

# **Quant Global Capital Advisors, LLC**

## **Form ADV Part 2A – Firm Brochure**

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Dated July 10, 2014

This Brochure provides information about the qualifications and business practices of Quant Global Capital Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at 203-570-1730. 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.

Quant Global Capital Advisors, LLC is an Investment Adviser registered with the Securities and Exchange Commission. Registration of an Investment Advisor does not imply any level of skill or training.

Additional information about Quant Global Capital Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

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There have been no material changes since the last annual amendment, dated March 13, 2014.

# Item 3: Table of Contents

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# Item 4: Advisory Business

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## **Description of Advisory Firm**

Quant Global Capital Advisors, LLC January of 2012 and is principally owned by Huiming Qiu and Frank Xu. As of December 31, 2013, we manage \$110,000,000.00 on a discretionary basis and \$0.00 on a non-discretionary basis.

## **Types of Advisory Services**

We offer the following services:

### **Investment Supervisory Services**

We offer ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Security selection
- Regular and/or continuous portfolio monitoring

We evaluate the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels will be documented in the Risk Assessment Questionnaire, which is completed by the client. Additionally, clients may impose reasonable restrictions on their accounts.

## **Wrap Fee Programs**

We currently do not participate in Wrap Fee Programs.

# Item 5: Fees and Compensation

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How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

## Standard Advisory Fee

Our standard advisory fee is 2% and based on the market value of the assets under management.

The annual fees are negotiable in certain cases and are generally pro-rated and paid in advance on a monthly basis. No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement.

Advisory fees are directly debited from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice at least 15 days in advance. Upon termination of any account, any unearned fee will be rebated to the client.

## Performance-Based Fee

In some instances, clients may pay our standard advisory fee as described above as well as an annual fee based on a percentage of realized and unrealized profits (“performance fee”). Our performance-based fees are based on a **“High Water Mark”**. This type of fee arrangement and the associated strategy is only available to ***qualified clients*** and may be negotiable in certain cases.

**High Water Mark Calculation:** Performance fees are based on a new high watermark for any month that is charged. For example, a client may deposit \$1,000,000 and the profit commission is 20%. At the end of the first month the account balance is \$1,020,000. First months profit for the Adviser is \$4,000.00 (20% of \$20,000=\$4,000.00). \$1,000,000 is the high watermark. \$4,000 plus the Standard Advisory Fee is debited from the clients account in favor of the Adviser. The next month the beginning balance becomes \$1,020,000 and this becomes the new high watermark. At the end of the second month the ending balance on the account is \$1,015,000. No performance fee is debited from the account as the high watermark remains \$1,020,000. This example is assuming that the client made no new deposits which would increase the high watermark or any withdrawals which would lower the high watermark.

## Other Types of Fees and Expenses

Our 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, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes

on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

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

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We manage certain strategies for which clients may pay performance-based fees in addition to our Standard Advisory Fee. The performance-based fee is based on a "high water mark" calculation, described in Item 5. This type of fee arrangement and the associated strategy is only available to **qualified clients** and may be negotiable in certain cases.

Clients should be aware that this arrangement may cause an inherent conflict of interest as it may give us more incentive to take greater risks or direct investments that are perceived to have higher return potential to the accounts that pay a performance fee versus the accounts that pay only a regular standard advisory fee. We attempt to mitigate this conflict by monitoring and enforcing trading guidelines. These guidelines are reviewed and monitored by the client as well as our Chief Compliance Officer.

We manage accounts for numerous clients that invest in the same or similar securities. Although the overwhelming majority of securities used in our investment strategy are highly liquid and readily available, certain securities may occasionally have capacity constraints. We attempt to allocate investment opportunities among clients in a fair and equitable manner. Performance is not a factor in our decision to allocate securities to a client's account.

## Item 7: Types of Clients

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We provide portfolio management services to individuals, high net worth individuals, family offices, pension and profit sharing plans, registered and non-registered pooled investment vehicles, charitable organizations, trusts, corporations and other businesses or organizations. There is a minimum account size requirement of \$2,000,000, however this may be negotiated on a case by case basis.

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

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Our primary methods of investment analysis are technical, fundamental and cyclical analysis.

**Technical analysis** involves using chart patterns, momentum, volume, and relative strength in an effort to pick sectors that may outperform market indices. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Cyclical analysis** is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

## Investment Strategy

We deploy multiple high-frequency and mid-frequency strategies. High-frequency strategies refer to strategies with a holding period typically less than one day, and mid-frequency strategies refer to strategies with a holding period between one and ten days. We apply the trading models to multiple asset classes and multiple regions. The strategies will trade across equity, future and, currency markets in US, European and Japanese as well as other developed and developing markets. The strategies take advantage of short-term inefficiencies in the market and aim to achieve superior risk-adjusted returns by strict risk control as well as product and geographical diversification.

We deploy rigorous risk management practices to manage the risk, including strategy diversification, product diversification and geographical diversification. Our strategies are market neutral and observe a strict single name position limit in which exposure to a single stock is no more than 2% of capital.

## Material Risks Involved

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Decisions Based on Mathematical Analysis:** The trading decisions of the Adviser will be based on trading strategies which utilize the mathematical analysis of past price behavior. The future profitability of these strategies depends upon the ability of the future price action to not be materially different from the past. The investment strategy may incur substantial trading losses during periods when markets behave substantially different from the period in which the Adviser's models are derived.

**Short Selling:** The Adviser may sell securities short in certain situations. Selling short involves the sale of borrowed securities. In order to sell a security short, the Adviser must borrow the security from a securities lender and deliver it to the buyer. The Adviser is then obligated to return the security to the lender at its request (although the Adviser remains free to return the security to the lender at any time prior to the lender's request). The Adviser ordinarily fulfills its obligation to return a security previously sold short by purchasing it in the open market.



The principal risk in selling a particular security short is that, contrary to the Adviser's expectation, the price of the security will rise, resulting in a loss equal to the difference between the cost of acquiring the security (for return to the lender) and the net proceeds of the short sale. This risk of loss is theoretically unlimited; since there is theoretically no limit on the price to which the security sold short may rise. Another risk is that the Adviser may be forced to unwind a short sale at a disadvantageous time for any number of reasons. For example, a lender may call back a stock at a time the market for such stock is illiquid or additional stock is not available to borrow. In addition, some traders may attempt to profit by making large purchases of a security that has been sold short. These traders hope that, by driving up the price of the security through their purchases, they will induce short sellers to seek to minimize their losses by buying the security in the open market for return to their lenders, thereby driving the price of the security even higher. In certain cases, the Adviser may find it difficult if not impossible to establish a desired short position because of a limited supply of the security available for borrowing. In these cases, the Adviser may be compelled to forego a potentially profitable investment opportunity.

**Use of Leverage:** The Adviser may use leverage in its investment and trading program, generally through borrowing to purchase financial instruments (e.g., traditional margin purchases). Moreover, to the extent the Adviser purchases securities with borrowed funds, the client's account value will tend to increase or decrease at a greater rate than if borrowed funds were not used, and a relatively small price movement in a position could result in immediate and substantial losses. In a given market setting, securities that the Adviser sells short (see "Short Selling" above) may rise in value while the value of the Adviser's long positions may decline, resulting in a situation in which leverage compounds losses.

**Defensive Risk:** To the extent that the strategy attempts to hedge its portfolio stocks or takes defensive measures such as holding a significant portion of its assets in cash or cash equivalents, the objective may not be achieved.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable

to sell or liquidate investments at prices we consider reasonable or favorable, or find buyers at any price.

**Concentration Risk:** Certain investment strategies focuses on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

### **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Options and other derivatives** carry many unique risks, including time-sensitivity, and can result in the complete loss of principal.

**Real-Estate linked investments** may be especially illiquid and subject to specific geographic risk.

**Oil and Gas Interests** may lose value due to changes in commodity prices, costs associated with the transport of oil/gas, seasonal factors or technological advances that impact the demand for oil and gas.

**Exchange Traded Funds** prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected.

## Item 9: Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Quant Global Capital Advisors, LLC or the integrity of our management. We have no information applicable to this Item.

## Item 10: Other Financial Industry Activities and Affiliations

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No representatives of Quant Global Capital Advisors, LLC conduct other financial industry activities or have affiliations with other financial firms.

## Item 11: Code of Ethics

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We have adopted the CFA Institute Code of Ethics for all supervised persons of the firm. The Code of Ethics requires placing the integrity of the profession and the interests of clients above their own interests; acting with integrity, competence, and respect; and continuous development of one's professional competence. The standards of professional conduct include provisions that cover professionalism and integrity of capital markets, duties to clients and employers, investment analysis and recommendations, and conflicts of interest.

Some provisions include, for example, provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition on rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All members of the firm must attest to the terms of the Code of Ethics annually, or as amended.

Consistent with investment advisory clients' or prospective clients' investment objectives, we may recommend or execute the purchase or sale of securities in which we, or our clients, directly or indirectly, have a position or interest.

All our employees are required to follow our Code of Ethics which places the interests of advisory clients first. Subject to satisfying this policy and applicable laws, employees may trade for their own accounts in securities which are recommended to and/or purchased for our clients. Additionally, our employees may invest in any of our investment strategies alongside our clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees

to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest our clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between our firm and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. We will retain records of the trade order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

It is our policy that the firm will not affect any principal or agency cross securities transactions for client accounts. We will also not cross trades between client accounts.

Our clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jeff Qiu.

## Item 12: Brokerage Practices

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### **Factors Used to Select Custodians and/or Broker/Dealers**

For the selection of custodians and/or Broker/Dealers, our general guiding principle is to obtain the best overall execution for each client in each trade, which is a combination of price and execution. With respect to execution, we consider a number of judgmental factors, including, without limitation, the actual handling of the order, the ability of the broker to settle the trade promptly and accurately, the financial standing of the broker, the ability of the broker to position stock to facilitate execution, our past experience with similar trades and other factors that may be unique to a particular order.

Recognizing the value of these judgmental factors, we may recommend or select brokers who charge a brokerage commission that is higher than the lowest commission that might otherwise be available for any given trade.

Our preferred custodian was chosen based on their relatively low transaction fees, quality of operations and access to a wide range of mutual funds, ETFs and markets. We do not charge a premium or commission on transactions, beyond the actual cost imposed by the Custodian. If a

client wishes, and subject to technology and operational constraints, we may consider advising on accounts held with a custodian of their choice.

### **1. Research and Other Soft-Dollar Benefits**

We do not receive benefits from broker/dealers that are often referred to in the industry as soft dollar benefits. When the firm uses client brokerage commissions to obtain these benefits, it is receiving an added benefit in that it does not need to produce or pay for the benefits that it receives. This leads an Adviser to have an incentive to select or recommend a broker-dealer based on our interest in receiving those benefits, rather than on our client's receiving most favorable execution.

We currently do not receive soft dollar benefits.

### **2. Brokerage for Client Referrals**

We receive no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

We do recommend a specific custodian for clients to use, however, clients may custody their assets at a custodian of their choice. Clients may also direct us to use a specific broker-dealer to execute transactions. By allowing clients to choose a specific custodian, we may be unable to achieve most favorable execution of client transaction and that this may cost clients money over using a lower-cost custodian.

### **Aggregating (Block) Trading for Multiple Client Accounts**

Generally, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## **Item 13: Review of Accounts**

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Client accounts will be reviewed regularly on a quarterly basis by Mr. Qiu. During the regular review the account's performance is compared against like-managed accounts to identify any

unacceptable performance deviation. Additionally, reasonable client imposed restrictions will be reviewed to confirm that they are being enforced. Events that may trigger a special review would be unusual performance, addition or deletions of client imposed restrictions, excessive draw-down, volatility in performance, or buy and sell decisions from the firm or per client's needs.

Quantitative models used in formulating investment decisions will be reviewed on a regular basis to ensure that they are being implemented as intended, and the models are routinely tested to ensure they are behaving as expected.

Clients will receive trade confirmations from the broker(s) for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest.

Quant Global Capital Advisors, LLC will not provide written reports to the client.

## Item 14: Client Referrals and Other Compensation

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We do not receive any economic benefit, directly or indirectly from any third party for advice rendered to our clients. Nor do we directly or indirectly compensate any person who is not advisory personnel for client referrals.

## Item 15: Custody

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Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

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For those client accounts where we provide ongoing money management or investment advice with ongoing supervision, we maintain limited power of authority over client accounts with respect to securities to be bought and sold and the amount of securities to be bought and sold. Investment discretion is explained to clients in detail when an advisory relationship has commenced. At the start of the advisory relationship, the client will execute a Limited Power of Attorney which will grant our firm discretion over the account. Additionally, the discretionary relationship will be outlined in the advisory contract and signed by the client.

## Item 17: Voting Client Securities

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We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## Item 18: Financial Information

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.