

# **QuantX Capital Management LLC**

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This Brochure provides information about the qualifications and business practices of QuantX Capital Management LLC. If you have any questions about the contents of this Brochure, please contact Alexander Masotti, President and Chief Compliance Officer ("CCO") of QuantX Capital Management LLC at +1 646 781 7742 or by email at [amasotti@quantx.co.uk](mailto:amasotti@quantx.co.uk). Additional information about QuantX Capital Management LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Registration of an investment adviser does not imply that QuantX Capital Management LLC or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

**Item 2: Material Changes**

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Because this is QuantX Capital Management LLC's first brochure, we has no material changes in prior filings to report.

**Item 3: Table of Contents**

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#### Item 4: Advisory Business

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QuantX Capital Management LLC ("**QuantX**", or the "**Firm**") is a New York based investment adviser, which was organized on July 24, 2014. Under an agreement (the "**Agreement**") between QuantX and a managed account (the "**Managed Account**"), the Firm provides investment management services to the Managed Account.

QuantX provides advice to the Managed Account based on specific investment objectives and strategies, as more specifically described in Item 8. QuantX does not tailor advisory services to the individual needs of investors (the "**Investors**") in the Managed Account.

LT World Partners LLC and D&L Partners LP are the beneficial owners of QuantX Holdings Ltd, which is the 100% owner of the Firm as of the date of submission of this form.

As of the date of submission of this form, QuantX managed gross assets of approximately US\$100 million in the Managed Account, all of which are managed on a discretionary basis.

#### Item 5: Fees and Compensation

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Pursuant to the Agreement, QuantX generally receives a management fee (the "**Management Fee**") equal to two percent (2.0%) per annum of the net asset value of the Managed Account. The Management Fee is calculated and payable monthly in advance.

Expenses charged to and paid from the Managed Account shall include reasonable brokerage commissions and other trading execution or transaction related costs and fees, including interest incurred on borrowings, if any; and dividends paid on securities sold short. If any of the foregoing expenses are shared with other client funds managed by QuantX, such expenses shall be allocated among such client funds, including the Managed Account, pro-rata. The Managed Account may incur brokerage and other transaction costs. For further details on QuantX's brokerage practices refer to Item 12 of this Brochure.

QuantX and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

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The Firm generally receives an incentive fee (the "**Incentive Fee**") from the Managed Account, equal to twenty percent (20%) of the Managed Account's net income (including realized and unrealized gains net of the Management Fee). The Incentive Fee is in accordance with the available exemption set forth in Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

The Incentive Fee may create an incentive for QuantX to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. QuantX has procedures designed and implemented to prevent this conflict from influencing investment decisions.

Other than the Management Fee and Incentive Fee described in Item 5 and Item 6, no hourly, flat or asset-based fees are charged to the Managed Account.

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**Item 7: Types of Client**

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The Firm provides services to the Managed Account. Investors in the Managed Account include high net worth individuals and family offices.

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

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***Methods of Analysis & Investment Strategy***

QuantX provides real-time risk management and performance transparency by leveraging an all in one seamless software solution. QuantX allocates capital to emerging portfolio managers through a managed account structure. QuantX utilizes exceptional risk management, dynamic portfolio construction and balancing tools. Capital is allocated through a managed account structure among the portfolio managers who execute trades using QuantX's prime broker (no "away" trades), such that QuantX has real-time risk oversight for every trade in the portfolio. Through the use of the Liquid Holdings Group, Inc. (the "**Liquid Platform**"), QuantX puts in place multiple factors for pre-trade risk compliance, with the unique ability to monitor and analyze risk metrics intraday, in real-time, as well. At the time of this presentation, QuantX has approximately 80 emerging portfolio managers on its platform across numerous strategies trading equities, options, and futures.

QuantX employs a diversified approach to strategy allocation such that each strategy presents offsetting risk characteristics and a diversified risk/return profile. These strategies include Systematic, Fundamental Long/Short, Special Situations, Market Neutral, and Intraday.

QuantX employs SEC-level, multi-layer due diligence processes, including performance- and risk-based analytics for each portfolio manager on the platform. Over the last year, QuantX has completed due diligence on nearly 400 independent portfolio managers.

QuantX works only with a handful of referring parties in order to source portfolio managers.

Prior to meeting a potential portfolio manager, the referring party meets the manager several times and performs standard analytical, risk and performance due diligence to ensure strategy consistency along the QuantX investment mandate.

The QuantX risk and due diligence team then perform further in-depth due diligence, including a thorough review of audited performance track record, several in person meetings and phone calls, as well as general background checks and industry resource calls.

QuantX leverages a robust suite of technology in order to provide substantial scale and real-time risk management tools in a single database. QuantX and all QuantX portfolio managers utilize the order and execution management, accounting, and real-time risk solution developed by the Liquid Platform. The solution is a single-database software that provides instantaneous ability to view PNL, stress testing, Value at Risk, and other risk management tools that are traditionally available only at "next day", but through the all-in-one suite are available in real-time. Technology implementation allows for scalability as well as real-time portfolio analysis for performance, margin accounting, and exposure management facilitating real-time risk oversight like never before.

**Risk of Loss Factors**

Investing in securities involves risk of loss that the Client should be prepared to bear. The Client should consider the following factors before investing. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment. Investors are urged to consult their professional advisers and review the legal documents for the Managed Account before deciding to make an investment.

**Investment and Trading Risks in General**

Inherent in any investment in securities is the risk of losing the invested capital. We believe that the Managed Account's investment program and the portfolio managers' research techniques moderate this risk through a careful selection of securities and investment opportunities, as well as through the application of our ongoing qualitative and quantitative risk assessment and management program. However, no guarantee or representation is made that the Managed Account's investment program will be successful or profitable, and investment results may vary substantially over time. The Managed Account's investment program will utilize investment techniques such as option transactions, limited diversification, margin transactions, short sales, and futures and forward contracts, which can, in certain circumstances, maximize the adverse impact of any loss or adverse event to which the Managed Account may be subject. We do not, in general, attempt to measure or hedge all market or other risks inherent in the Managed Account's portfolio, and seek to measure and hedge certain risks, if at all, only partially. Specifically, we may choose not, or may determine that it is economically unattractive, to hedge certain risks, instead of relying on diversification in an attempt to mitigate the risks.

**General Market and Economic Risk**

Most trading strategies utilized by the Managed Account involve some, and occasionally a significant degree of, market risk. The profitability of the Managed Account depends, in significant part, upon our and the portfolio managers correctly assessing future price movements of securities and other financial instruments. The Managed Account cannot assure any Investor that we or the portfolio managers will accurately predict these price movements. Additionally, unanticipated illiquidity in a market could lead to substantial losses or mean that the Managed Account is unable to close out certain positions when it wishes. The success of the Managed Account's activities also will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Managed Account's investments) or regulations (or their interpretation), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors will affect the level and volatility of the prices of securities, commodities and other financial instruments and the liquidity of the Managed Account's investments. Illiquidity or significant changes in volatility could impair the Managed Account's profitability or result in losses.

The Managed Account invests in the U.S. and a number of other countries. The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, relative currency appreciation or depreciation, asset reinvestment opportunities, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation than others.

**Trade Execution Risk**

Many of the investment techniques used by QuantX require the rapid and efficient execution of transactions, or the ability to accumulate or liquidate large positions. Inefficient execution can impair realization of the market opportunities sought with such techniques.

**Small to Medium Capitalization Companies**

The Managed Account may invest in the stocks of companies with small to medium-sized market capitalizations. While QuantX believes these stocks may provide significant potential for appreciation, such stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be less liquid than that of larger capitalization stocks.

**Portfolio Turnover**

Part of the investment strategy of the Managed Account may involve the taking of frequent trading positions and, as a result, turnover and brokerage commission expenses of the Managed Account may exceed those of other investment entities of comparable size. The frequent turnover of the portfolio may also lead to inefficient tax consequences for the Managed Account.

**Investment Strategies of the Portfolio Managers**

The portfolio managers of the Managed Account, amongst other things, will seek to use specialized investment strategies, follow allocation methodologies, apply investment models or assumptions, and enter in hedging and other strategies intended to affect their performance and risk levels. The Managed Account cannot guarantee that any portfolio manager will have success in achieving any goal related to those practices.

**Investment Strategies of the Portfolio Managers**

Portfolio Managers, among other things, will seek to use specialized investment strategies, follow allocation methodologies, apply investment models or assumptions, and enter into hedging and other strategies intended to affect their performance and risk levels. The Fund cannot guarantee that any Portfolio Manager will have success in achieving any goal related to those practices.

**Item 9: Disciplinary Information**

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This Item is not applicable.

**Item 10: Other Financial Industry Activities and Affiliations**

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The Firm has a service agreement with QuantX Management LLP, a limited liability partnership organized in the UK. QuantX Management LLP is authorized by the Financial Conduct Authority as an Exempt CAD Adviser/Arranger Firm, and performs research and provides applicable work product for the benefit of and use by the Firm.

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

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***Participation or Interest in Client Transactions***

QuantX serves as the investment adviser to the Managed Account. Employees and relatives of the employees may make investments in the Managed Account.

We may be considered to have recommended to the Managed Account that the Managed Account buy or sell securities or investments in which the Firm or a related person has some personal interest. Any potential conflicts arising from the foregoing are addressed in QuantX's Personal Trading Policy, as described below.

***Code of Ethics & Personal Trading***

Pursuant to Rule 204A-1 of the Advisers Act, QuantX has adopted a Code of Ethics and a Personal Trading Policy that establishes various procedures with respect to investment transactions in accounts in which QuantX employees or related persons have a beneficial interest or accounts over which an employee has investment discretion.

In general, employees (and members of their immediate households) are permitted to invest in equities, debt, options or futures but must obtain pre-approval from the CCO. The spirit of the Code of Ethics and the Personal Trading Policy is to discourage frequent trading in employee personal accounts. In addition, employees may not acquire securities for their own account in an initial public offering. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

All of QuantX's employees must direct their brokers to send duplicate brokerage statements to the CCO, unless an electronic feed has been established. These records are used to monitor compliance with the foregoing policies.

These policies apply to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving government securities or open-end mutual funds, broad based exchange traded funds (ETFs) or other instruments which afford the investor no discretion over individual securities transactions.

QuantX absolutely prohibits the misuse or inappropriate communication of inside information in connection with our securities transactions. QuantX, as well as federal and state securities laws, also prohibit the practice of market manipulation, which comprises conduct intended to deceive or defraud investors by controlling or artificially affecting the price of securities.

In special situations, QuantX may create an information barrier or a "Chinese Wall" procedure that restricts the disclosure of confidential information to those who have a genuine "need to know" the information.

The Firm has also adopted communications guidelines designed to assist personnel in understanding their duties and responsibilities regarding the receipt and the communication of financial and other sensitive information.

Any outside business activities employees wish to engage in must be disclosed to, and approved by the CCO.



QuantX has adopted a policy restricting the giving and receiving of gifts, limiting participation in and sponsoring of entertainment events, and requiring the reporting of gifts and entertainment to the CCO subject to limited exceptions.

QuantX has also adopted a policy governing political contributions, the holding of public office and impermissible payments. This policy is designed, among other things, to address the requirements of Rule 206(4)-5 under the Advisers Act.

QuantX's Code of Ethics and Personal Trading Policy are available upon request.

## **Item 12: Brokerage Practices**

As an adviser and a fiduciary to the Managed Account, QuantX requires that the Managed Account's interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the Managed Account's favor. QuantX has adopted the following policies and practices to meet the Firm's fiduciary responsibilities and to ensure our trading practices are fair.

### ***Aggregation***

When appropriate, we may, but are not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Client accounts participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

### ***Best Execution***

QuantX shall ensure that any use of commissions to pay for research products or services shall, as applicable, fall within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. In particular, in selecting brokers, dealers, banks and other financial intermediaries, and in determining the compensation payable to those persons and entities (including mark-ups and markdowns on principal transactions), QuantX may take into account, in addition to execution quality, such factors relating to the relationship between those persons or entities and as the Firm may consider appropriate, including, among other things: the availability of stocks to borrow from those persons or entities for short sales; the value of any research and brokerage services and other products and/or services provided by those persons or entities to the Firm and the accounts managed by it. The Managed Account acknowledges that these practices may relieve QuantX of payment obligations it might otherwise have to satisfy out of its own assets and/or may provide other benefits to the Firm.

### ***Principal Trading***

QuantX's policy and practice is to not engage in any principal transactions.

### ***Soft Dollars***

QuantX may utilize "soft dollars" generated by its trading activities for the benefit of the Managed Account to purchase research and brokerage products and services that we believe meet the requirements of Section 28(e) of the Securities Exchange Act of 1934 ("Section

28(e)”), and the SEC interpretations thereof, in jurisdictions and transactions where Section 28(e) applies. Such research products or services may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, and relevant market data, as well as other products and services that provide assistance to us in the performance of their investment and trading decision-making responsibilities. Brokerage products or services provided to us may include message services used to transmit orders to brokers for execution, trading software used to route orders to market centers, software used to transmit orders to direct market access systems and short-term custody. Where a product or service obtained with soft dollars provides both research or brokerage and non-research or non-brokerage assistance (i.e., a “mixed use” item), QuantX will make a reasonable allocation of the cost which may be paid for with commission dollars.

QuantX may generate soft dollars with commissions on securities transactions, and, in accordance with SEC interpretations, with mark-ups, markdowns, commission equivalents or other fees paid to a dealer for executing a transaction. In addition, to the extent consistent with applicable regulatory requirements, soft dollars may be generated through futures transactions, certain principal transactions, non-U.S. transactions, or other transactions where it is lawful and not inconsistent with Section 28(e).

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**Item 13: Review of Accounts**

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***Review of Accounts***

The Managed Account portfolio managed by the Firm is reviewed on a daily basis from an operational standpoint, for proper positions and correct accounting of profit and loss and balances.

***Reporting***

Investors have full access and daily transparency into the portfolio of the Managed Account held at a third party qualified custodian. QuantX does not have custody of the Managed Account.

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**Item 14: Client Referrals and Other Compensation**

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QuantX does not currently utilize any third-party marketers or solicitors for client referrals.

QuantX does not currently provide advice to parties other than the Managed Account. The Firm also does not provide other advisory services to the Investors in the Managed Account.

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**Item 15: Custody**

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This item is not applicable.

**Item 16: Investment Discretion**

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QuantX possesses discretionary portfolio management authority over the Managed Account with respect to asset allocations and direct investments as per the Agreement.

QuantX has the authority to determine (i) the securities to be purchased and sold for the Managed Account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the Managed Account.

**Item 17: Voting Client Securities**

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To the extent QuantX has been delegated proxy voting authority on behalf of the Managed Account, QuantX complies with its proxy voting policies and procedures that are designed to ensure that in cases where QuantX votes proxies with respect to the Managed Account securities, such proxies are voted in the best interest of the Managed Account. Proxies are voted on a case by case basis.

Upon request, QuantX will provide Investors with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Managed Account.

**Item 18: Financial Information**

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This Item is not applicable.