

**SEVEN EIGHT CAPITAL, LLC**  
**PART 2A OF FORM ADV: FIRM BROCHURE**

**Seven Eight Capital, LLC**  
**274 Madison Avenue, Suite 1601**  
**New York, New York 10016**

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**This brochure provides information about the qualifications and business practices of Seven Eight Capital, LLC (“Seven Eight Capital” or the “Firm”). If you have any questions about the contents of this brochure, please contact us via telephone at (646) 513-4350 or [compliance@seveneightcapital.com](mailto:compliance@seveneightcapital.com). 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.**

**For “Registered Investment Advisers”: Any reference to Seven Eight Capital as a registered investment adviser does not imply a certain level of skill or training.**

**Additional information about Seven Eight Capital also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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***Item 2: Material Changes***

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This is Seven Eight Capital's Annual Updating Amendment to the Form ADV for the fiscal year ending December 31, 2014. Since the last ADV filing, there were no material changes to note. This Brochure has general updates including update to the regulatory assets under management.

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*Item 3: Table of Contents*

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**Item 4: Advisory Business**

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**Item 4.A.**

Seven Eight Capital, LLC (“**Seven Eight Capital**” or the “**Firm**”) is a Delaware limited liability company formed in November 2012 with its principal place of business located in New York, NY. The owners of Seven Eight Capital are Stephen Cash and Adrian Sisser, who also have overall responsibility for the day-to-day supervision and management of Seven Eight Capital’s business. They are co-Chief Executive Officers and Mr. Sisser also serves as the Chief Compliance Officer (together, the “**Principals**”).

**Item 4.B.**

Seven Eight Capital provides discretionary advisory services to a family office through a private fund (the “**Fund**”). Seven Eight Capital provides its services to the Fund in accordance with an investment management agreement between Seven Eight Capital and the Fund. In the future, Seven Eight Capital may provide advisory services to managed accounts or other pooled investment vehicles.

Seven Eight Capital’s investment objective is to maximize capital appreciation by trading in certain equity securities, futures contracts, option contracts and other products in accordance with the agreed upon terms of investment guidelines within the investment management agreements (“**IMA**”) with the Fund.

Seven Eight Capital does not limit its advisory services to only certain types of investments.

**Item 4.C.**

The Firm’s investment management and advisory services to the Fund are provided pursuant to the agreed upon terms of the IMA with the Fund.

**Item 4.D.**

Seven Eight Capital does not participate in a wrap fee program.

**Item 4.E.**

As of March 24, 2015, Seven Eight Capital managed approximately \$123,888,729 in regulatory assets under management on a discretionary basis. Seven Eight Capital does not manage any advisory client assets on a non-discretionary basis.

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**Item 5: Fees and Compensation**

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**Item 5.A.**

Seven Eight Capital is not paid a management fee. The Fund will pay to Seven Eight Capital a performance-based fee, as more fully outlined in Item 6.

**Item 5.B.**

Fees are not automatically deducted from the Fund.

**Item 5.C.**

The Fund pays for all costs and expenses directly related to investment transactions, including brokerage commissions, interest expenses and custody and transfer fees. In addition, the Fund pays monthly expense draws against future performance fees.

**Item 5.D.**

Any fees and expense draws are paid in arrears in addition to a monthly draw, which is deducted from future performance fees.

**Item 5.E.**

Not Applicable. Seven Eight Capital and its supervised persons are not compensated for the sale of securities or other investment products, and mutual funds.

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***Item 6: Performance-Based Fees and Side-by-Side Management***

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Performance-based fees are only charged consistent with the SEC rules and regulations, including Rule 205-3 under the Investment Advisers Act of 1940. The Fund shall pay Seven Eight Capital an annual performance-based fee (the “**Performance Fee**”) of the “**Net Profits**” for each year or partial year payable within forty-five (45) days after the last day of a calendar year in which the Performance Fee was earned. The Performance Fee is subject to a “high water mark” so that Seven Eight Capital is only entitled to receive the Performance Fee if profits for the calendar year are sufficient to recoup all prior trading losses in the Fund’s account, thus surpassing the previous “high water mark.” For any calendar year in which the Fund has a “**Net Loss**,” such amount is carried forward and no Performance Fee is payable with respect to the Fund unless and until the Net Losses of the Fund are recovered by subsequent Net Profits.

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***Item 7: Types of Clients***

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Seven Eight Capital provides portfolio advisory services solely to the Fund based on its investment objectives and not based on the criteria or investment objective of any individual investor in the Fund.

In the future, Seven Eight Capital may provide advisory services to managed accounts or additional privately offered investment funds. Seven Eight Capital requires a minimum initial investment of \$1 million.

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

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**Item 8.A.**

Seven Eight Capital’s strategy focuses on trading a wide number of liquid equity securities and futures contracts that trade on established U.S. markets. The Firm’s investment strategies are market-neutral and

based on a set of methods known as 'statistical arbitrage'. The process consists of investing in a broad portfolio of liquid securities for a short duration. Opportunities for short-term profits are determined by computer modeling that looks at historic price patterns to find discrepancies between a security's current price and its expected price in the future.

The specific models and techniques used by the firm are proprietary and contain a mixture of 'momentum' and 'mean-reversion' signals. 'Momentum' signals indicate that the models believe prices will continue on their current short-term trend, while 'mean-reversion' models predict that prices will revert back to prior values. At least some of the firm's signals are based on predictions relative to a market risk model that seeks to explain the returns of individual securities by comparing them to peers and various other market factors.

The Firm chooses the securities and quantities that it trades to abide by portfolio guidelines agreed to with the client and outlined in the investment management agreement. These guidelines limit the types and quantities of exposures that the firm may take, including limits on the exposure of a single stock or industry. These restrictions may diminish the overall return of the Fund.

#### **Item 8.B and Item 8.C.**

Investing with Seven Eight Capital involves a high degree of risk for the client and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences, and the risks associated with the investment strategy. There can be no assurance that Seven Eight Capital's investment program will be profitable or that any particular client will not incur losses in its account.

***Reliance on Mathematical Models.*** The Firm relies heavily on mathematical models to make investment decisions for discovering opportunities as well as managing risk. These models are based on observations of historical market data, and may not be adequate to manage future risk. All computer models are also subject to errors that might occur in both modelling as well as implementation. While the Firm makes every effort to avoid these errors, they could lead to significant losses.

***Nature of Investments.*** The Firm has broad discretion in making investments and will generally consist of global equity securities and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that Seven Eight Capital will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Firm's activities and the value of its investments. In addition, the value of a portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the Firm's investment objective will be achieved.

***Equity-Related Instruments in General.*** The Firm may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

***Use of Leverage.*** The Firm may utilize leverage. This results in Seven Eight Capital controlling substantially more assets than the Firm has equity for. Leverage increases the Firm's returns if the Firm earns a greater return on investments purchased with borrowed funds than the Firm's cost of borrowing such funds. However, the use of leverage exposes Seven Eight Capital to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature

liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Firm's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of Seven Eight Capital's assets, the Firm might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

***Small to Medium Capitalization Companies.*** The Firm may invest a portion of its assets in the stocks of companies with small-to medium-sized market capitalizations. While Seven Eight Capital believes these investments often provide significant potential for appreciation, those 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 more illiquid than that of larger capitalization stocks.

***Non-U.S. Securities.*** Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

***Special Situations.*** The Firm may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Firm of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, Seven Eight Capital may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Firm may invest, there is a potential risk of loss by the Firm of its entire investment in such companies.

***Convergence Risk.*** Seven Eight Capital may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying the Firm's trading positions were to fail to converge toward, or were to diverge further from, Seven Eight Capital's expectations, the portfolio may incur a loss.

***Currency Risk.*** Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Firm will attempt to hedge such risks.

***Interest Rate Risk.*** Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The Firm may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate

futures and/or interest rate options. However, there can be no guarantee that Seven Eight Capital will be successful in fully mitigating the impact of interest rate changes.

**Options.** The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

**Derivatives.** To the extent that the Firm invests in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, the Firm may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange traded transactions that generally are backed by clearing organization guarantees, daily marking-to market and settlement, and segregation and minimum capital requirements applicable to intermediaries.

Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) and should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

**Short Sales.** Short sales can, in certain circumstances, substantially increase the impact of adverse price movements in the portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

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#### ***Item 9: Disciplinary Information***

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Seven Eight Capital currently has no reportable disciplinary events to disclose.

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

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##### **Item 10.A.**

Not Applicable. Seven Eight Capital is currently not applying to register as a broker-dealer and does not intend to.

##### **Item 10.B.**

Not Applicable. Neither Seven Eight Capital, nor any of its management persons, are registered or intend to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.



**Item 10.C.**

Neither Seven Eight Capital, nor its principals or any executive officer has any relationship or arrangement with a related person that is material to its advisory business or its clients or could create a material conflict of interest with clients.

**Item 10.D.**

Neither Seven Eight Capital, nor its principals, recommends or selects other investment advisers for any of its advisory clients.

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

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**Item 11.A.**

Seven Eight Capital has adopted a written Code of Ethics (“**Code**”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act, which requires that investment advisers adopt a code of ethics setting forth standards of business conduct and compliance with federal securities laws by all employees. The Code sets the following:

- A statement of the standard of business conduct;
- Policy on and reporting of personal securities transactions;
- Prohibition on trading in security while in possession of material non-public information of the underlying company;
- Employees are subject to disclosure and reporting requirements of their (and their families) personal accounts and holdings;
- Limits and reporting requirements for gifts and entertainment;
- Limits and reporting requirements on political contributions;
- Employees must acknowledge in writing having received and read a copy of the Code.

Seven Eight Capital has set high standards with the intention of protecting its clients’ interests at all times and to demonstrate the Firm’s commitment to its fiduciary duties.

Seven Eight Capital will provide a copy of its Code of Ethics upon request to any advisory client or potential advisory clients.

**Item 11.B through Item 11.D.**

Seven Eight Capital and its supervised persons, as fiduciaries, endeavor to always make decisions in the best interest of the advisory clients if a conflict of interest arises.

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***Item 12: Brokerage Practices***

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**Item 12.A**

Seven Eight Capital executes, clears and settles its securities transactions through qualified financial institutions which are registered as broker-dealers under the Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”).

Currently, the Fund directs that Seven Eight Capital trades through brokers previously approved by the Fund (as discussed more fully under “Directed Brokerage” below) and agreed upon by the client account.

Seven Eight Capital may allocate transactions to broker-dealers for execution on markets/exchanges and at prices and commission rates that, in the Firm’s good faith judgment, are in the best interest of its clients. Seven Eight Capital takes into consideration primarily available prices, brokerage commission rates, and other relevant factors including, but not limited to, execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker’s or dealer’s willingness to commit capital; reliability and financial stability; the size of the transaction; availability of securities to borrow for short sales; and the market for the security. Research furnished by brokers may include, but is not limited to: research reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment and other computer hardware for use in running software used in investment decision making; and other products or services that may enhance the Firm’s investment decision making.

Some of these services are considered part of a “soft dollar” arrangement. It is Seven Eight Capital’s policy not to use soft dollars; however, in the future may choose to do so, and will only use commission dollars generated by client trades to pay for research and brokerage services that provide lawful and appropriate assistance to Seven Eight Capital in carrying out its investment decision-making responsibilities, as permitted under the safe harbor of Section 28(e) of the Exchange Act.

#### *Directed Brokerage*

The Fund has designated a firm to serve as both the custodian and prime broker for its assets and any securities trades which Seven Eight Capital enters on behalf of the Fund. In general, clients that choose a “Directed Broker” are required to make representations in the IMA to the effect that:

- if the Directed Broker declines or is unable to execute a specific transaction, Seven Eight Capital will assume (for such trades only) the discretionary authority to execute the trade at another broker-dealer; and
- the client has determined that in view of the services being provided by the Directed Broker, the direction of the Account’s brokerage to the Directed Broker, the brokerage commission rate determined by the client and the Directed Broker, and other services provided by the Directed Broker are in the best interests of its account.

#### **Item 12.B.**

The Fund is the only account for which Seven Eight Capital currently provides investment advice, so it is not in a position to aggregate orders for various accounts at this time.

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

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#### **Item 13.A. and 13.B.**

The Portfolio Manager reviews the investment strategies and portfolio decisions made on behalf of client accounts on an ongoing basis.

Seven Eight Capital or the custodian of a client account provides a written account statement or report to the client at least quarterly, depending on the terms negotiated between the specific client and Seven Eight Capital. The reports include the performance of the account along with other information as agreed by Seven Eight Capital and the client. The client is encouraged to review all account statements for accuracy.

Seven Eight Capital maintains appropriate records regarding its activities consistent with its duties under applicable laws and regulations and sufficient to accurately detail and evidence all such activities with respect to its client accounts. Seven Eight Capital shall make any and all such records available to any client upon request. Seven Eight Capital is in no event responsible for the accuracy of information furnished by any client, custodian or any other third party or the accuracy of any record or report or the result of any action taken based on inaccurate information provided by any such third party.

#### **Item 13.C.**

The Firm is not responsible for sending statements to the Fund investors at this time, although the Firm will send a year end estimate of Performance Fees to the Fund. The custodian will send at least quarterly statements to the Fund's investors.

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

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##### **Item 14.A.**

Not applicable. Seven Eight Capital does not select or recommend broker-dealers for client transactions in exchange for compensation.

##### **Item 14.B.**

Seven Eight Capital does not compensate any non-supervised person for client referrals.

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#### ***Item 15: Custody***

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Seven Eight Capital does not serve as custodian of any client funds or securities and its clients do not surrender ownership of any cash or securities comprising the assets in their accounts. Seven Eight Capital may not remove any cash or securities from a client account. Client assets subject to Seven Eight Capital's supervision will normally be maintained in street name in client's custody with the custodian and/or broker-dealer selected by the Client and set forth in their investment management agreement or elsewhere. Clients should carefully review account statements received from the broker-dealer, bank, or other qualified custodian.

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#### ***Item 16: Investment Discretion***

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Seven Eight Capital has full discretion to manage the Fund. This authority is granted pursuant to an IMA between the Fund and the Firm.

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***Item 17: Voting Client Securities***

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Seven Eight Capital's systematic quantitative equity trading strategies involve high turnover of individual securities. This high turnover and the volume of securities would make voting proxies a costly procedure which would be of little practical benefit to Seven Eight Capital's clients. Accordingly, Seven Eight Capital has determined not to vote proxies. All inquiries regarding Seven Eight Capital's proxy voting policy should be directed to the Chief Compliance Officer.

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***Item 18: Financial Information***

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**Item 18.A.**

Not Applicable.

**Item 18.B.**

There are no conditions that impair the Firm's ability to meet its contractual and fiduciary commitments to its advisory clients.

**Item 18.C.**

Not Applicable. The Firm has not been subject to a bankruptcy petition, past or pending.

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***Item 19: Requirements for State Registered Advisers***

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Not Applicable.