

F-Squared Retirement Solutions, LLC

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Form ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of F-Squared Retirement Solutions, 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 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 last update to its disclosure brochure on Form ADV Part 2A was filed on July 10, 2015. Since then, F-Squared has made the following material changes to its brochure:

- Item 18 – Financial Information. On September 8, 2015, pursuant to a July 8, 2015 Chapter 11 Bankruptcy filing in conjunction with a Bankruptcy Code Section 363 asset sale, the Firm finalized the sale of substantially all of its assets to Broadmeadow Capital. As a result of the terms of the sale, the Firm ceased performing trading activities on behalf of clients effective at the end of the trading day on September 11, 2015. The Firm anticipates withdrawing its registration as an investment adviser with the SEC.
- For information on the Bankruptcy filing, see In re F Squared Investments, Inc., Case No. 15-11469 (petition filed in the United States Bankruptcy Court for the District of Delaware).

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Item 4: Advisory Business

Description of our Firm

F-Squared Investments Inc. (f/k/a F-Squared Investments, LLC, hereinafter “F-Squared”) is a privately-held SEC registered investment management firm based in Wellesley, Massachusetts. F-Squared commenced operations as an investment adviser in 2008. F-Squared is a wholly-owned subsidiary of F-Squared Investment Management, LLC. No single person owns more than 25% of F-Squared Investment Management, LLC.

Types of Services We Offer

F-Squared provides various index products (the “Index Provider Services”) on a non-discretionary basis to unaffiliated third parties, and, separately, provides discretionary investment advisory services (the “Advisory Services”) based on those index products to various separately managed account (“SMA”) clients.

Index Provider Services

An affiliate of F-Squared has created and licensed a series of specialty indexes (the “AlphaSector Indexes”) covering a range of asset classes. The AlphaSector Indexes are based on sector rotation strategies that use quantitative models programmed to measure the volatility and price movements of exchange-traded funds (“ETFs”) as criteria for inclusion and weighting in the Indexes. There are numerous AlphaSector Indexes (including both standard and customized versions). Portfolio Overlays, derived from the targeted equity allocations of corresponding AlphaSector Indexes, are also available in both standard and customized versions. F-Squared sub-licenses the right to use the AlphaSector Indexes and Portfolio Overlays to unaffiliated third parties but has no discretion over the assets that are to be managed by the third-party manager pursuant to the Index.

Advisory Services

F-Squared also provides discretionary investment advisory services to SMA clients based on the AlphaSector Indexes.

F-Squared seeks to replicate one or more of the AlphaSector Indexes (such replication being a “Strategy”) on behalf of its SMA clients. Although clients may choose among F-Squared’s various Strategies depending on their financial circumstances and investment needs, once a Strategy has been chosen, F-Squared’s Advisory Services are generally limited to replication of a particular AlphaSector Index, and F-Squared does not tailor its Advisory Services to the individual needs of a client. For similar reasons, F-Squared does not generally 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 May 31, 2015, F-Squared’s total assets under management¹ were as follows:

<i>Discretionary:</i>	\$ 49,000
<i>Non-Discretionary</i>	0
<i>Total:</i>	\$ 49,000

¹ In addition, as of May 31, 2015, unaffiliated third parties maintained \$727,300,000 in assets subject to an Index as part of F-Squared’s Index Provider Services.

Item 5: Fees and Compensation

Fee Schedule

Index Provider Services

In connection with the licensing of its AlphaSector Indexes and Portfolio Overlays, F-Squared is entitled to receive a fee based on the market value of assets managed by the third party using the AlphaSector Indexes or Portfolio Overlays. F-Squared generally receives this fee on a monthly or quarterly basis, typically paid in arrears. The rates for such fee will generally range from 10 to 60 basis points depending on certain factors including, but not limited to, the level of assets managed by the unaffiliated third party manager subject to an Index or Portfolio Overlay, and whether the Index Provider Services client licenses to receive the Index or Portfolio Overlay component information on a monthly or weekly basis. Such fees are generally not negotiable.

<u>ASSET LEVEL SUBJECT TO AN INDEX</u>	<u>ALPHASECTOR INDEXES (MONTHLY)</u>
Firm asset levels up to \$25 million:	40bp (0.40%)
Firm asset levels > \$25 million and up to \$100 million:	35bp (0.35%)
Firm asset levels > \$100 million:	30bp (0.30%)
<u>ASSET LEVEL SUBJECT TO AN INDEX</u>	<u>ALPHASECTOR PREMIUM INDEXES (WEEKLY)</u>
Firm asset levels up to \$100 million:	60bp (0.60%)
Firm asset levels > \$100 million:	55bp (0.55%)
<u>ASSET LEVEL SUBJECT TO A PORTFOLIO OVERLAY</u>	
All firm asset levels:	10bp (0.10%)

Advisory Services

F-Squared typically receives a management fee for its Advisory Services based on the market value of the total assets invested by the client subject to the Strategy. F-Squared will receive the management fee on a monthly or quarterly basis, typically in arrears. The rates for such management fees range from 10 to 60 basis points. F-Squared will separately bill clients for fees for brokerage services; please see Item 12 below for a description of F-Squared's brokerage practices. Management fees are generally not negotiable.

Payment of Fees

Both Index Provider Services and 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, Index Provider Services and Advisory Services clients may incur additional fees and expenses, including: (i) any sales or other taxes that may be assessed, (ii) commissions, brokerage fees or similar transaction charges that may be incurred in connection with executing trades in securities, (iii) custodial, administrative, accounting, legal and other fees that may be charged by other unaffiliated financial intermediaries and service providers, and (iv) any other extraordinary expenses (such as expenses relating to litigation). 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 AlphaSector Indexes to Index Provider Service clients and/or Strategies to Advisory Services clients may 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 fees to its clients. However, certain affiliates of F-Squared may charge performance fees based on different rates, performance targets or other terms and conditions. F-Squared believes that its clients are best served by the combined expertise and operational efficiencies of a central trading desk responsible for the trading activities of F-Squared and its affiliates. The potential for F-Squared and its affiliates to receive different levels of compensation from its clients creates a potential conflict of interest with respect to the allocation of investment opportunities, because F-Squared and its affiliates may have an incentive to allocate investments or trades in favor of the client that pays a more favorable performance fee.

F-Squared believes that this potential conflict is largely mitigated through the nature of the Advisory Services it provides. As noted above, F-Squared's Advisory Services are limited to replicating the AlphaSector Indexes on behalf of its SMA clients. The AlphaSector Indexes are generated through quantitative models, and the client portfolios managed by F-Squared invest primarily in a limited universe of publicly-traded ETFs. Additionally, F-Squared's quantitative models that generate the investment decisions for accounts which certain affiliates of F-Squared receive performance fees, and the models that generate the investment decisions for accounts which F-Squared and affiliates do not receive performance fees, operate independently of each other. As such, the opportunities for F-Squared to favor one client over another are relatively limited. Nevertheless, it is F-Squared's policy to prohibit front-running of trades in performance fee-based accounts by applying the model decisions intended for non-performance fee-based accounts. F-Squared performs periodic monitoring of performance fee-based accounts in its effort to ensure compliance with this policy.

To further mitigate the potential conflict of interest, F-Squared maintains a Trade Allocation and Aggregation of Orders Policy, which is designed to ensure the equitable allocation of investment opportunity among all clients. It is F-Squared's policy to allocate trades fairly and not favor certain performance-based or other client accounts, both in terms of times traded or with investment opportunities deemed to be limited in supply. In addition, F-Squared prohibits allocating profitable or unprofitable trades that would disproportionately favor certain clients or accounts. F-Squared may not manage a proprietary account in a favorable manner over client accounts. If investments are deemed to be in limited supply resulting in partial allocations, F-Squared allocates trades on a pro rata basis based upon order size. In the interest of efficient and effective execution, each F-Squared trade desk aggregates multiple client accounts' trade orders for the same security as one or more "block" trades. All transaction costs are shared by each participating account on a "pro rata" basis, based on each account's participation in the trade. To ensure compliance with this Policy, on a periodic basis F-

Squared runs a test designed to identify trade executions that may have been excluded from the “block” order on the same day, for the same security and transaction side. Any deviations from the Policy must be flagged for Compliance, and documentation must be supplied to support why the trade order(s) were excluded from the accompanying block order on the same day.

It is also F-Squared’s policy to review trade execution practices at a minimum on a quarterly basis. F-Squared maintains a Trade Management Oversight Committee (TMOC) to review, amongst other things, the trade execution quality obtained on behalf of the firm’s clients, executing broker relationships, and the results from testing for compliance with F-Squared’s Trading Policies. TMOC meeting documentation is maintained by F-Squared’s Compliance team.

Item 7: Types of Clients

For its Index Provider and Advisory Services, F-Squared’s clients are generally third party unaffiliated entities, including investment advisers. The minimum requirement for opening or maintaining an account with F-Squared is \$50,000,000; however F-Squared reserves the right to waive this minimum at its discretion.

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

Method of Analysis

The AlphaSector Indexes are generally based on sector rotation strategies that seek to provide downside protection in falling markets and upside participation in rising markets. Each AlphaSector Index utilizes clearly defined portfolio construction rules and a proprietary quantitative model for investment decision-making in various exchange-traded funds (ETFs) or equivalent baskets of securities.

The critical process, executed on a monthly or weekly cycle within each strategy, is the model’s decision to include or exclude each of the sector- or geographic region-based ETFs. The decisions are generated through a sophisticated analytical engine that evaluates volatility and price trends. This output is a binary decision. If a sector receives a positive signal for investing, it is included. If a sector receives a negative signal, it is removed.

A customized version of this process is applied to each of the AlphaSector Indexes. In each case, the algorithm is designed to address risk while providing exposure to normal, rising markets. Each Index has the flexibility to reduce risk on an incremental base or to reposition more dramatically, partly or wholly to a cash alternative ETF if suggested by the model.

Investment Strategies

F-Squared currently offers the AlphaSector approach in a core set of investment categories. The implementation of the strategy may vary based on objective or customization for client needs.

- At the asset class level, the core AlphaSector strategies include U.S. equity, international equity, fixed income and real assets.
- The asset class strategies serve as components of a global equity strategy (U.S. equity plus international) and global balanced index (which combines U.S. equity, international, fixed income, and a real assets component).
- The global balanced strategy has also been customized into a series of “target risk” strategies, to serve the need from risk tolerances from conservative to aggressive. The target risk approach is particularly suited to address the needs of the retirement market.

- F-Squared offers a multi-asset high income strategy, designed to combine exposure to asset classes that may provide income with the active risk management characteristic of AlphaSector.
- The majority of AlphaSector Indexes are long-only strategies, without leverage or shorting. F-Squared has developed strategies that make use of leverage and shorting in accordance with specific portfolio construction rules. These strategies share key elements of the quantitative model and portfolio construction methods with the core AlphaSector quantitative model, but given the use of leverage and shorting are not described as being strategies for risk management.

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 Indexes and 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 an 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.
- *Leveraged and Inverse ETF Risk:* For some of its Strategies, F-Squared may invest in "leveraged" or "inverse" ETFs. Leveraged ETFs use borrowed capital to increase their buying power and magnify their investment returns. Although the use of leverage may increase returns in times when investment performance is positive, leverage can also magnify losses in times when investment performance is negative. Inverse ETFs use a variety of investment techniques (such as short sales, buying put options or selling futures) to gain short exposure to the securities markets by moving in the opposite direction to the index or other benchmark the inverse ETF is based on. Inverse ETFs may also be leveraged. The use of these leveraged and inverse ETFs in some of F-Squared's Strategies may increase the volatility of these Strategies and the risk that a client may suffer a significant loss.
- *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.
- *Input Data Risk:* The risk that the information and data supplied by third party vendors ("Data") is subject to input and quality errors. F-Squared's quantitative models depend on the accuracy and reliability of Data supplied by third party vendors, and the quantitative models may not function properly if Data proves to be incorrect or incomplete, or is input incorrectly.
- *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.
- *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

On December 22, 2014, pursuant to an offer of settlement proffered by F-Squared, the SEC issued an administrative order (the “Order”) against F-Squared. In the Order, F-Squared admits to certain findings of fact set forth in the Order, and acknowledges that it violated certain federal securities laws in connection with F-Squared’s use of marketing materials advertising the performance of the AlphaSector Indexes for the period April 2001 to September 2008. The performance track records for this period were removed from all of F-Squared’s advertising and marketing materials in October 2013.

F-Squared and its former CEO calculated the index performance track record for the period from April 2001 through September 2008 based on buy and sell signals F-Squared acquired in September 2008 from a data provider that was related to a private wealth adviser. Certain of F-Squared advertisements stated that the signals had been used by the private wealth adviser to make investment decisions for private client accounts from April 2001 to September 2008. F-Squared converted the signals it acquired into an index performance track record by applying index construction rules. The Order finds that the advertising materials were inaccurate because the private wealth adviser did not use the signals before October 2008 to manage actual client assets and because a performance calculation error in the index conversion resulted in a material overstatement of the historical index performance. The Order censured F-Squared and required F-Squared to cease and desist from violating the federal securities laws in the future. F-Squared was also required to disgorge \$30 million, pay a civil monetary penalty of \$5 million, and undertake to continue to retain an independent compliance consultant it voluntarily hired at the beginning of 2014, and to implement the independent compliance consultant’s recommendations.

The Order resolves the SEC’s investigation with respect to F-Squared.

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 Company Affiliations

Certain affiliates of F-Squared serve as a sub-adviser to several mutual funds managed by unaffiliated investment advisers. For their services, affiliates of F-Squared receive a fee based on a percentage of the applicable fund’s net assets.

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.

ETF Providers

As noted above, a key element of F-Squared's investment strategy involves investing in ETFs. F-Squared maintains significant relationships with ETF providers by virtue of trading their instruments or advising clients to trade their instruments. These relationships create potential conflicts of interest to the extent that F-Squared may be incented to invest client assets in one provider's ETFs over another's for reasons unrelated to the best interests of F-Squared's clients. F-Squared seeks to mitigate this conflict through internal policy requiring documented review and approval, prior to the use of any ETF in F-Squared's Strategies, by the voting body of F-Squared's Investment Committee.

Pooled Investment Vehicle Affiliations

An affiliate of F-Squared serves as a general partner to a limited partnership private fund. For its services, the affiliate receives a fee based on a percentage of the fund's net assets, and may receive performance fees based on different rates, performance targets or other terms and conditions.

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 employees' personal securities 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 and affiliated entities) may not engage, and may not permit any other person or entity to engage, in any purchase or sale of a Covered Security (defined as all securities other than 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 defined 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 or designee 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.

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

Finally, all employees of F-Squared are required to receive pre-clearance trading approval from the Chief Compliance Officer or designee 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

Index Provider Services

Brokerage practices are not applicable with respect to F-Squared’s Index Provider Services.

Advisory Services

For its institutional SMA accounts, F-Squared select a broker-dealer from an approved list of broker-dealers and counterparties to execute the trading of underlying securities. In those circumstances, F-Squared will use its 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 will at all times seek to achieve best execution. F-Squared may utilize "step-out" trades if it believes such trades will help to obtain best execution. Step-out trades are trades in which a broker-dealer executes an order, but agrees to allocate the order for clearance and settlement by another broker-dealer. The executing broker-dealer clears and settles the portion of the order not stepped out, and may add a charge to the overall cost of the trade. Step-out trades may benefit clients by allowing F-Squared to find liquidity and execute trades with natural buyers and sellers on terms more favorable than might otherwise be available in the market. Trade confirmations with respect to "step-out" trades may reflect, within the price per share, applicable commission costs instead of reflecting this as a separate line item on the confirmation.

In selecting broker-dealers, F-Squared does not consider 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.

As stated previously, in the interest of efficient and effective execution, F-Squared aggregates multiple client accounts' trade orders placed by its separate trading desks for the same security as one or more "block" trades. All transaction costs are shared by each participating account on a "pro rata" basis, based on each account's participation in the trade.

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

Item 13: Review of Accounts

Advisory Services accounts will be reviewed quarterly to help ensure that all transactions are in accordance with their Strategy. Accounts will also be reviewed after 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 the 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

F-Squared does not maintain custody of client assets. For certain clients, however, 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

Index Provider Services

F-Squared does not have investment discretion or manage client assets in connection with its Index Provider Services.

Advisory Services

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

Index Provider Services

Proxy voting is not applicable to F-Squared's Index Provider Services business.

Advisory Services

Except when a client has retained proxy voting authority, F-Squared will vote proxies relating to securities held in Advisory Services 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 866-288-7657 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

On September 8, 2015, pursuant to a July 8, 2015 Chapter 11 Bankruptcy filing in conjunction with a Bankruptcy Code Section 363 asset sale, the Firm finalized the sale of substantially all of its assets to Broadmeadow Capital. As a result of the terms of the sale, the Firm ceased performing trading activities on behalf of clients effective at the end of the trading day on September 11, 2015. The Firm anticipates withdrawing its registration as an investment adviser with the SEC.

For information on the Bankruptcy filing, see *In re F Squared Investments, Inc.*, Case No. 15-11469 (petition filed in the United States Bankruptcy Court for the District of Delaware).