

F-Squared Capital, LLC

80 William Street, Suite 400

Wellesley, MA 02481

866-288-7657

www.f-squaredinvestments.com

Form ADV Part 2A Brochure

August 2014

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

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

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

Item 2: Summary of Material Changes

F-Squared's initial Form ADV was filed on April 18, 2013.

Since then, F-Squared has revised its brochure to clarify its provision of advisory services through the implementation of its index products ("Advisory Services").

F-Squared has also clarified the nature of its management fee charged for Advisory Services, how fees are paid, how employees may be compensated for the sale of securities or other investment products, its brokerage practices and the extent to which it has custody of client assets.

Item 3: Table of Contents

Item 1 Cover Page.....	Page 1
Item 2 Material Changes.....	Page 2
Item 3 Table of Contents.....	Page 3
Item 4 Advisory Business.....	Page 4
Item 5 Fees and Compensation.....	Page 4
Item 6 Performance Based Fee and Side-By-Side Management.....	Page 5
Item 7 Types of Clients.....	Page 5
Item 8 Methods of Analysis, Investment Strategies, and Risk of Loss.....	Page 6
Item 9 Disciplinary Information.....	Page 8
Item 10 Other Financial Industry Activities and Affiliations.....	Page 9
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	Page 10
Item 12 Brokerage Practices.....	Page 11
Item 13 Review of Accounts.....	Page 11
Item 14 Client Referrals and Other Compensation.....	Page 12
Item 15 Custody.....	Page 12
Item 16 Investment Discretion.....	Page 12
Item 17 Voting Client Securities.....	Page 12
Item 18 Financial Information.....	Page 13

Item 4: Advisory Business

Description of our Firm

F-Squared Capital, LLC (hereinafter “F-Squared”) is an SEC registered investment management firm located in Wellesley, Massachusetts that commenced operations as an investment adviser in 2013. F-Squared is a wholly-owned subsidiary of F-Squared Investment Management, LLC.

Types of Services We Offer

F-Squared provides investment advisory services relating to various index products on a discretionary basis to separately managed accounts (the “SMAs”).

For the SMA’s portfolio, F-Squared seeks to replicate one or more of the AlphaSector Indexes (such replication being a “Strategy”). Although F-Squared generally does not tailor its Advisory Services to the individual needs of a client, F-Squared may offer custom advisory services upon request. A potential Advisory Services client may request a Strategy based on an existing Index that offers a greater or lesser allocation to a particular asset class, for example. For its Advisory Services, F-Squared generally does not allow clients to impose restrictions on investing in certain securities or types of securities.

Wrap Fee Programs

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

Assets under Management

As of June 30, 2014, the total assets under management for F-Squared are as follows:

<i>Discretionary:</i>	\$3,908,083,802
<i>Non-Discretionary</i>	<u>\$0</u>
<i>Total:</i>	\$3,908,083,802

Item 5: Fees and Compensation

Fee Schedule

F-Squared receives management fees for the provision of its Advisory Services. With respect to SMAs, F-Squared typically receives a management fee based on a percentage of the market value of the total assets invested in the client’s F-Squared account(s), in accordance with F-Squared’s advisory agreements. F-Squared’s management fees generally range from 55 to 85 basis points for weekly-traded Strategies, and 30 to 55 basis points for monthly-traded Strategies. F-Squared retains discretion to negotiate compensation and minimum account sizes, and a client may pay more or less than the range described above or more or less than similar clients depending on factors that may include the size and scope of the overall relationship, the initial or potential size of the account, account-specific requirements or other factors, each as determined in F-Squared’s sole discretion. Existing clients may have different fee arrangements from those described herein.

F-Squared may become investment manager for a limited number of related “Friends and Family” accounts. Fees may be waived for these clients (for example, employees of F-Squared and its affiliates, board members, investors in F-Squared Investment Management, LLC. and their families).

Payment of Fees

Advisory Services clients may choose to be billed for the services provided or have their fees automatically deducted from the assets subject to the Strategy by the client’s custodian. Clients will be charged (whether by billing or deduction method) on either a monthly or quarterly basis.

Other Types of Fees or Expenses

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

Prepayment of Fees

Clients may, but are not required to, prepay their management fees. If the applicable contract is terminated before the end of the billing period and the client has prepaid fees, F-Squared will calculate and refund the client a pro rata portion of the pre-paid fee based on the number of days remaining in the billing period.

Compensation for Sales of Securities or other Investment Products

F-Squared employees that sell Strategies to Advisory Services clients receive additional compensation from F-Squared. F-Squared pays this additional compensation from the management fee received from the client; it is not an additional charge that the client bears. This compensation practice could present a conflict of interest in that it gives the employee an incentive to recommend the Index and/or the Strategy based on the compensation received, rather than on a client’s needs. It is important to note, however, that the employees do not sell other products to the clients. Further, clients do not have the option to purchase the AlphaSector Indexes and Strategies from other agents unaffiliated with F-Squared.

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

F-Squared does not charge performance-based fees to its clients.

Item 7: Types of Clients

F-Squared provides Advisory Services to a number of clients which may include wealth management, investment advisory firms and other business entities and individuals.

The minimum investment to open a new account for an SMA is generally \$100,000.

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

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

Methods of Analysis for Advisory Services

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

- Historical Price Return
- Volatility
- Changing Levels of Volatility

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

Investment Strategies for Advisory Services

F-Squared primarily offers the AlphaSector Strategies, which are available via Advisory Services.

Advisory Services - Portfolio Construction and Design

AlphaSector Strategy portfolios are reviewed monthly (“Rotation”), weekly (“Premium”) or both (“Select”) for reconstitution and rebalancing.

The following is a summary of the core AlphaSector Strategies. The AlphaSector U.S. Equity Strategies (AlphaSector Rotation Strategy and AlphaSector Premium Strategy) seek to replicate the applicable index ETFs representing the 9 sectors of the U.S. economy or short-term Treasuries. The implementation of the strategy is most often through ETFs, which are low cost, highly liquid index-linked vehicles tracking the performance of each respective sector. The ETFs most often used are published by industry leading ETF providers representing the 9 sectors of the U.S. economy and an Alternative ETF. As such, there are a maximum number of 9 securities in the portfolio at any one time, resulting in operational ease and lower transaction costs.

The AlphaSector Global Strategy is a blend of two index strategies, the AlphaSector U.S. Equity Strategy and the AlphaSector International Strategy. The AlphaSector International Strategy includes 5 ETFs reflecting the key world economic regions outside the U.S. as well as an Alternative ETF.

Alpha Sector INFINITY Strategy is a diversified multi-sector, inflation neutral fixed income offering which includes ETFs tracking 6 bond sectors and 1 Alternative ETF.

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

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

Risk of Loss

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

The principal risks of the AlphaSector Strategies are as follows:

- **Market Risk:** The risk that the value of the securities in which the Strategies invest may drop in reaction to tangible and intangible events and conditions, independent of a security’s particular underlying circumstances. For example, political, economic, and social conditions may cause a change in the value of the securities. Price changes may be temporary or may last for extended periods.
- **Equity Securities Risk:** The risk that events or circumstances at a particular industry, or a particular company within an industry will impact the value of the stocks and ETFs held by the Strategy and thus, the value of your investment over short or extended periods.
- **Interest-Rate Risk:** The risk that fluctuations in interest rates may cause investment prices to fluctuate and impact the value of fixed income securities or ETFs held by the Strategy. For example, when interest rates rise, yields on existing bonds become less attractive causing their market values to decline.
- **Credit Risk:** The risk that a fixed income security issuer will fail to pay interest and principal in a timely manner or that negative perceptions of the issuer’s ability to make such payments will cause the price of that fixed income security to decline.
- **ETF Risk:** The risk that the value of an ETF in which a Strategy invests will be more volatile than the underlying portfolio of securities the ETF is designed to track, or that the costs to the fund of owning shares of the ETF will exceed those the fund would incur by investing in such securities directly.
- **Sector Concentration Risk:** The risk that events negatively affecting an industry or market sector in which the Strategy invests will cause the overall value of the Strategy to decline. To the extent that some of the Strategies invest significant portions of their portfolio in ETFs representing particular markets or sectors (such as Energy, Healthcare, Real Estate, etc.) or in an ETF representing U.S. Treasuries, the Strategy is more vulnerable to conditions that negatively affect such sectors as compared to an investment strategy that is not significantly invested in such sectors.
- **Turnover Risk:** The risk that frequent trading will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains that can negatively impact an investor’s overall investment as compared to investments in strategies with low turnover.

- **U.S. Government Securities Risk:** The risk that U.S. Government securities in a Strategy will be subject to price fluctuations, or that an agency or instrumentality will default on an obligation not backed by the full faith and credit of the United States.
- **Quantitative Risk:** The risk that the effectiveness of the quantitative model used for the strategy can dissipate over time as similar Strategies are adopted and as the market becomes more efficiently priced.
- **Programming / Modeling Risk:** F-Squared's research and modeling process is extremely complex and the results of that process must then be translated into computer code. Although F-Squared seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raises the chances that the finished model may contain an error; one or more of such errors could adversely affect a client's portfolio and likely would not constitute a trade error under F-Squared's policies.
- **System Risk:** F-Squared relies extensively on computer programs and systems in its proprietary modeling to evaluate securities, to monitor its portfolio, and to generate reports that are critical to oversight of its activities. In addition, certain systems are operated by third parties, including counterparties and service providers. F-Squared may not always be in the best position to verify the risks or reliability of such third-party systems. These programs or systems, whether operated by a third party or not, may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Any such defect or failure could have a material adverse effect on F-Squared's activities. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect F-Squared's ability to monitor its investment portfolios and its risks.
- **Operational Risk:** F-Squared has developed systems and procedures to control operational risk. Operational risks arising from mistakes made in the trading confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in F-Squared's operations may cause F-Squared to suffer financial loss; the disruption of its business; liability to Clients or third parties; regulatory intervention; or reputational damage. F-Squared relies heavily on its financial, accounting and other data processing systems.

Item 9: Disciplinary Information

As previously disclosed to clients, the staff of the U.S. Securities and Exchange Commission's Division of Enforcement (the "Staff") began an investigation last Fall involving the advertised performance record for F-Squared's AlphaSector U.S. equity indexes for the period from April 2001 through September 2008. In October, 2013, F-Squared removed all references to the performance record for that period from its advertising, marketing materials and website.

In September 2008, F-Squared acquired the data signals used in performance reporting for the April 2001 through September 2008 period from a third party data provider that was related to a wealth

management firm. Before the references were removed in October 2013, certain F-Squared advertisements included statements that the AlphaSector U.S. equity index performance records were based on buy and sell signals that had been used by a wealth management firm to make investment decisions from April 2001 through September 2008. In May 2014, F-Squared notified clients that the Staff had informed the company that the wealth management firm had not used these buy and sell signals to manage client assets, and therefore the buy and sell signals that the F-Squared index returns were based on were not linked to live assets. In addition, in May 2014, the notification indicated that there was an error in the calculation of the indexes. This resulted in a substantial overstatement of the AlphaSector U.S. equity index performance record for the period April 2001 through September 2008.

On August 13, 2014, F-Squared Investments, Inc., F-Squared Investment Management, LLC, and their Chief Executive Officer (collectively, "F-Squared") received notice from the Staff, called a "Wells" notice, that the Staff has made a preliminary determination to recommend that the Securities and Exchange Commission (the "Commission") file an action or institute a proceeding against F-Squared alleging violations of certain provisions of the Federal securities laws. As part of the Wells notice, the Staff notified F-Squared that they may make a submission to the Staff and to the Commission concerning the proposed recommendation.

A Wells notice is a preliminary determination by the Staff and is neither a formal allegation of nor a finding of wrongdoing. It begins a procedure pursuant to which F-Squared has the opportunity to comment on the law, policy, and facts relevant to the ongoing investigation. F-Squared has been cooperating with the Staff in its investigation. F-Squared intends to respond to the Wells notice and to continue to cooperate.

Item 10: Other Financial Industry Activities and Affiliations

Broker-Dealer Affiliations

Neither F-Squared nor any of its management persons is registered or has an application pending to register as a broker-dealer.

Futures/Commodities Affiliations

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

Investment Adviser Affiliations

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

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

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

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

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

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

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

Personal Securities Transactions Requirements

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

Pre-clearance

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

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

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

Exempt Securities

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

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

Item 12: Brokerage Practices

F-Squared may from time to time select a broker-dealer to execute the trading of underlying securities. In those circumstances, F-Squared will use best efforts to select a broker-dealer that F-Squared believes will provide the best services at competitive commission rates. When reviewing a brokerage firm and the services they provide, our assessment includes, but is not limited to the following:

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

F-Squared does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.

F-Squared does not consider, in selecting broker-dealers, whether it or one of its related persons receives client referrals from a broker-dealer or a third party. In addition, F-Squared does not routinely recommend, request or require that a client direct it to execute transactions through a specified broker-dealer nor does it permit a client to direct brokerage.

F-Squared may determine that it is appropriate to aggregate trade orders so that investment opportunities are fairly allocated among Advisory Services clients.

Item 13: Review of Accounts

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

Accounts will be reviewed quarterly to help ensure that all transactions are in accordance with the Strategy and that any tracking error to the applicable AlphaSector Index is within a reasonably acceptable threshold. Accounts will also be reviewed post any trading activity to help ensure proper trade execution and settlement. These accounts receive confirmation of activity reports post any trading activity and receive account statements on a quarterly and annual basis. The Co-Chair of the Investment Committee, the Chief Operating Officer, Chief Financial Officer, Chief Compliance Officer and/or SVP of Operations conduct(s) these account reviews.

Item 14: Client Referrals and Other Compensation

F-Squared does not receive cash or another economic benefit from someone other than the client in connection with its provision of advisory services to client. In addition, F-Squared does not compensate any person (other than a supervised person) for client referrals to F-Squared. That said, F-Squared may, in the future, enter into such a compensation arrangement for client referrals and will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940 to the extent such Rule applies to the arrangement.

Item 15: Custody

For certain clients, F-Squared can instruct the qualified custodian to deduct the management fee owed to F-Squared from the client's assets. In these cases, the qualified custodian sends quarterly account statements directly to the clients. Clients should carefully read these statements.

Item 16: Investment Discretion

F-Squared provides its Advisory Services on a discretionary basis. Before F-Squared can exercise discretion with respect to a client's assets, the client and F-Squared must execute an investment advisory agreement that contains a power of attorney granting F-Squared discretionary authority of the account's assets. The client, by selecting a particular Strategy, effectively limits F-Squared's discretionary authority to investment decisions that are in line with that Strategy.

Item 17: Voting Client Securities

Except when a client has retained proxy voting authority, F-Squared will vote proxies relating to securities held in advisory client portfolios in accordance with its proxy voting policies and procedures. The proxy voting policies and procedures are designed and implemented in a way that is reasonably expected to ensure that proxies are voted in the economic best interests of clients. Material conflicts between F-Squared and the client in the voting of proxies are resolved in the best interest of the client.

Clients may receive a copy of these proxy voting policies and procedures upon request. Clients may also contact us at 866-288-7557 with any questions relating to how we voted their securities or how we may vote their securities in the future.

In cases where F-Squared does not have authority to vote client securities, proxies or other solicitations will generally be received by the client directly from the custodian or transfer agent. Clients are encouraged to contact their SMA platform manager or investment adviser or custodian with questions related to proxies and solicitations. If clients need further assistance with this process, they may contact F-Squared at 866-288-7657 with any questions related.

Item 18: Financial Information

F-Squared does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. F-Squared also does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. In addition, F-Squared has not been the subject of a bankruptcy petition at any time during the past ten years.