

Form ADV, Part 2A Firm Brochure

Item 1 – Cover Page

Newfound Investments, LLC
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March 31, 2014

This brochure provides information about the qualifications and business practices of Newfound Investments, LLC (“Newfound Investments”). If you have any questions about the contents of this brochure, please contact us at 800-248-7971. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) nor by any state securities authority.

Newfound Investments is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information you may use to determine whether to hire or retain such adviser.

Additional information about Newfound Investments is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Newfound Investments who are registered, or are required to be registered, as investment adviser representatives of Newfound Investments.

Item 2 – Material Changes

This Form ADV Part 2A brochure dated March 31, 2014 has been prepared according to the requirements and rules promulgated by the SEC. Pursuant to SEC Rules, we are required to prepare a summary of any material changes to our brochure within 120 days of the close of our fiscal year. We may also elect to include a summary of material changes to our brochure as part of other-than annual amendments filed by Newfound Investments.

Newfound Investments last filed an annual updating amendment to its Form ADV Part 2A brochure on March 28, 2013. There are no material changes to our brochure. In the future, this Item will discuss specific material changes that have been made to the brochure and our business and will provide a summary of such.

We will provide an updated version of this brochure as required in the event of changes or new information. We will provide a copy of our current brochure upon request, at any time, without charge. Currently, our brochure may be requested by contacting the Chief Compliance Officer at **860-263-4739**, or tim.branigan@virtus.com.

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Item 4 – Advisory Business

Newfound Investments is a partnership between Virtus Investment Partners and Newfound Research LLC, a financial technology and product innovation firm offering clients agile and accessible quantitative solutions. Since its inception in 2008, Newfound Research has collaborated with clients to create products rooted in quantitative integrity, requiring both quantitative depth and qualitative insight that deliver a more consistent fit between portfolio behavior and investor expectations. The capabilities of Newfound Research range from proprietary tactical timing models and proprietary risk measures to customized allocation techniques.

Newfound Investments leverages the research capabilities and tactical asset allocation models of Newfound Research with the objective of building alpha-generating portfolios across asset classes. Newfound Investments has been a registered investment adviser since 2012. Newfound Investments is owned by Virtus Investment Partners, which owns fifty-one percent (51%), and Newfound Research, which owns forty-nine percent (49%). Furthermore, Newfound Investments is an indirect, majority-owned subsidiary of Virtus Investment Partners, Inc. (“Virtus”), a publicly traded multi-manager asset management business as of December 31, 2008 (NASDAQ:VRTS).

Newfound Investments provides investment advisory services for accounts either (i) established directly with the client or (ii) introduced through financial advisors or consultants, such as broker-dealers, registered investment advisers, and other intermediaries.

Types of Investments

Newfound Investments offers investment advisory services primarily in the following types of instruments: equity securities (common stocks and equivalents) including exchange-listed securities, investment company securities, including traditional mutual fund shares and exchange traded funds, debt securities and United States government securities.

Investment Restrictions

Newfound Investments’s advisory services may be tailored to the needs and investment guidelines of clients. Client guidelines may include, but are not limited to, risk tolerance, type of security or industry restrictions, and cash or income requirements. Specific client guidelines and restrictions may be negotiated on an account by account basis. Although Newfound Investments seeks to accommodate reasonable investment restrictions and guidelines, Newfound Investments will not be able to accommodate investment restrictions that are unduly burdensome or materially incompatible with Newfound Investments’s investment philosophy, and Newfound Investments may decline to accept or terminate client accounts seeking to impose such restrictions.

Except as otherwise agreed upon by Newfound Investments and the client, Newfound Investments does not generally have any responsibility for the selection of the short term investment vehicles utilized by its

clients. Clients, their consultants, their financial advisers or their custodians select the interest bearing accounts and/or short-term investment or money-market funds in which cash reserves are invested. Newfound Investments also is not responsible for the selection of a client's custodian.

Assets Under Management

Newfound Investments's total firm assets under management, as of December 31, 2013, amounted to \$4,048,000. Newfound Investments manages all such assets on a discretionary basis and does not currently manage any assets on a non-discretionary basis.

Item 5 – Fees and Compensation

This section describes Newfound Investments's basic fee schedules, however, fees may be negotiable where special circumstances prevail, and arrangements with any particular client may vary. Newfound Investments may group multiple accounts of one client relationship together for purposes of calculating the fee, or Newfound Investments may elect to not charge a fee to small accounts of a client because of the fee the client is paying on the total relationship. Newfound Investments reserves the right to negotiate fees with clients, and may charge higher or lower fees than those described.

Newfound Investments's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment advisers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs bear their own operating expenses, including compensation paid to their advisers and other service providers as well as other expenses and fees. This information is disclosed in a fund's prospectus or offering documents.

Item 12, Brokerage Practices further describes the factors that Newfound Investments considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Advisory Fees – Registered Investment Companies

The fee charged by Newfound Investments to any particular registered investment company client is determined by the provisions of an investment advisory contract between Newfound Investments and such investment company, which is approved by the investment company in accordance with the provisions of the Investment Company Act of 1940, as amended. The contracts may also provide that Newfound Investments furnish to the investment company office space and all necessary office facilities, equipment and personnel for managing the investment and reinvestment of the assets of the investment company and arrange, if desired by the investment company, for members of Newfound Investments's staff to serve, without salaries from the investment company, as officers or agents of the investment company. Fees are typically based on a percentage of assets under management. These fees are disclosed in the relevant prospectus or offering documents.

For its services as sub-adviser, Newfound Investments generally receives a fee at the rate of 50% of the net advisory fee paid by the registered investment company depending upon the type and size of the portfolio. Specific advisory fees and expense related information may be found in the prospectus and/or statement of additional information describing the investment policies and restrictions for the respective portfolio.

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

Newfound Investments does not currently charge performance-based fees. Newfound Investments’ affiliates may, however, receive performance-based fees in connection with other strategies outside the scope of this brochure. In all cases where Newfound Investments or its affiliates charge a performance-based fee, any such arrangements will comply with Section 205 of the Investment Advisers Act of 1940, as amended, and the rules thereunder, and all applicable laws and regulations. Please see the relevant Part 2A Firm Brochures for more information.

Performance-based fee arrangements may potentially create a financial incentive for Newfound Investments or an affiliate to favor the account with the performance-based fee because Newfound Investments (and its employees and supervised persons) may have an opportunity to earn greater fees on such account as compared to client accounts without performance-based fees. Thus, Newfound Investments may potentially have an incentive to direct its best investment ideas to a client account that pays performance-based fees, and to allocate, aggregate or sequence trades in favor of such account. Newfound Investments may also have an incentive to give the account with the performance-based fee better execution and better brokerage commissions. Newfound Investments has written compliance policies and procedures designed to mitigate or manage these conflicts of interest, including policies and procedures regarding the equitable allocation of investment opportunities.

Side-by-Side Management

“Side-by-side management” refers to the simultaneous management of multiple types of client accounts/investment products. Newfound Investments manages multiple accounts with a variety of strategies. In addition, Newfound Investments’ traders and portfolio managers may serve as traders and portfolio managers for Newfound Investments’ affiliates, which may present conflicts of interest. For example, Newfound Investments’ affiliate may be short a security in one client account and Newfound Investments may be long the same or substantially similar security in another client account due to different client investment objectives and strategies. Additionally, Newfound Investments’ affiliate may be selling or short-selling securities for one or more portfolios while Newfound Investments is purchasing the same or substantially similar securities for other portfolios. Newfound Investments has written compliance policies and procedures designed to mitigate or manage these conflicts of interest, including policies and procedures regarding the equitable allocation of investment opportunities.

Item 7 – Types of Clients

Generally, Newfound Investments offers investment sub-advisory services to affiliated open-end investment companies registered under the Investment Company Act of 1940, as amended.

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

The results for individual portfolios will vary depending on market conditions and the portfolio's overall composition. All investments carry a certain degree of risk including the possible loss of principal and there is no assurance that an investment will provide positive performance over any period of time. Past performance is no guarantee of future results. Clients should not assume that portfolio investments in securities will be profitable.

Newfound Investments leverages the research capabilities and tactical asset allocation models of Newfound Research with the objective of building alpha-generating portfolios across asset classes. The capabilities of Newfound Research range from proprietary tactical timing models and proprietary risk measures to customized allocation techniques. The Newfound Investments portfolio management team is responsible for the day-to-day management of the Virtus Disciplined Equity Style Fund, Virtus Disciplined Select Bond Fund and Virtus Disciplined Select Country Fund.

Disciplined Equity Style

The Virtus Disciplined Equity Style Fund has an investment objective of capital appreciation and seeks to deliver the returns of the Newfound Equity Style Total Return Index (NESX), a public index published by NASDAQ. The Fund seeks to outperform the Russell 3000® Index over full market cycles by identifying and capturing relative outperformance trends between the growth and value equity styles. Allocations are based on a quantitative model that estimates performance trends for each pairing of six subsets of the U.S. equity market relative to each other and uses these estimates to determine, on a weekly basis, whether the Growth or Value style is better positioned. The Fund will invest assets in the equity style with the favorable aggregate score relative to the other style. The amount of alpha generated by the Fund will depend upon, among other things, the magnitude and persistence of relative growth/value trends in the U.S. equity market. Each allocation may be invested in ETFs and/or baskets of securities representative of such ETFs. The Fund may invest in a basket of securities to represent an ETF if it determines that investment in the ETF is not feasible or otherwise not in the best interest of the Fund.

Risks

The market price of equity securities may be affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk.

The value of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. The costs of owning the ETF may exceed the cost of investing directly in the underlying securities.

Disciplined Select Bond

The Virtus Disciplined Select Bond Fund 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 (NSBX), a public index published by NASDAQ. The Fund seeks to generate excess returns in the fixed income market by capturing relative performance opportunities between Treasuries, Treasury Inflation Protected Securities (TIPS), and Corporate Bonds. Allocations are based on a quantitative model that estimates performance trends for each pairing of six subsectors of the bond market relative to each other and uses these estimates to generate, on a weekly basis, a positive or negative signal for each of the broad Treasury, TIPS and Corporate classifications. The classifications with positive signals will receive allocations, whereas the classifications with negative signals will not. Each allocation may be invested in ETFs and/or baskets of securities representative of such ETFs. The Fund may invest in a basket of securities to represent an ETF if it determines that investment in the ETF is not feasible or otherwise not in the best interest of the Fund.

Risks

Debt securities are subject to various risks, the most prominent of which are credit and interest rate risk. The issuer of a security may fail to make payments in a timely manner. Values of debt securities may rise and fall in response to changes in interest rates. This risk may be enhanced with longer-term maturities.

The value of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. The costs of owning the ETF may exceed the cost of investing directly in the underlying securities.

There is a greater level of credit risk and price volatility involved with high yield securities than investment grade securities.

Securities in the Fund may go up or down in response to the prospects of individual companies and general economic conditions. Price changes may be short or long term.

U.S. government securities may be subject to price fluctuations. An agency may default on an obligation not backed by the United States. Any guarantee on U.S. government securities does not apply to the value of the Fund's shares.

Disciplined Select Country

The Virtus Disciplined Select Country Fund has an investment objective of capital appreciation and seeks to deliver the returns of the Newfound Select Country Total Return Index (NSCX), a public index published by NASDAQ. The Fund tactically allocates net assets among 12 countries included in the MSCI EAFE® Index and seeks to outperform the MSCI EAFE® Index over full market cycles, while emphasizing downside protection. Allocations are based on a quantitative model that provides a positive or negative signal, on a weekly basis, for each country evaluated. Countries with positive signals will receive allocations approximating their relative weights in the MSCI EAFE® Index. The remaining

portfolio assets will be allocated to Newfound Investments's "minimum volatility portfolio," which is designed to limit downside risk. The minimum volatility portfolio is allocated equally among the four countries that, in Newfound Investments's opinion, have exhibited the lowest volatility pattern historically. To mitigate concentration, geographic, and political risk, the four countries in the minimum volatility portfolio cannot be from the same geographic or political region. Each allocation may be invested in ETFs and/or baskets of securities representative of such ETFs. The Fund may invest in a basket of securities to represent an ETF if it determines that investment in the ETF is not feasible or otherwise not in the best interest of the Fund.

Risks

The market price of equity securities may be affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk.

The value of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. The costs of owning the ETF may exceed the cost of investing directly in the underlying securities.

Investing internationally involves additional risks such as currency, political, accounting, economic, and market risk.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Newfound Investments, or the integrity of Newfound Investments's management. Newfound Investments has no information applicable to this item.

Item 10 - Other Financial Industry Activities and Affiliations

As discussed in Item 4, Newfound Investments is a partnership between Virtus Investment Partners and Newfound Research.

The following investment advisers are all subsidiaries of Virtus and affiliates of Newfound Investments: Cliffwater Investments LLC, Duff & Phelps Investment Management Co., Euclid Advisors LLC, Kayne Anderson Rudnick Investment Management, LLC, Newfleet Asset Management, LLC, Rampart Investment Management Company, LLC, Virtus Alternative Investment Advisers, Inc., Virtus Investment Advisers, Inc. and Zweig Advisers LLC.

Virtus Alternative Investment Advisers has an application pending to register as a commodity pool operator. Management persons of Newfound Investments may be an associated person of the foregoing entity.

VP Distributors, LLC, a subsidiary of Virtus, is a registered broker-dealer, which serves as the underwriter and distributor of the open-end registered investment companies for which Newfound Investments acts as sub-adviser. Personnel of Newfound Investments, including management persons, may be FINRA registered representatives under VP Distributors.

Virtus Fund Services, LLC, an affiliate of Newfound Investments, serves as the administrator and transfer agent to certain funds for which Newfound Investments acts as sub-adviser.

The investment management services of Newfound Investments are offered by Virtus under its multi-adviser asset management platform. Distribution of investment products and services offered in conjunction with this platform may involve Newfound Investments, its affiliates, and other entities in support of these activities. There may exist certain potential or actual conflicts of interests within these interrelationships, which may or may not be readily apparent to an investor.

In a variety of instances, Newfound Investments may utilize the personnel and/or services of one or more of its affiliates in the performance of its business including, without limitation, investment advice and portfolio management, portfolio execution and trading, back office processing, accounting, reporting and client servicing. Moreover, Newfound Investments's traders and portfolio managers may serve as traders and portfolio managers for Newfound Investments's affiliates. Such utilization may take a variety of forms including dual employee or delegation arrangements, formal sub-advisory or servicing agreements, or other formal and informal arrangements among Newfound Investments and its affiliates. In these circumstances, the registered affiliate, with which the client has its investment management agreement, remains responsible for the account within the framework of the Investment Advisers Act of 1940, as amended (the "Advisers Act") and/or other applicable regulatory frameworks and the relevant investment management agreement, and no additional fees are charged to the client for the affiliates' services except as set forth in the investment management agreement.

Additionally, Virtus and its affiliates may enter into marketing or sponsorship arrangements with third parties, sub-advisers and brokerage firms to promote the distribution of proprietary investment products including, but not limited to, mutual funds, closed-end funds, managed accounts or the general enhancement of the Virtus marketing image. Such third parties, sub-advisers and brokerage firms may concurrently have advisory, distribution or other relationships with Newfound Investments. These arrangements may or may not necessarily result in additional assets under management by Newfound Investments or inure to the direct or indirect benefit of clients of Newfound Investments.

Furthermore, Thomas B. Rosedale, a principal owner of Newfound Research, is a licensed attorney and a member of the Massachusetts bar. Mr. Rosedale provides legal services to Newfound Research, including through BRL Law Group LLC, a corporate boutique law firm located in Boston, MA, which is wholly owned by Mr. Rosedale. Newfound Investments does not believe this relationship presents any material conflict of interests.

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

To fully protect the interests of Newfound Investments’s clients, Newfound Investments has adopted the Virtus Code of Conduct and a Code of Ethics for personal trading, which are designed to prevent and detect possible conflicts of interest with client trades. Compliance with these codes is a condition of employment. All of Newfound Investments’s Supervised Persons must acknowledge their terms annually, or as amended.

Any employee found to have engaged in improper or unlawful activity faces appropriate administrative and legal action. It is the responsibility of each associate to ensure that they and those they manage are conducting business professionally and are complying with the procedures and policies governing Newfound Investments’s collective responsibility. Any employee becoming aware of others engaged in wrongdoing or improper conduct must immediately report such activity to their supervisor and compliance officer. Failure to do so may result in additional action being taken against that individual. Virtus has established formal reporting procedures and a confidential 24-hour “hotline” for the purpose of employees requesting assistance concerning the reporting of violations of the Code of Conduct or other related policies.

Newfound Investments or a related person may recommend that clients buy or sell securities or investment products in which Newfound Investments or a related person has some financial interest. Likewise, Newfound Investments or a related person may buy or sell securities that Newfound Investments also recommends to clients. The following highlights some of the provisions of the Virtus Code of Conduct:

Virtus Code of Conduct

Commitment to Shareholders

- Conflicts of interest
- Insider trading and personal trading
- Market timing

Commitment to Customers

- Safeguarding assets
- Other market conduct
- Privacy

Commitment to Corporate Citizenship

- Complying with the legal and regulatory requirements
- Anti-money laundering
- Lobbying and political contributions

Commitment to Employees

- Equal opportunities
- Sexual harassment
- Workplace safety

Commitment to Ethics and Compliance

- Ethical decision-making
- Monitoring Code compliance
- Whistleblower protection

A complete copy of the Virtus Code of Conduct is available upon request.

Newfound Investments Code of Ethics

The following highlights some of the provisions of the Newfound Investments Code of Ethics:

- Pre-clearance is required for all non-exempt transactions with respect to which an employee is beneficial owner in order to prevent the employee from buying or selling at the same time as the firm.
- 60 day holding period for covered securities.
- Brokerage provision of duplicate copies of brokerage statements and confirmations to our Compliance Department, or the electronic equivalent.
- Employee provision of Initial Holdings Reports, Quarterly Transaction Reports, and Annual Certification and Holdings Reports, which our Compliance Department reviews for trading activity.
- Requirement that personal transactions be consistent with the Code of Ethics in a manner that avoids any actual or potential conflict of interest.
- Any covered employee not in observance of the above may be subject to discipline.

Newfound Investments does not purchase or sell securities for its own account. Newfound Investments's directors, officers, and employees may buy, hold, or sell the same investments for their own accounts as are held or to be held or sold for a client account.

None of Newfound Investments's directors, officers, or advisory persons may buy or sell any security or any option to buy or sell such security, such that they hold or acquire any direct or indirect beneficial ownership as a result of the transaction and that they know at the time of such transaction that is being bought, sold, or considered for purchase or sale for a client account, unless:

- they have no influence or control over the transaction from which they will acquire a beneficial interest
- the transaction is non-volitional on their part or the client's
- the transaction is a purchase under an automatic dividend reinvestment plan or pursuant to the exercise of rights issues, pro-rata to them and other holders of the same class of the issuer's securities, or

- they have obtained, in advance, approval from someone authorized to grant such approval when circumstances indicate no reasonable likelihood of harm to the client or violation of applicable laws and regulations

Newfound Investments's officers and employees are encouraged to invest in shares of Virtus Mutual Funds that Newfound Investments advises.

Newfound Investments has adopted the Insider Trading Policy and Procedures designed to mitigate the risks of Newfound Investments and its employees misusing and misappropriating any material non-public information that they may become aware of, either on behalf of Newfound Investments's clients or for their own benefit. The policy applies to every Supervised Person of Newfound Investments and extends to activities both within and outside their duties to Newfound Investments, including for an employee's personal account.

Newfound Investments ensures that the investment management and overall business of the firm complies with both Newfound Investments and Virtus policies and applicable U.S. federal and state securities laws and regulations.

A complete copy of Newfound Investments's current Code of Ethics is available by sending a written request to Compliance Department, Newfound Investments, LLC, 100 Pearl Street, Hartford, CT 06103.

Item 12 – Brokerage Practices

Newfound Investments is aware of its fiduciary obligation to seek the "best execution" of client transactions. Best execution is not measured solely by reference to commission rates. Newfound Investments believes that paying fair and reasonable commission rates to broker-dealers in return for quality execution services benefits clients. Best execution is a process that entails the efficient placement of orders, clearance, settlement and overall execution quality, as well as the price obtained for the transaction. Newfound Investments will seek to allocate client transactions to unaffiliated broker-dealers in the best interest of its clients, based on its review of the current market, and the broker-dealer. Various factors must be considered in the selection of a broker. The primary factors include the broker's execution capabilities, particularly with the size and difficulty of the transaction, the commission rate to be charged for the transaction, and the broker's operational facilities which should allow the timely and error-free settlement of the transaction. Other factors which may be considered when placing trades are the overall quality of the service provided by the broker, including transactional brokerage and research, and the value of an ongoing relationship with the broker.

With respect to its discretionary client accounts, Newfound Investments generally has full authority to determine the broker-dealers through which transactions for any discretionary client accounts are executed. Newfound Investments will consider the same factors to seek best execution for its discretionary client accounts as are described above.

Newfound Investments has established a formal Brokerage Review Committee consisting of members from investment management, trading and compliance. The Brokerage Review Committee will meet to review the brokerage allocation activity of the firm. The Brokerage Review Committee will, as necessary, review and approve any arrangements for research and brokerage services provided by brokers. This committee will also serve as a focal point in managing Newfound Investments's brokerage allocation practices so as to ensure there will be no improprieties or undisclosed referrals affecting the selection of brokers or allocation of brokerage transactions.

Research and Other Soft Dollar Benefits

As of the date of this brochure, Newfound Investments does not anticipate paying for research nor does Newfound Investments anticipate entering into any soft dollar arrangements. Should this change, however, the following would apply.

Newfound Investments will consider the amount and nature of research and research services to be provided by brokers, as well as the extent to which such services may be relied upon, and will attempt to allocate a portion of its brokerage business on the basis of that consideration. The actual allocation of brokerage business may vary, depending on Newfound Investments's evaluation of all applicable considerations. In no case will Newfound Investments make binding commitments as to the level of brokerage commissions it will allocate to a broker, nor will it commit to pay cash if an informal target is not met.

Subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934 (Section 28(e)), Newfound Investments may pay a broker commission in excess of that which another broker may charge for effecting the same transactions, in recognition of the value of the brokerage and research services which may be provided by or through the broker. Newfound Investments believes it is important to its investment decision-making processes to have access to independent research. Research and data furnished by brokers may be used to service any or all of Newfound Investments's clients and may be used in connection with accounts other than those making the payment to the broker providing the research and/or data, as permitted by Section 28(e). Newfound Investments generally seeks to allocate soft dollar client accounts proportionately to the soft dollar credits the accounts generate but does not represent this this will always be the case. There can be no assurance that Newfound Investments will allocate in a particular manner. A conflict of interest may exist by reason of Newfound Investments's allocation of the costs of such services and benefits between those that primarily benefit Newfound Investments and those that primarily benefit clients. When Newfound Investments uses client brokerage commissions to obtain research and other products or services, Newfound Investments receives a benefit because Newfound Investments does not need to produce or pay for the research, products or services. Newfound Investments may further benefit from the ability to obtain this information without additional expense related to personnel costs or direct payments to providers. Newfound Investments may have an incentive to select or recommend a broker-dealer based on Newfound Investments's interest in receiving the research or other products or services rather than our clients' interest in receiving the most favorable execution. The risks associated with soft dollars are managed through the Brokerage Review Committee.

Brokerage and research services provided by brokers may include effecting securities transactions and performing services incidental thereto (such as clearance, settlement, and custody), and providing information regarding: the economy; industries; sectors of securities; individual companies; statistical information; taxation; political developments; legal developments; technical market action; pricing and appraisal services; credit analysis; risk measurement analysis and performance analysis. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer software, and meetings arranged with corporate and industry spokespersons, economists and government representatives.

In some cases, research services are generated by third parties but are provided to Newfound Investments by or through brokers Newfound Investments will utilize for execution of transactions. Such brokers may pay for all or a portion of data-feed service costs relating to the pricing of securities. Newfound Investments uses a variety of securities quotation services for day-to-day portfolio management of some or all of its accounts and also for end of the month pricing for its portfolio accounting needs. These services include Bloomberg, Factset, New York Stock Exchange, National Association of Security Quotations, Option Price Reporting, and Chicago Board of Trade. Additional statistics, analytical tools and news used solely for portfolio management purposes may be received from Bloomberg, Factset, Stovel Research, Dow Jones and Company, The Markets.com, Valu-Trac Research and ISI Group.

From time to time, new issues of securities may be purchased for an account when appropriate, including affiliated and proprietary accounts, in a fixed price offering. In these situations, the seller may be a member of the selling group that will, in addition to selling the securities to clients, provide Newfound Investments with research. The Financial Industry Regulatory Authority (formerly National Association of Securities Dealers) has adopted rules expressly permitting these types of arrangements under certain circumstances. Generally, the seller will provide research “credits” in these situations at a rate that is higher than that which is available for typical secondary market transactions. These arrangements may not fall within the safe harbor of Section 28(e).

Trade Aggregation and Allocation

Newfound Investments provides investment advisory services to various clients. Newfound Investments may give advice, and take action, with respect to any clients which may differ from the advice given, or the timing or nature of action taken, with respect to any one other account. Newfound Investments, to the extent practical and over a period of time, allocates investment opportunities to each account on a fair and equitable basis relative to other similarly-situated client accounts.

Newfound Investments may aggregate orders, or “block trade,” as part of its effort to obtain best execution. Each account that participates in a block trade receives the average share prices and, subject to any individually negotiated commission and/or fee arrangements, a pro-rata portion of the transaction cost. In addition, Newfound Investments may allocate on a basis other than pro rata, if, under the circumstances, such other method of allocation is reasonable, does not result in improper or undisclosed advantage or disadvantage to non-client accounts, and results in fair access over time to trading opportunities for all eligible managed accounts. For example, Newfound Investments may identify

investment opportunities that are more appropriate for certain accounts than others, based on such factors as security restrictions, tax status, account size, available cash and cash flows. Consequently, Newfound Investments may decide it is more appropriate to place a given security in one account rather than another account. Other non-pro rata methods include rotation allocation and random allocation. Alternative methods of allocation are appropriate, for example, when the transaction size is too limited to be effectively allocated pro rata among all eligible accounts. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner.

Newfound Investments may direct the purchase of securities in secondary market transactions, in public offerings directly from an underwriter or in privately negotiated transactions with an issuer. Securities purchased in public offerings may be resold shortly after acquisition in the immediate aftermarket for the security in order to take advantage of price appreciation from the public offering price or for other reasons. Short-term trading of securities acquired in public offerings, or otherwise, may result in higher portfolio turnover and associated brokerage expenses.

To reduce transaction costs and promote trading efficiency, Newfound Investments may engage in inter-account transactions between certain client portfolios and/or portfolios managed by affiliates of Newfound Investments for which Newfound Investments shares traders and portfolio managers. Such transactions will be consistent with applicable law and client-specific or investment company procedures. Furthermore, such transactions will be made only when permitted by the advisory account(s) affected and when Newfound Investments and, if applicable, its affiliate(s) determine the transaction to be in the best interests of affected clients. Newfound Investments will comply with the applicable disclosure and consent requirements associated with such transactions under the Advisers Act, as necessary.

Item 13 – Review of Accounts

Newfound Investments's portfolio management team regularly reviews client accounts to assess consistency with the relevant investment strategy and applicable account restrictions.

The portfolio management team has the responsibility to manage the portfolio in accordance with the client's selected strategy, investment objectives and constraints. This management process includes on-going oversight of the portfolio's investments, buying and selling securities, and communication with clients.

Item 14 – Client Referrals and Other Compensation

Newfound Investments does not have any arrangements where it receives compensation (including cash, commissions, equipment or non-research services) from a non-client in connection with giving advice to clients. Newfound Investments may enter into such arrangements pursuant to a written agreement.

Newfound Investments may enter into arrangements through which an individual or entity not considered a supervised person of Newfound Investments may be compensated for client referrals. Newfound Investments may permit certain designated persons (referred to as "Solicitors") to refer potential clients to Newfound Investments. Any solicitor will be required to enter into a written agreement with Newfound Investments that contains an undertaking that the Solicitor will deliver a disclosure document relating to Newfound Investments and a separate disclosure document relating to the Solicitor's relationship with Newfound Investments. Payments to Solicitors will be subject to negotiation on a case-by-case basis.

VP Distributors may also pay additional marketing and related expenses to continue to offer certain retail and separately managed products under formally sponsored programs through unaffiliated brokerage firms.

Item 15 – Custody

Newfound Investments does not serve as a custodian of client assets. Clients will receive account statements from their qualified custodians and should carefully review those statements. Some clients may also receive account statements from Newfound Investments at least quarterly. Newfound Investments's statements are not intended to replace the statement sent directly by the client's qualified custodian which is the client's official record for all pertinent account information. Newfound Investments urges clients to compare the information contained in any Newfound Investments account statement to the information reflected on the statement sent directly by its qualified custodian. The information provided in an account statement is as of the date referenced on the report and is based on sources Newfound Investments believes are accurate and reliable. Newfound Investments's account statements may vary from custodial statements based on reporting dates, accounting procedures, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Newfound Investments manages accounts on a discretionary basis with full authority to determine which securities are purchased or sold. For institutional and direct client accounts, Newfound Investments generally obtains a client's written consent to its discretionary authority with respect to the client's assets in the form of an executed investment advisory agreement or other such comparable services agreement prior to providing discretionary advisory services.

Newfound Investments exercises its investment discretion consistent with investment policies, as well as with the investment guidelines adopted by client accounts. Newfound Investments's discretionary authority over an account is subject to directions, guidelines and limitations imposed by the client. In the course of providing services to any client account, Newfound Investments relies on information or directions communicated by any adviser, broker, consultant, agent, representative or any other party acting with apparent authority on behalf of its client.

Class Actions

Securities litigation can be a potential additional income source for investment portfolios that have had trade activity in a security that subsequently became the source of an organized class action lawsuit. Whether Newfound Investments has responsibility for addressing class action lawsuits on behalf of its clients is generally governed by the relevant investment advisory agreement or other such comparable services agreement. To the extent Newfound Investments's discretionary authority involves responsibility in connection with class actions, the activities required for participation in class action settlements have been delegated to a non-affiliated third party vendor. The vendor determines eligibility pertinent to the specific class action, files the claim as appropriate, monitors the class action and processes receipt of any settlement.

Item 17 – Voting Client Securities

Newfound Investments generally has responsibility to vote proxies on behalf of its clients. Proxies will be voted in a manner designed to accrue to the benefit of the underlying participants and beneficiaries, while using the care, skill and diligence that a prudent person acting in a like capacity and familiar with such matters would use under the circumstances then prevailing. Unless directed otherwise by a client, Newfound Investments will delegate, to a non-affiliated third party vendor, the responsibility to review proxy proposals and make voting recommendations on its behalf. Additionally, Newfound Investments may vote a proxy contrary to the guidelines if it determines that such action is in the best interests of the client.

Conflicts of interests relating to proxy proposals will be handled in various ways depending on the type and materiality. Generally, where the guidelines outline Newfound Investments's voting position, as either "for" or "against" such proxy proposal, voting will be in accordance with the guidelines. Where the guidelines outline the voting position to be determined on a "case by case" basis for such proxy proposal, or such proposal is not listed in the guidelines, then Newfound Investments will choose either to vote the proxy in accordance with the voting recommendation of the non-affiliated third party vendor, or vote the proxy pursuant to client direction. The method selected by Newfound Investments will depend upon the facts and circumstances of each situation and the requirements of applicable law.

Newfound Investments may choose not to vote proxies in certain situations, such as: 1) where the cost of voting is deemed to exceed any anticipated benefit to the client, 2) where a proxy is received for a client account that has been terminated, 3) where a proxy is received for a security no longer managed within the account (i.e. the entire position had previously been sold), and/or 4) where the exercise of voting rights could restrict the ability of the portfolio manager to freely trade the security.

A complete copy of Newfound Investments's current Proxy Voting Policies, Procedures and Guidelines may be obtained by sending a written request to Compliance Department, Newfound Investments, LLC, 100 Pearl Street, Hartford, CT 06103.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information and disclosures about their financial condition. Newfound Investments has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Newfound Investments does not require or solicit prepayment of advisory fees six months or more in advance. Newfound Investments will not act as custodian for any client account. Newfound Investments has not been the subject of a bankruptcy proceeding.