approximately 48,636,000.00 in client assets on a discretionary basis.

## **Item 5 – Fees and Compensation**

ALPHA TITANS LLC charges asset-based management fees for its services of 1% to 2% annually in managing its Funds. ALPHA TITANS LLC may choose to defer all or any portion of its management fee, or choose to have a fund remit the management fee to a person or entity designated by ALPHA TITANS LLC. ALPHA TITANS LLC reserves the right to negotiate different management fees.

ALPHA TITANS LLC charges asset-based management fees for its services of 1% to 2.5% annually for any fixed fee consulting.

ALPHA TITANS LLC values management fees on the first day of each calendar month and deducts management fees in arrears monthly from the Funds.

Lower fees for comparable services may be available from other sources.

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

ALPHA TITANS LLC may receive performance-based compensation.

In its management of the Funds, ALPHA TITANS LLC currently receives a performance allocation on capital accounts of certain share classes. Performance allocations are calculated net of management fees and all fund expenses. Performance allocations occur on “New High

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Profits”, and are subject to a perpetual high-water mark, whereby any prior losses must be fully recouped. The performance allocation of each specific share class is described in detail in the Private Placement Memorandum of the applicable Fund. ALPHA TITANS LLC may elect to defer all or any portion of any performance allocation and reserves the right to negotiate different performance allocations. Performance allocations for managing the Funds currently range from zero to twenty percent (0% to 20%), and ALPHA TITANS LLC reserves the right to negotiate performance fees on a case-by-case basis.

*Required Disclosure:* Such fee arrangements may create an incentive for ALPHA TITANS LLC to favor higher fee paying share classes over others in the allocation of investment opportunities. Investors in Funds are provided with written explanation of any associated risks of each share class prior to any investment.

ALPHA TITANS LLC may charge performance fees of 0% to 25% of “new high” profits for its services for any performance based consulting.

## **Item 7 – Types of Clients**

ALPHA TITANS LLC provides portfolio management services to affiliated private investment entities structured as limited partnerships, companies and segregated portfolio companies. The services provided by ALPHA TITANS LLC are based on the specific investment objectives outlined in each Fund’s Offering Memorandum or other private offering documents, rather than on the individual needs and objectives of the individual investors in such funds.

ALPHA TITANS LLC’s disclosure of the Funds above and elsewhere in this Brochure are not intended to be solicitations for or advertisements of the Funds.

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

### **A. Methods of Analysis and Investment Strategies**

In identifying and analyzing Alpha Titan managers, ALPHA TITANS LLC uses quantitative and qualitative analysis techniques to identify individuals and management teams that possess great command of the relevant variables in their field of specialization. Important areas of focus include: the investment-edge possessed by the firm; the phenomena being exploited; the risk management techniques being utilized; the integrity and competency of the people; and the infrastructure that supports the business. The due diligence process seeks to develop a comprehensive understanding of: the risk exposures that exist with each manager; the favorable and unfavorable markets for each strategy; the expected future return profile of each manager.

### **B. Risks Relating to ALPHA TITANS LLC's Investment Strategy**

#### ***1. General Strategy Risk.***

All investment strategies contain known risks, unknown risks, and unknown-unknowns. In this regard, no list of strategy risks can ever be completely comprehensive.

Strategy risk often relates to the deterioration of the economic viability of an entire strategy.

#### ***2. Hedging.***

ALPHA TITANS LLC may recommend that Funds “hedge” portfolio exposure risk in any manner it chooses; however, ALPHA TITANS LLC has no obligation to recommend maintaining any such hedge. Certain transactions may not be accurately or adequately “hedged” against market fluctuations; reorganization or liquidation situations may not accurately or adequately value assets or the degree of legal and regulatory risk. This can result in losses, even if the proposed transaction is consummated.

#### ***3. Management Risk.***

ALPHA TITANS LLC will generally have no direct control over actions taken by the Alpha Titan managers. It may be difficult, if not impossible to protect clients from the risk of Alpha Titan managers' fraud, misrepresentation or self-dealing, especially in the case of Alpha Titan

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manager investments, with respect to which ALPHA TITANS LLC may receive only limited information. Additionally, it may be difficult, if not impossible, for ALPHA TITANS LLC to protect against material strategy alteration because these strategies are often confidential and proprietary. The Alpha Titan managers will trade independently of one another and may at times hold offsetting positions. It is possible that clients could hold opposite positions in the same or similar securities or commodities at or about the same time or during the same period of time. To the extent that the Alpha Titan managers hold such offsetting positions, no net investment gain or loss will occur despite incurring fees and expenses. The Alpha Titan managers' investment programs may utilize investment techniques such as trading options and derivatives, limited diversification, margin transactions, short sales, and forward contracts, which can, in certain circumstances, adversely impact clients' performance. In addition, Alpha Titan managers may impose certain limitations on clients' ability to redeem its investment. This may, in turn, adversely affect the ability of the client to pay redemptions, and may require the client to temporarily suspend redemptions.

#### **4. *Prime Broker.***

Funds managed by ALPHA TITANS LLC will assume certain credit risks associated with the placement of funds and securities with a prime broker, and the failure or bankruptcy of any such prime broker could have a material adverse impact. Generally, brokers are not required to, and do not, segregate their customers' securities and funds; consequently, a client may have only the status of any other general creditor in the event of bankruptcy of a broker. Generally, brokerage and investment management arrangements can be terminated on short notice and contain liability and indemnity provisions.

#### **5. *Concentration.***

Manager concentration risk exists in the portfolios managed by Alpha Titans LLC. The level of manager concentration will vary by share class as each has different investment objectives. In addition, each underlying Alpha Titan manager independently allocates assets and in multi-manager share classes this has the potential to result in concentration in markets traded and/or financial instruments. As concentration increases this has the potential to result in both greater gains and greater losses.



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## **6. *Leverage.***

Leverage may be utilized in the Funds' portfolio both at the client level and the Alpha Titan manager level. Leverage has the effect of magnifying both risk and return. Under adverse market conditions losses may occur, which may result in portfolio positions being prematurely liquidated in ways that may cause additional losses. There are a number of ways in which leverage may be incurred for leveraged share classes that exist within the client. These include, but are not limited to: loans, lines of credit, and derivative instruments (including but not limited to swaps, options, futures, forward contracts, reverse repurchase agreements, structured notes, and trading on margin, or any combination of the foregoing). Leverage through financing also incurs risk to the Funds due to the fact that there can be no assurance that clients will be able to maintain adequate financing. If a Fund is unable to satisfy the collateral requirements of a financing counterparty, the counterparty could liquidate some or all of the positions in the accounts with the prime broker, resulting in potentially significant losses.

## **7. *Margin.***

The use of margin and short-term borrowing creates risks. If the value of the Funds' capital used as a margin falls below the margin level required by a prime broker, additional margin deposits would be required or if unable to satisfy any margin call by a prime broker, the prime broker could liquidate some or all of the positions in the accounts with the prime broker, resulting in potentially significant losses. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, could trigger cross-defaults with other brokers, lenders, clearing firms or other counterparties, multiplying the adverse impact. Also, in the event of a sudden decrease in the value of a Fund's assets, a Fund might not be able to liquidate assets quickly enough to satisfy margin requirements, and may then become subject to claims of financial intermediaries that extended "margin" loans. Such claims could exceed the value of the assets of the Fund. The banks and dealers that provide financing to the Funds can generally apply discretionary margin, haircut, financing and collateral valuation policies, and changes in any of these policies or the imposition of other limitations or restrictions may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices, among other things. Any such adverse effects may be exacerbated in the event that such changes, limitations or restrictions are imposed suddenly, by multiple financing parties at or about the same time, or both.

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## **8. *Derivative Transactions.***

ALPHA TITANS LLC may recommend that a Fund enter into derivative transactions involving, or relating to, achieving leverage for the Fund's assets. Trading in the derivatives presents certain risks to the Fund. Although banks and dealers, which are participants in these markets, are regulated in various ways by U.S. and foreign banking and securities authorities, these authorities generally do not regulate the derivative markets. Trading in the derivative markets involves the extension of credit by a participant to its counterparty. In general, the counterparties with which the Fund will trade require initial collateral deposits. However, the Fund typically will not receive initial collateral deposits from its counterparties. A Fund and its counterparties will periodically exchange collateral to secure mark-to-market valuations of derivative contracts. The derivative markets are "principals' markets," in which performance with respect to a derivative contract is the responsibility only of the counterparty with which the trader has entered into a contract (or its guarantor, if any), and not of any exchange or clearinghouse. As a result, the Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the principals with which it trades. Any failure or refusal of a derivative counterparty, whether due to insolvency, bankruptcy, default, or other cause, could subject the Fund to substantial losses.

## **9. *Counterparty Risk.***

Counterparty risk will occur if a Fund utilizes swap, "over-the-counter" options, structured notes, or other derivative instruments. These types of trades are currently anticipated as potential transactions that may be used to leverage the Fund's assets and to access Alpha Titan manager return streams, and may also be utilized by the Alpha Titan managers in their own investment activities. Over-the-counter swaps, options, and structured notes are not traded on any exchange; instead, they are directly bought from and sold to, on a principal basis, a dealer. The Fund may enter into such transactions with one or more dealers and with respect to some or all of its assets. These transactions subject the Fund to the potential failure of default by the dealer(s) who have entered into the transactions. Any such failure or default could subject the Fund to substantial losses.

## **10. *Strategy Risk.***

Each Alpha Titan manager executes specialized investment strategies that have numerous unique risks. An investment strategy may not achieve its investment objectives (in return or risk management) for numerous reasons, including, the failure to execute the strategy effectively.

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***Required Disclosure:*** Investing in securities involves risk of loss that clients should be prepared to bear. There can be no assurance that a Fund will achieve its investment objective and no inference to the contrary should be made. Past performance of investments is no guarantee of future results.

## **Item 9 – Disciplinary Information**

ALPHA TITANS LLC has not been disciplined by any legal, regulatory or other disciplinary authority. As such, ALPHA TITANS LLC has no information applicable to this Item.

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

The principal of ALPHA TITANS LLC, Tim McCormack, is the principal of Santa Barbara Alpha Strategies, Inc., an affiliated adviser. This affiliated advisor does not currently offer investment management services.

The principal of ALPHA TITANS LLC, Tim McCormack, is the sole shareholder of an offshore company that acts as an advisor to an offshore special purpose vehicle . No compensation has been received by Mr. McCormack for this affiliation, and no material conflict of interest currently exists. These entities have been specifically created to better execute the investment objectives of the Funds, (primarily in: sourcing alpha; managing risk; minimizing expenses; and in maximizing economies of scale and tax efficiency). It is anticipated that the offshore investment entities will be offered to other investors in the future. If this occurs Mr. McCormack may receive compensation for additional services provided to other investors. To the extent that additional investors (other than the Funds) invest in products or services offered by the special purpose vehicle, potential conflicts of interest may exist, and Mr. McCormack intends to act in a reasonable manner to address potential conflicts fairly to minimize any potential conflicts. In this regard, each new investor of products offered by the special purpose vehicle will bear their appropriate pro-rata share of all fees and expenses of the special purpose vehicle that are applicable to such products.

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The principal of ALPHA TITANS LLC, Tim McCormack, is the sole shareholder of an offshore company that acts as manager to a offshore pooled investment vehicle. Since inception, no compensation has been received by Mr. McCormack for this affiliation, and no material conflict of interest currently exists. These entities have been specifically created to better execute the investment objectives of the Funds, (primarily in: sourcing alpha; managing risk; minimizing expenses; and in maximizing economies of scale and tax efficiency). It is anticipated that the pooled investment vehicle may be offered to other investors in the future, and if this occurs Mr. McCormack may receive compensation for additional services provided to other investors. As part of this affiliation, Mr. McCormack is authorized to incur fees and expenses on behalf of executing the investment objectives of the pooled investment vehicle, and any such expenses will ultimately be incurred by the Funds (to the extent they are utilized by the Funds either directly or indirectly). If additional investors (other than the Funds) invest in products or services offered by the pooled investment vehicle, potential conflicts of interest may exist, and Mr. McCormack intends to act in a reasonable manner to address potential conflicts fairly to minimize conflicts. In this regard, each new investor of investment products or share classes offered by the pooled investment vehicle will bear their appropriate pro-rata share of the all fees and expenses of the pooled investment vehicle that are applicable to these products and share classes.

Tim McCormack is also a registered Commodity Trading Advisor.

## **Item 11 – Code of Ethics**

ALPHA TITANS LLC has adopted a Code of Ethics (“Code”) for the purpose of alerting the officers, directors and employees of ALPHA TITANS LLC to their ethical and legal responsibilities with respect to (a) securities transactions involving possible conflicts of interest with clients of ALPHA TITANS LLC, and (b) securities transactions made while in the possession of material, non-public information. The Code sets out the general fiduciary principals applicable to ALPHA TITANS LLC and its officers, directors and employees with respect to ALPHA TITANS LLC’s advisory clients. The Code expressly prohibits all employees of ALPHA TITANS LLC from engaging in certain specific activities and conduct, and also requires that certain personnel of ALPHA TITANS LLC (referred to as “access persons”) make reports concerning certain categories of their personal securities transactions. Every employee of ALPHA TITANS LLC is required to read, acknowledge receipt of, and comply with, the Code. Upon request, ALPHA TITANS LLC will furnish a copy of the Code to its clients or investors in the Funds.

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As specified above in Items 5 and 6, ALPHA TITANS LLC receives management fees and performance allocations. Due to the master/feeder structure utilized by the Funds, to the extent any of the Funds invest in other Funds or purchases financial products for which ALPHA TITANS LLC or an affiliate acts as general partner, investment manager, advisor or manager, ALPHA TITANS LLC might be deemed to recommend investment in funds in which ALPHA TITANS or a related person has some financial interest.

ALPHA TITANS LLC or a related person may trade the same securities for their own personal accounts that are recommended to its clients, and ALPHA TITANS LLC or a related person may recommend securities to clients in which ALPHA TITANS LLC or a related person has some other proprietary interest in. ALPHA TITANS LLC or a related person that invests in the Funds assumes the same risks as any client.

## **Item 12 – Brokerage Practices**

### **A. Selection Criteria**

ALPHA TITANS LLC has discretion to determine the type and amount of securities bought and sold for the Funds it manages and the broker-dealers used and commission rates paid; however, because ALPHA TITANS LLC primarily makes asset allocations to other unaffiliated trading managers and funds, ALPHA TITANS LLC generally does not determine the broker-dealers used (or commission rates paid) – such trading managers and funds make such determinations. ALPHA TITANS LLC does not adhere to any rigid formulas in making the selection of brokers, but weighs a combination of factors including, among others, commission rates and competitive pricing, ability to execute trades, nature and frequency of sale coverage, depth of services provided (including back office and processing capabilities), reporting, financial stability and responsibility, reputation, communication with and responsiveness to ALPHA TITANS LLC and overall service (collectively, “Services”).

### **B. Best Execution**

Recognizing the values of these qualitative factors, ALPHA TITANS LLC may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. It is not ALPHA TITANS LLC’s practice to negotiate “execution only” commission rates; thus Funds may be deemed to be paying for other Services provided by the broker which

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may be deemed to be included in the commission rate. ALPHA TITANS LLC will make a good faith determination that the amount of commission is reasonable in relation to the value of the Services received, viewed in terms of either the specific transaction or ALPHA TITANS LLC's overall responsibility to its clients. Limitations on ALPHA TITANS LLC's authority are guided by (i) its responsibility to act as a fiduciary when handling Funds' account, (ii) the obligations (subject to the foregoing) to seek best execution for Funds' trades, and (iii) the Funds' offering documents.

## **Item 13 – Review of Accounts**

The Managing Member, Principal and Chief Investment Officer of ALPHA TITANS LLC conducts reviews of Fund accounts on a daily, weekly and monthly basis.

The Controller of ALPHA TITANS LLC conducts reviews of Fund accounts on a daily, weekly and monthly basis.

Investors in the Funds managed by ALPHA TITANS LLC are provided monthly account statements by an independent administrator and annual audited financial statements by an independent accounting firm. Investors also may elect to receive mid-month, month-end and other periodic performance estimates electronically.

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

ALPHA TITANS LLC uses selling agents who refer investors to the Funds. ALPHA TITANS LLC may compensate such selling agents with a portion of its management fees, performance allocations, or both. All solicitation arrangements will follow CCR 260.236(c)(2) requirements.

## **Item 15 – Custody**

ALPHA TITANS LLC is deemed to have custody of assets based on the fact that it acts as investment adviser to the Funds for which its related person serves as general partner or managing member.

The Funds receive monthly account statements from a qualified custodian and have daily access to view their accounts. The Funds also have access to account information from ALPHA

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TITANS LLC and the Funds regularly compare the account statements they receive from the qualified custodian with account information provided by ALPHA TITANS LLC.

ALPHA TITANS LLC's requires the Funds' annual financial statements be audited by an independent public accounting firm registered with the Public Company Accounting Oversight Board, and ensures that the Fund's audited financial statements are distributed to its investors on an annual basis. The Funds' auditor is McGladrey and Pullen LLP.

## **Item 16 – Investment Discretion**

Pursuant to an investment management agreement or limited partnership agreement, ALPHA TITANS LLC receives discretionary authority from the Funds to manage securities. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives.

## **Item 17 – Voting Client Securities**

ALPHA TITANS LLC generally does not vote proxies with respect to securities in Fund accounts; but reserves its right to do so. In the event ALPHA TITANS LLC exercises voting authority with respect to any proxy, it will be guided by general fiduciary principles and will attempt to consider all factors of its vote that could affect the value of affected Fund securities. With respect to any proxy voted by ALPHA TITANS LLC, the primary objective will be to vote each proxy consistent with these principles and objectives. Funds may obtain a copy of proxy voting policies and procedures upon request.

## **Item 18 – Financial Information**

ALPHA TITANS LLC does not solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore is not required to provide a balance sheet. ALPHA TITANS LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds, and has not been the subject of a bankruptcy proceeding.