

Part 2A of Form ADV: Firm Brochure



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This Brochure provides information about the qualifications and business practices of Newfound Research LLC. If you have any questions about the contents of this Brochure, please contact us at (617) 531-9773 or tom@thinknewfound.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.

Newfound Research LLC is a registered investment adviser. Additional information about Newfound Research LLC is available on the SEC's website at www.adviserinfo.sec.gov. One's status as a "registered investment advisor" does not imply a certain level of skill or training.

Item 2- Material Changes

This Brochure contains changes and updates from the firm's previous Brochure, none of which are deemed material. Updates in this Brochure include new Newfound partnerships and joint ventures, new investment strategies offered by Newfound, a new line of business which offers investment strategies directly by Newfound and the addition of new employees to the firm (including employees who provide sales and marketing services). We have also updated the Fees and Compensation section to include fees in connection with the direct licensing of Newfound's model portfolios. Additional changes include changes to Tom Rosedale's other financial industry activities and affiliations, as a result of the divestiture by Tom Rosedale of his interests in certain other businesses, and changes in ownership percentages of certain of Newfound's owners.

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Item 4- Advisory Business

Background

Newfound Research LLC (“Newfound”) is a quantitative asset management firm which focuses on innovation with its rule-based, outcome oriented investment strategies.

Newfound creates rule-based, quantitatively enabled investment strategies powered by its dynamic, volatility adjusted momentum model. Its clients are comprised of mutual fund families and advisers, index providers, wealth management firms and other asset management firms. Newfound acts as a sub-adviser and research provider to certain mutual fund advisers. Newfound’s investment strategies, overlays and other tools are made available to advisors directly by Newfound and in certain cases by its “partner” firms.

The investment strategies offered by Newfound are often referred to as “managed ETF portfolios.” All research and development is conducted internally by Newfound’s quantitative strategies group. These individuals invest a substantial amount of time and resources in developing, testing and utilizing new investment strategies and Newfound’s intellectual property, which includes its core, flagship quantitative models. Newfound does not conduct business directly with individual, retail investors.

Newfound was founded in August 2008 as a Delaware limited liability company in connection with the licensing of select data from its flagship, proprietary quantitative model to a third-party, which became its first client. The development of Newfound’s algorithms began in 2007 by Corey Hoffstein, Newfound’s co-founder and chief investment officer, who is the sole architect of Newfound’s core technology and models. Newfound’s owners are Corey M. Hoffstein (through his wholly owned company, Newfound Holdings LLC) and Tom Rosedale, who together own greater than 75% of Newfound’s equity securities. The remainder of Newfound is owned by an individual, Karel Delphine Morton, who is not an officer, director or employee of Newfound.

Quantitative IntegrityTM

Newfound believes that a dynamic, quantitatively-driven process facilitates long-term consistency and success in both investment performance and risk-management. The foundation of Newfound’s process is its philosophy of “*quantitative integrity*”TM, Newfound’s belief that success is achieved through a balance of quantitative analytics and qualitative insight. Newfound’s goal is to deliver investment strategies and tools to its institutional clients to enable investors to meet their unique needs and risk preferences. Newfound’s methodology for achieving this goal is to employ quantitatively-enabled strategies, which are rule-driven and whose designs require both quantitative depth and qualitative insight, whereby data never trumps insight, but theories must always be supported by data.

Quantitative Models

The majority of Newfound's investment strategies rely on Newfound's proprietary dynamic, volatility adjusted momentum models, utilizing momentum and other factors to generate views on securities and apply them in a rule-based, disciplined and systematic process. Systematic research is a critical part of Newfound's business and its investment strategy design. Newfound designs, develops and manages quantitative technologies and analytics and then utilizes data from these technologies to power its rule-based investment strategies.

Newfound's core technology creates a "dynamic window" based on Newfound's determination of dynamic, volatility-adjusted momentum for use in absolute momentum, relative momentum, and other quantitative models. The dynamic window is created utilizing historical information and considers the following factors:

1. Changes in price to measure speed and magnitude of directional movement (i.e. the trend, or "signal");
2. Newfound's proprietary measure of volatility that captures intraday volatility (i.e., the "noise"); and
3. Changing levels of volatility (or "vol. of vol.") used to measure the stability of the "signal-to-noise" ratio.

Newfound's technology is applied in various ways in the investment strategy construction and management processes, including the use of Newfound's "Exposure Recommendations", which are proprietary signals generated from its models and include:

- Absolute Exposure RecommendationsTM – These are binary outputs recommending exposure or no exposure to a stock, index, mutual fund, ETF or other security (e.g., Do Newfound's algorithms recommend investing in the financial sector ETF or holding cash?). This technology is used in several investment strategies, including in connection with the Copeland's Risk Managed Dividend Growth Fund (the "Copeland Fund") and Newfound's Risk Managed Global Sectors strategy.
- Relative Exposure RecommendationsTM – These are binary outputs recommending exposure to one stock, index, mutual fund, ETF or other security versus another (e.g., If determining whether to make an investment in ETFs representing growth stocks or ETFs representing value stocks, the Newfound technology will make a recommendation as to which style will likely outperform the other). This technology is used in several of Newfound's investment strategies, including the Virtus Disciplined Equity Style Fund and the Virtus Disciplined Select Bond Fund.

Newfound, soon after its inception, licensed limited absolute exposure recommendationsTM to certain clients. Many of the data license agreements that Newfound entered into with its clients are perpetual. Newfound initially became known

for its signals on the U.S. sector ETFs that were generated by its proprietary models and used by certain of its clients managing tactical investment strategies, including Copeland Capital Management LLC, which manages (x) the Copeland Fund (launched in December 2010) and (y) the Katama Capital Fund, L.P. (a long/short hedge fund launched in March 2012).

Newfound no longer enters into data license agreements with its clients, but it does honor the existing agreements to which it is a party. Newfound licenses investment strategies, in the form of an index or a model portfolio, to its clients, and expects to soon offer clients the opportunity to invest in Newfound's investment strategies through SMAs and UMAs. When Newfound licenses an investment strategy to a client as an index or a model portfolio, the client is responsible for making all investment decisions and handling all trading, reporting and custody matters.

No client accesses the underlying code to Newfound's proprietary algorithms, and, as Newfound considers its algorithms to be trade secrets, Newfound takes great efforts to maintain and protect the confidentiality of its underlying code and workings of its technology.

Investment Strategy Offerings

Newfound's service offerings include: (i) "direct" investment strategy offerings, which are investment strategies created by Newfound (without input from another party) and marketed and distributed by Newfound; and (ii) "collaborative" investment strategy offerings, which are investment strategies or overlays created by Newfound in collaboration with a "partner" firm, where the "partner" firm typically takes responsibility for the marketing and distribution of the investment strategy.

For each investment strategy, an outcome or desired behavior is identified. For example, Newfound's Risk Managed Global Sectors strategy, which is a "direct" investment strategy and invests in the iShares global sector ETFs, has a goal of absolute performance in a bear market and relative performance in a bull market ("protect and participate"). To achieve this goal, Newfound's quantitative model generates absolute exposure recommendations (signals) on the iShares global sector ETFs, avoiding sectors with a negative exposure recommendation and reallocating to investible sectors or building a cash position. By comparison, the Virtus Disciplined Equity Style Fund's (VDEAX), which is a "collaborative" investment strategy, has a goal to outperform the Russell 3000® Index over full market cycles by identifying and capturing relative outperformance trends between the growth and value equity styles, which is achieved by employing Newfound relative exposure recommendations.

Direct Investment Strategies

"Direct" investment strategy offerings Newfound's Risk Managed Global Sectors strategy, Risk Managed Small Cap Sectors strategy, Target Excess Yield strategy, Risk Managed Income strategy and US Equity Dynamic Long/Short strategy (each of which is currently available for licensing as indices or model portfolios by wealth management firms and will soon be available by Newfound through SMAs and UMAs). Direct

investment strategies are marketed by Newfound and its employees.

Collaborative Investment Strategies

“Collaborative” investment strategy offerings include Newfound’s collaboration with:

- Toroso Investments in connection with three investment strategies created by Newfound and Toroso,
- Congress Asset Management in connection the Congress Risk Managed Assets and Risk Managed Satellites strategies,
- Copeland Capital Management in connection with the Copeland Risk Managed Dividend Growth strategy,
- FolioMetrix with two RiskX investment strategies,
- CVR Portfolio Funds in creating a tactical sleeve to a larger investment strategy,
- Investors Capital in creating a tactical overlay to a wrap-fee program and a custom tactical investment strategy, and
- Virtus Investment Partners in the creation of three investment strategies.

Newfound does not generally distribute or market the “collaborative” investment strategies but does support its partners with the creation of marketing materials and will often times participate in speaking engagements and other activities relating to these investment strategies, as requested by Newfound’s partners.

Newfound’s “partners” often act as “sponsors” of Newfound’s investment strategies. Newfound’s investment strategies sometimes carry the “Newfound” name or the investment strategy sponsor may otherwise utilize Newfound’s name in connection with its marketing of the investment strategy. The design and customization of the investment strategies is performed, in whole or in part, by Newfound in collaboration with each “partner” firm.

Assets under Management/Wrap Fee Programs

Newfound does not participate in a wrap fee program. Newfound does not manage any client assets. Newfound receives a percentage fee based on its or its clients’ assets under management or advisement for those portfolios or investment strategies utilizing its data or services or which are otherwise subject to agreements with Newfound.

Corporate Partnerships and Joint Ventures

Virtus Investment Partners/Newfound Investments LLC

In October 2012, Newfound and Virtus Investment Partners Inc. (“Virtus”) partnered and collaborated to establish Newfound Investments, LLC, a Delaware limited liability company jointly owned by Newfound and Virtus – 51% of which is owned by Virtus and 49% of which is owned by Newfound (the “Newfound/Virtus Company”) (IARD/CRD Number: 165574). The Newfound/Virtus Company is an investment manager that expands Virtus’ offerings of innovative investment solutions by adding disciplined, rule-

based strategies to manage a variety of asset classes. Newfound, in collaboration with Virtus, initially created three new investment strategies as part of the Virtus Disciplined suite of funds (the first three funds of which are (i) Virtus Disciplined Equity Style Fund (which has an investment objective of capital appreciation and seeks to deliver the returns of the Newfound Equity Style Total Return Index (Nasdaq: NESX)), (ii) Virtus Disciplined Select Country Fund (which has an investment objective of capital appreciation and seeks to deliver the returns of the Newfound Select Country Total Return Index (Nasdaq: NSCX)) and (iii) Virtus Disciplined Select Bond Fund (which has an investment objective of high total return from current income and capital appreciation and seeks to deliver the returns of the Newfound Select Bond Total Return Index (Nasdaq: NSBX))). The funds were launched on December 18, 2012 as open-ended mutual funds by the Newfound/Virtus Company. Corey Hoffstein, chief investment officer and chief technology officer of Newfound, serves as portfolio manager for these funds and as chief investment officer of the Newfound/Virtus Company. Tom Rosedale, Newfound's chief executive officer and chief compliance officer, serves as a member of the board of managers of the Newfound/Virtus Company. Newfound licenses data from its algorithms and technology to the Newfound/Virtus Company for use in connection with the Newfound/Virtus Company's investment strategies.

Congress Capital Partners LLP ("Congress Capital")

In January 2014, Newfound and Congress Capital LLC ("Congress") (an affiliate of Congress Asset Management) partnered and collaborated to establish Congress Capital Partners LLP, a Massachusetts limited liability partnership jointly owned by Newfound and Congress – 85% of which is owned by affiliates of Congress and 15% of which is owned by Newfound (the "Newfound/Congress Company") (IARD/CRD Number: 170030). Congress employs a proprietary research model designed by Congress and Newfound for the implementation and management of the Congress Capital Risk Managed SeriesTM, which is a core-satellite portfolio construction comprised of low-cost ETFs designed to provide volatility adjusted exposure to global markets.

NASDAQ OMX

In October 2013, Newfound and NASDAQ OMX partnered and collaborated to create the NASDAQ Newfound Suite of Indexes. The initial indices include a Risk Managed Income index, a Global Defensive Equity index, a Target Excess Yield suite of indices and a U.S. Equity Dynamic Long/Short index. These indices are available for licensing through NASDAQ OMX or Newfound.

Item 5- Fees and Compensation

For "direct" investment strategies that Newfound licenses as model portfolios, its fees range between 35 and 60 basis points, depending on the strategy. Fees are generally billed in arrears and paid monthly or quarterly. Newfound does not normally collect fees in advance, unless requested by its clients.

For "collaborative" investment strategies that are offered by Newfound's partners, fees

paid by investors are often established by Newfound's partners. Fees paid to Newfound by its partners in connection with these "collaborative" investment strategies include:

- Fixed basis points;
- Basis points that increase over time;
- Increasing or decreasing basis points as asset levels rise;
- Fixed percentages of fees paid by the investors;
- Fees to obtain or maintain exclusivity; and
- Distributions of profits from entities in which Newfound has an ownership or similar interest.

Factors that are often considered in determining Newfound's fees with "direct" and "collaborative" investment strategies include:

- The type of investment strategy delivered to the client;
- The type and amount of the Newfound's intellectual property used in the investment strategy;
- The scope of exclusivity, if any;
- The scope of the license relating to the amount and type of data and how it can be used by the client;
- The type of investment product (such as mutual fund, separately managed account or a hedge fund) and the amount of fees payable by an investor in the investment products;
- The proportion of the overall investment strategy that Newfound's contribution represents (in the case of a "collaborative" investment strategy where there are inputs into the investment strategy other than those provided by Newfound);
- The extent to which Newfound and its employees will be involved in the marketing of the investment strategy; and
- Whether a client has an existing asset base for the investment strategy.

Many of the contracts that Newfound entered into with its clients for "collaborative" investment strategies require a minimum level of assets in order for the client to maintain a license to the investment strategy and data from Newfound, or, in certain cases, to maintain exclusivity to the investment strategy.

In certain cases, Newfound is entitled to a percentage of proceeds paid to a client in a transaction in which the client is acquired by a third party.

No officer, partner, director, employee or other person who provides investment advice on behalf of Newfound accepts compensation for the sale of securities or other investment products from Newfound's clients. Newfound does not hold securities or facilitate the purchase of securities on behalf of clients. Newfound's management team members have made personal investments in certain of Newfound's clients' investment strategies and hold investments in one or more of Newfound's clients' businesses.

Item 6- Performance-Based Fees and Side-By-Side Management

Newfound does not collect performance-based fees, but may consider doing so in the

future.

Item 7- Types of Clients

Newfound develops dynamic investment strategies, provides data, and licenses analytics to mutual fund families and advisors, index providers, wealth management firms and other asset management firms. Newfound does not conduct business directly with individual investors.

Newfound often collaborates with its “partners”, which often serve as investment strategy sponsors (each, a “sponsor”), typically mutual fund families, advisors of mutual fund and asset management firms, to research, develop, design, build and manage customized multi-asset portfolios based on Newfound’s intellectual property, including Newfound’s proprietary algorithms, models, research, trade secrets and technology. Newfound also licenses model portfolios of “direct” investment strategies to wealth management firms (which also serves as a “sponsor”) for dissemination to, and use by, such parties’ clients. In these cases where such a sponsor is involved, Newfound’s obligation is to create and disseminate model portfolios to the sponsor. The model portfolios and the recommendations implicit in the model portfolios generally are not tailored to the specific needs or circumstances of the sponsors’ clients. The sponsor typically has the advisory relationship with the investor. As between Newfound and the sponsor, the sponsor is responsible for making investment decisions for the investors, and for determining if adherence to the model portfolio recommendations is appropriate for each individual investor. Typically, the sponsor has sole authority and responsibility for implementing the model portfolios for its client accounts. The sponsor is responsible for understanding and evaluating each investor’s identity, circumstances, financial condition, portfolio holdings, tax situation, regulatory status, financial needs and goals, and to make determinations as to whether a model portfolio provided by Newfound is appropriate for each potential investor, and to report and communicate with the investors as to their investments.

Item 8- Methods of Analysis, Investment Strategies and Risk of Loss

All Newfound investment strategies are rule-based, quantitative enabled and powered by data and signals from Newfound’s technology. The “rules” mostly differ for each investment strategy established by Newfound, and address the type and universe of securities to buy or sell, the frequency and timing of rebalancing, the percentage or amount of a security to hold, the specific securities to buy or sell and other such considerations. Newfound’s technology is utilized in investment strategy construction and to provide data for allocation recommendations for Newfound’s clients. Historically, data generated from Newfound’s models were used by clients as building blocks for their development of dynamic investment solutions. Investment recommendations provided to clients are derived from Newfound’s proprietary algorithms.

Method of Analysis/Investment Strategies

Newfound’s core quantitative algorithms analyze a security’s time series, creating metrics

for price change, volatility, and changes in volatility. These metrics are used to define the current environment and expected normal behavior for the security. Newfound's technology then constructs a "Dynamic Window", based on dynamic volatility-adjusted momentum, which identifies the amount of information the model will use to determine the true underlying trend of the security. Depending on the market environment or the current behavior model, this window will change in size (it expands or contracts based on the market environment). A filtration system is employed within the Dynamic Window, seeking to remove data identified as "noise" and leave the underlying trend component. The orientation and persistence of this underlying trend provides the ultimate signal as to whether the model recommends exposure to the security. The algorithm then produces a binary output recommending exposure or no exposure in the case of Newfound's absolute exposure recommendations (e.g., if determining whether to make an investment in the financial sector ETF or hold cash, the Newfound technology will make a recommendation as to whether to purchase the financial sector ETF or simply maintain a cash position), or a recommendation as to which security one should have exposure when comparing one security to another in the case of Newfound's relative exposure recommendations (e.g., if determining whether to make an investment in ETFs representing growth stocks or ETFs representing value stocks, the Newfound technology will make a recommendation as to which security will likely outperform the other). As the time series changes, so will the Dynamic Window, the significant data points and the resulting underlying trend (i.e., the exposure recommendation may change based on the new data).

Newfound's proprietary model focuses on different information depending on market conditions. For example, in "slow" markets, Newfound's technology recognizes that investors tend to focus on a greater horizon of information, using multiple quarters of financial information to make their forecasts. In "fast" markets, investors heavily focus on the most recent information. An example of a "slow" market was the U.S. market in 2005, where investors generally considered information over a fairly long time horizon in making an investment decision, while 2008 was a "fast" market, where investors generally considered information over a very short time horizon in making an investment decision (as information from prior quarters or years was no longer deemed relevant). Newfound's algorithms seek to distinguish between market environments to determine the information that should be carefully scrutinized by its models in making exposure recommendations.

Risks

Any investment in securities involves a risk of loss. Anyone choosing to adopt Newfound's recommendations, model portfolios or investment strategies should be prepared to bear any loss that might occur. More specific risks associated with Newfound's model portfolios, investment strategies and technology are outlined below.

Model Risk: All quantitative analysis carries a risk that the mathematical model used might be based on one or more incorrect assumptions. For example, Newfound's model is based on the premise that price and volatility are significant factors in distinguishing event windows and approximating market sentiment.

Data Risk: Newfound's system relies on the cleanliness and accuracy of the underlying data (such as stock or ETF prices) that are input into Newfound's algorithms to generate

exposure recommendation signals. If input data is inaccurate, then the data output will be similarly tainted. As such, live, current data is inherently more reliable than back-tested results.

Hacking Risk: Despite the precautions and security measures Newfound employs, there is a risk that unauthorized outside interference with the technology's programming or distribution method could impair its functioning.

Quantitative Risk: Rapidly changing and unforeseen market dynamics could lead to a decrease in the short term effectiveness of Newfound's model.

Macroeconomic Risk: Unusual events, such as those resulting from shifts in geo-political, systematic, economic, or social conditions may result in abrupt changes to a security's price, which could upset the model's ability to make accurate exposure recommendations.

Use of Data Risk: Data provided by Newfound to its clients might not be utilized by Newfound's clients in the optimal manner. Newfound believes that it best understands the appropriate usage of its data and intellectual property. Certain early clients have utilized Newfound's data in a manner that Newfound does not believe is appropriate.

Operational Risk: Newfound has developed systems and procedures to control and manage operational risk. Operational risks may cause Newfound to suffer financial loss; the disruption of its business; liability to clients or third parties; regulatory intervention; or reputational damage. Newfound relies heavily on its intellectual property, including its algorithms. In addition, several of Newfound's investment strategies with its "partner" firms rely on inputs from managers from the "partner" firm, and any failure of such other managers to deliver their contributions towards the investment strategies could affect the performance of the investment strategy.

Trading Decisions Based on Quantitative and Other Analysis: Newfound's investment recommendations are based on quantitative signals, other analyses and the established rules for the particular investment strategy. Any factor that would lessen the prospect of major trends occurring in the future may reduce the prospect that a particular trading method or strategy will be profitable in the future. No assurance can be given that Newfound's strategies will be successful under all or any market conditions.

Strategy Risk: Newfound's strategies are unlikely to be successful unless the assumptions underlying the models used to implement investment strategies and the established rules of Newfound's investment strategies are and remain realistic and relevant in the future. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is unlikely that reliable signals will be generated. If and to the extent that the models and investment strategies do not reflect correct assumptions, Newfound will continue to test, evaluate and create new models.

Crowding/Convergence: There is significant competition among quantitatively focused managers, and Newfound's ability to deliver returns that behave and perform as expected is dependent on its ability to employ models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that Newfound is not

able to develop sufficiently differentiated models, the investors' investment objectives may not be met, irrespective of whether the investment strategies are successful in an absolute sense.

Risk of Programming and Modeling Errors: Although Newfound seeks to hire skilled individuals in its quantitative strategies group 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 which errors could adversely affect the performance of an investment strategy.

Copycat Models: Over the last few years, Newfound has become aware of several firms that have attempted to create their own models and algorithms that pursue the philosophies and themes underlying Newfound's intellectual property. Based on information available to Newfound, these models and algorithms, while similar sounding in description, do not behave in manners similar to Newfound's, yet they are sometimes presented by these competitors as "the same as Newfound's" or "an enhancement to Newfound's models." Investors should not assume that a model or investment strategy utilizes Newfound's intellectual property unless the investment strategy utilizes the "powered by Newfound" logo or if Newfound publicly identifies the investment strategy as one it powers.

Custom Strategies: Newfound provides custom investment strategies to its "partners" with "collaborative" investment strategies, which are by definition new, and therefore initially lack a live track record. Newfound also often creates new "direct" investment strategies, which also initially lack a live track record. Backtested strategies are subject to several risks which are described in Newfound's 2012 whitepaper "*Backtesting with Integrity*", which is available on Newfound's website (www.thinknewfound.com/research).

Item 9- Disciplinary Information

There are no legal or disciplinary events that are material to Newfound's client's or prospective client's evaluation of Newfound's advisory business or the integrity of its management.

As an investment adviser registered with the Securities and Exchange Commission, Newfound from time to time receives requests for information from various regulatory agencies, self-regulatory organizations and securities exchanges. We have voluntarily assisted and responded to such agencies, organizations and exchanges with those requests. Investment advisers registered with the SEC are required to disclose certain regulatory, disciplinary and legal matters pursuant to Part 1A, Item 11 of Form ADV. Further, investment advisers are required to disclose in their brochures all material facts regarding any legal or disciplinary events that are material to a client's or prospective client's evaluation of their advisory business or the integrity of their management. Investment advisers are obligated to update responses promptly for changes.

We answered each question in Part 1A, Item 11 of Form ADV with "No" and state in this Brochure that there are no legal or disciplinary events that are material to Newfound's client's or prospective client's evaluation of our advisory business or the integrity of our

management.

Item 10- Other Financial Industry Activities and Affiliations

Newfound does not recommend or select other investment advisers for its clients.

Tom Rosedale, a principal owner and executive officer of Newfound, is a licensed attorney and a member of the Massachusetts bar. Mr. Rosedale provides legal services to Newfound as an active member of Newfound's management team and through BRL Law Group LLC, a corporate boutique law firm located in Boston, MA, which is wholly owned by Mr. Rosedale.

In October 2012, Newfound and Virtus partnered and collaborated to establish the Newfound/Virtus Company (IARD/CRD Number: 165574) of which Virtus owns 51% and Newfound owns 49%. The Newfound/Virtus Company is an investment manager that expands Virtus' offerings of innovative investment solutions by adding disciplined, rule-based strategies to manage a variety of asset classes. Newfound, in collaboration with Virtus, initially created three new investment strategies as part of the Virtus Disciplined suite of funds (the first three funds of which are (i) Virtus Disciplined Equity Style Fund (which has an investment objective of capital appreciation and seeks to deliver the returns of the Newfound Equity Style Total Return Index (Nasdaq: NESX)), Virtus Disciplined Select Country Fund (which has an investment objective of capital appreciation and seeks to deliver the returns of the Newfound Select Country Total Return Index (Nasdaq: NSCX)) and (iii) Virtus Disciplined Select Bond Fund (which has an investment objective of high total return from current income and capital appreciation and seeks to deliver the returns of the Newfound Select Bond Total Return Index (Nasdaq: NSBX))). The funds were launched on December 18, 2012 as open-ended mutual funds by the Newfound/Virtus Company. Corey Hoffstein, chief investment officer and chief technology officer of Newfound, serves as portfolio manager for these funds and as chief investment officer of the Newfound/Virtus Company. Tom Rosedale, Newfound's Chief Executive Officer and Chief Compliance Officer, serves as a member of the board of managers of the Newfound/Virtus Company. Newfound licenses data from its algorithms and technology to the Newfound/Virtus Company for use in connection with the Newfound/Virtus Company's investment strategies.

Newfound does not believe these relationships present any material conflict of interests.

Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Newfound has adopted a code of ethics pursuant to SEC rule 204A-1. A copy of the code will be provided to clients or prospective clients upon request.

Newfound's Code of Ethics, among other things, requires that supervised persons:

- Adhere to the highest standards of fiduciary duties in all matters relating to Newfound's clients;
- Always place client interests above their own;

- Perform their duties in accordance with all applicable legal and ethical standards;
- Fully disclose any conflict of interest material to clients;
- Refrain from the use of material non-public information in making or formulating recommendations;
- Provide written acknowledgement of receipt of the code and any amendments;
- Report personal securities holdings and transactions periodically to the Chief Compliance Officer;
- Obtain prior approval before they directly or indirectly acquiring beneficial ownership in any security in an initial public offering, in a limited or private offering or in any open-end mutual fund or exchange traded fund of which Newfound or a control affiliate is the investment adviser, sub-adviser or principal underwriter; and
- Report any violations of the Code of Ethics to Newfound's Chief Compliance Officer.

Neither Newfound nor any management person has recommended to clients any securities in which they have a material financial interest.

At times, Newfound's proprietary algorithms may recommend to clients the purchase or sale of securities that are owned by Newfound or its personnel.

Neither Newfound nor any management person has recommended securities to clients while at the same time buying the securities for their own account.

Item 12- Brokerage Practices

Newfound does not select or recommend broker-dealers for client transactions or determine the reasonableness of broker-dealer compensation. Furthermore, Newfound does not aggregate the purchase or sale of securities for client accounts.

Item 13- Review of Accounts

Newfound reviews daily, weekly and monthly data and recommendations to determine if its algorithms are working in a manner consistent with its expectations. In addition, at the request of a client, Newfound will review any client performance data provided by the client. These reviews are conducted by Corey Hoffstein and members of Newfound's quantitative strategies group. If significant deviations from benchmark results are identified or if signals or other output from Newfound's technology appear to be inconsistent with expectations, Newfound will perform additional testing to determine if its technology is performing properly and will increase the frequency and thoroughness of its review. Newfound does not provide any written account reports to clients. Each client is expected to monitor the status of its own holdings.

Newfound reports any observed concerns to affected clients in a timely fashion.

Item 14- Client Referrals and Other Compensation

No party who is not a client of Newfound has provided Newfound an economic benefit for providing investment advice or other advisory services to Newfound's clients.

Newfound does not typically engage third-party solicitors to bring clients to Newfound, other than in limited circumstances. Third-party solicitors who are directly responsible for bringing a client to Newfound may receive compensation from us for client referrals. Under these arrangements, Newfound's client will not pay higher fees than our typical fees. Such arrangements will comply with the requirements set forth under the Investment Advisers Act of 1940 and/or the applicable state securities laws, including a written agreement between Newfound and the solicitor. Third-party solicitors who are engaged by Newfound must provide a copy of our Brochure and a separate solicitor's disclosure statement regarding the relationship between the solicitor and newfound to the prospective client at the time of the solicitation or referral. The prospective client will be requested to acknowledge this arrangement prior to acceptance of the account for advisory services.

Item 15- Custody

Newfound does not take custody of any client funds or securities.

Item 16- Investment Discretion

Newfound does not make any investment decisions. Newfound provides data and recommendations to its clients. Ultimately, investment decisions are made by Newfound's clients (usually, the investment strategy "sponsors" or "partners").

Item 17- Voting Client Securities

Newfound does not hold client securities and does not have voting discretion over client securities.

Item 18- Financial Information

Newfound is not required to provide a balance sheet with this Brochure.