



Part 2A of Form ADV  
Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Alpha Investment Management. If you have any questions about the content of this brochure, please contact us at 877-229-9400 or [info@alphaim.net](mailto:info@alphaim.net). The information contained in this brochure has not been approved by the Securities and Exchange Commission or by any state securities authority.

Alpha Investment Management, Inc. is a registered investment adviser. Registration does not imply a certain level of skill or training. This brochure is designed to provide you with information useful in employing and/or retaining Alpha.

Additional information about our firm is also available at the SEC website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

A copy of this brochure, which discloses our business practices, qualifications, and investment methods, shall be provided to each new third-party investment advisory client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement. If there are any material changes in the brochure's information, we will send each client a summary within 120 days of the close of our business fiscal year. We will also provide each client with a new brochure as necessary based on changes or new information, at any time, without charge.

## **MATERIAL CHANGES**

Since our last update on February 25, 2016, we have made the following material changes to our Part 2A of Form ADV Disclosure Brochure:

**On Page 2 – TYPES OF CLIENTS – 401(K) WealthEngine Service:** On September 30, 2016, Alpha Investment Management terminated the 401(K) WealthEngine service. This subsidiary e-service was available to 401(K) investors for a monthly subscription charge. Alpha did not exercise trading discretion under this service, nor did we have access to client accounts. Trades were placed directly by the clients following Alpha's strategy recommendations, and 401(K) WealthEngine clients were free to disregard our recommendations at any time. All references to this service have been removed from this brochure.

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## ADVISORY BUSINESS

Alpha Investment Management was founded in 1997 by Dr. Jerry Minton. Dr. Minton had been an institutional investment consultant and part owner of a successful institutional consulting firm serving foundations, family offices, wealthy individuals, religious organizations and corporations.

Alpha Investment Management specializes in risk management for long-term investors. We use investment processes and disciplines that are specifically designed to cope with stock market risk.

Alpha has two main objectives:

1. Minimize the risk of large losses
2. Deliver superior long-term returns

These two objectives are co-dependent. The investor who suffers a large loss has seriously compromised his long-term returns. Throughout the past 100 years of U.S. stock market history, there have been several occasions when unwary investors lost many years of compounding opportunity because of large losses in the market. But avoiding losses is not nearly enough. Investors must also know when to accept risk, for such occasions occur frequently and often when least expected. Alpha has developed several proprietary disciplines to help us identify periods when exceptional returns in the market can be expected.

Alpha's investment methodology uses index funds, no-load mutual funds and ETFs to exploit certain "low risk" time periods in the stock market when the odds of success are above average. These time periods are caused by factors which have been affecting the U.S. and global markets since World War II. These factors, based on human behavior, cause stock market returns to be systematically "skewed" in a predictable pattern over the course of time. This "skewing" of returns provides Alpha with a risk management strategy which has historically delivered superior long-term returns with significantly less risk than the market.

All of our strategies are available to taxable investors using tax-deferred annuity platforms. By using these platforms, all short-term trading profits are unreported to the IRS and remain tax-deferred until funds are withdrawn from the annuity. Tax-deferral allows investors to increase the compounding power of their investment. In effect, investors are using monies that would have been paid in taxes to leverage their returns over time.

Alpha's investment strategies are fully disclosed. This means that the rules governing our strategies are objective, easy to understand and explain, and are completely revealed. No black boxes, no exotic techniques, and no manager-dependent skills are involved. Full disclosure and rule-governed methodologies mean that Alpha's clients understand the why, what and when of their investments. This understanding creates a client commitment to the long-term which is vital to the success of any disciplined investment approach.

Alpha's primary business is as a "third-party" money manager and sub-investment advisor. This means that we manage accounts which are directed to us by financial intermediaries, such as stock brokers, financial planners, wealth managers, and other investment advisors. These financial professionals are the primary client contact and "relationship manager". They have recommended Alpha to their clients as an investment option based upon their assessment of their client's investment objectives, needs, and risk tolerance.

Alpha requires that all clients that are referred directly to us be assessed for risk tolerance and investment objectives. Clients who come to Alpha directly are required to complete a suitability questionnaire, but Alpha does not hold itself out as a financial planner or wealth manager. Our clients who need help in financial planning, estate planning, taxation, long-term income planning, budgeting, etc. are referred to specialists in these areas.

Because Alpha's strategies are pre-set and not customized to individual client circumstances, investors must select among our strategies without an option to restrict Alpha's activity or security selections.

Alpha has sub-investment advisory agreements in place with other investment advisory firms, and we also act as a model manager at various trading platforms and Turn-Key Asset Management Programs (TAMPs). Our management of accounts in these programs is identical to the management of our internal separate account clients.

As of December 31, 2016, Alpha managed client assets of \$180,175,120 on a fully-discretionary basis and \$426,589,676 on a non-discretionary basis.

## FEES AND COMPENSATION

Alpha is compensated for its advisory services by charging an advisory fee for each managed account. Alpha's maximum annual third-party advisory fee is 2% for internal client accounts. The fee is payable quarterly in advance at one-fourth the annual fee rate and is calculated on the net asset value of the account, including cash, on the last day of the preceding calendar quarter. If investment management services begin on a day other than the first day of the quarter, the fee will be pro-rated based on the number of days the agreement is in effect. Fees are negotiable.

Alpha may deduct the quarterly fee from client accounts, or clients may elect to pay the fee directly. Advisory agreements can be terminated at any time by either party upon written notice. If the advisory agreement is terminated before the end of the billing period, fees are refundable pro-rata based on the unused days remaining in the quarter.

Some clients may pay higher fees than other clients who may be subject to special arrangements with Alpha due to the nature of the program, the investment vehicles employed, the custodian selected, or size of the account.

Investment advisory firms with sub-investment advisory agreements in place, or advisors who access Alpha's strategies for their clients on trading platforms and TAMPs pay a reduced fee to Alpha for management of client accounts.

Alpha strategies utilize mutual funds and/or ETFs. All mutual funds are no-load, meaning that the clients pay no commission on the purchase or sale of these funds. Alpha also chooses custodians for client accounts which do not charge "transaction fees" for buying or selling these funds. Many Alpha strategies use index funds which charge lower fees than actively managed funds. All funds, whether indexed or actively managed, have management costs which are borne by the client. In addition, some custodians may charge a monthly, quarterly or annual fee for their administrative services.

In some of our tax-deferred annuity programs, clients also pay a fee to the annuity company for administration, death benefit insurance, and other expenses. These fees, as well as the sub-account management fees, vary from company to company and product to product.

Alpha does not accept performance-based fees – that is, fees based on a share of the capital gains on the assets of a client.

## **TYPES OF CLIENTS**

Alpha generally manages assets for individual investors. These investors run the gamut from persons of average wealth with typical savings plans to very wealthy, high net-worth individuals. The minimum account size requirement for internally managed separate accounts is \$50,000. Under certain circumstances, this requirement may be negotiable.

Alpha does not dictate the minimum account size for accounts managed under sub-investment advisory agreements with other investment advisory firms, trading platforms or TAMPs.

## **METHODS OF ANALYSIS. INVESTMENT STRATEGIES. AND RISK OF LOSS**

Alpha is a risk management specialist. We have developed several proprietary methods for managing the risk of the stock market. Alpha does not purchase individual equity securities for client accounts. Instead, we focus on market returns using index funds, no-load actively managed mutual funds and ETFs as our investment vehicles. As a result, our client portfolios tend to be widely diversified across the equity universe.

In spite of this kind of diversification, market risk can cause losses to our clients' portfolios which cannot be prevented using our methodology. Our methods are designed to prevent large losses, in the order of 20% - 50%, but losses in the order of 10% - 15% are fairly routine in the U.S. stock market. These smaller losses tend to be highly transitory and must be expected by any investor in equities. Alpha does not and cannot guarantee that our methods will prevent losses of any magnitude.

Alpha's risk management methods are based on the recognition that the returns of the stock market are not distributed randomly across time. We believe that there are repeating patterns of returns which are caused by consistently recurring events and situations. These recurring periods of superior returns, which we call "power zones", can be predicted in advance because they are based on causal factors which are calendar-driven.

The presidential election cycle, for example, is a recurring four-year cycle which has had a powerful historical effect on the stock market. The third year of the cycle, the pre-election year, has not suffered a loss since 1931 (Dow Industrials, total return), and has delivered total returns which are three times as great as the average returns of the other years in the cycle. In fact, Alpha has identified a 15-month period, beginning with the fourth quarter of the mid-term year (year two), extending through the pre-election year, which has historically delivered a total return averaging about 29%, without a losing period since 1931. During this period, stocks appreciate at a daily rate that is 7 times greater than the other days in the four-year cycle.

The recurring pattern of superior performance during this delineated time-period, which we call the "election cycle power zone", is caused by the shift in political behavior in Washington, D.C. After the mid-term elections, the political class turns its attention to the next presidential election. For incumbents, this means promoting policies which are intended to create economic prosperity during the elections and to reassure voters that they are fiscally responsible. This philosophical shift to the center, even though it is mostly self-serving and hypocritical, bolsters investor confidence and creates a positive market climate.

Another recurring pattern is what we call the "annual forecasting cycle". The result of this cyclical influence on the stock market is the "skewing" of annual returns into the six-month period of November through April. This "skewing" effect is long-term (not every year) and has been observed since World War II. This effect is also global, affecting about 35 developed markets worldwide.

Since 1949, all of the cumulative appreciation of the stock market has occurred between the months of November and May. This six-month period has appreciated at an average daily rate that is 27.4 times greater than the average daily appreciation of the other days of the year (Dow Industrials, 1949 - 2007). Over a 66-year time period, the Dow has been up only 59% of the time during the other six months – May through October. About 80% of all bear market losses have been concentrated in this period, which we call the "dead zone". A \$10,000 investment in the "dead zone" held continuously since 1950 is currently worth about \$9,681 (Dow Industrials as of October 31, 2015). This illustrates the power of large losses and how they affect cumulative returns over the long term.

This "skewing" of returns into the period from November to May is caused by the forecasting industry, which includes brokerage firm analysts and economists, private research firms, bank analysts, and other institutional players who issue predictions about company earnings, market results, economic growth, etc. This army of experts, which exists globally, is affected by certain behavioral patterns

which are systematic and deeply rooted in the human psyche. These traits, which lead to systematically flawed decisions, have been studied and catalogued by psychologists doing research into decision-making over the past 30+ years.

Near year-end, in November and December, these forecasters begin to issue their predictions for the upcoming year. These predictions tend to be overly-optimistic and rosy. Stock analysts, for example, tend to over-estimate the growth rates of the companies that they follow. This optimism tends to create a positive market climate. As the new year evolves, optimism prevails during the first part of the year. However, by mid-year data is becoming available and normally does not support the rosy views of earlier months. This results in analysts revising their growth projections downward. This downward revision usually continues until year-end, at which time the game begins again.

Expert opinion on financial trends has been shown empirically to be deeply flawed and mostly wrong. Still, investors are influenced by confident knowledgeable experts who continue on despite their unenviable track records. This annual pattern of rising expectations and reality-facing causes the long-term “skewing” of returns into November through April, and the poor long-term returns of the remaining months of the year.

Alpha’s investment strategies are designed to exploit these “calendar-driven” cycles. We offer five strategies which seek to reduce market risk and provide superior returns to long-term investors.

- 1) **Alpha Bonds Strategy** – An investment strategy that seeks income and smooth growth of capital in excess of inflation and taxes. This strategy invests in conservative bond funds. At year-end, Alpha supplements the returns of these funds by exploiting the forecasting cycle. From late-October to the end of the year we invest 60% of the funds into three “power period” trades, totaling 20 days, in the Russell 2000 small-cap index leveraged by 50%. Small-cap stocks are positively affected by year-end optimism and these three trades combined have produced positive returns 92% of the time over the past 38 years. Investors should be aware that the use of leverage for 20 days in the fourth quarter of each year increases the volatility and risk of the equity component of the strategy. Leverage can magnify the losses of an investment during a down market. Given the potential risks involved, strategies employing leverage may not be suitable for all investors.
- 2) **Alpha Mid-Cap Power Index Managed Account** – An asset allocation strategy which exploits the historical pattern of “skewing” market returns into the six to seven month “power zone” each year. From late-October until the end of May of each year, the strategy is invested in a mid-cap index fund. From June to late-October, the strategy invests in an intermediate bond fund. During the fourth quarter of each year, the strategy raises the beta of the mid-cap index fund by 50% during three “power period” trades totaling 20 days. Investors should be aware that the use of leverage for 20 days in the fourth quarter of each year increases the volatility and risk of the equity component of the strategy. Leverage can magnify the losses of an investment during a down market. Given the potential risks involved, strategies employing leverage may not be suitable for all investors.
- 3) **Alpha Seasonal Strategy** – An asset allocation strategy that is based on three seasonal tendencies in the stock market:
  - a) The consistently positive and above-average gains in the pre-election year.
  - b) The consistent tendency of the stock market to deliver above-average gains from November to May.
  - c) The three “power periods” of the fourth quarter – totaling 20 days in all – using the Russell 2000 small-cap index leveraged by 50%. These three trades combined have produced positive returns 92% of the time over the past 38 years. Investors should be aware that the use of leverage for 20 days in the fourth quarter of each year increases the volatility and risk of the equity component of the strategy. Leverage can magnify the losses of an investment during a down market. Given the potential risks involved, strategies employing leverage may not be suitable for all investors.
- 4) **The Formula** – An asset allocation strategy that exploits the patterns of the four-year presidential election cycle and the annual forecasting cycle. Over a complete four-year cycle, the strategy is in fixed-income about 30% of the time, using an intermediate bond fund as the investment vehicle. During the 15-month “election cycle power zone”, the strategy has 100% equity exposure to the stock market.
- 5) **Alpha Multi-Income Strategy** – An investment strategy that seeks to achieve capital appreciation and generate income using an objective, systematic approach that places a strong emphasis on capital preservation and risk management. The strategy’s objectives are:
  - a) Generate income from a variety of funds.
  - b) Achieve strong capital appreciation during stock market advances.
  - c) Reduce stock market related exposure and portfolio risk during extended stock market declines.

This strategy was launched on February 1, 2015 and is designed by Jay Kaeppel, a well-known investment educator and author. Mr. Kaeppel acts as the portfolio manager for the Alpha Multi-Income Strategy and calculates the Alpha Market Trend Filter, a quantitative and completely objective risk-management formula that seeks to identify prolonged bear markets in their early stages.

## DISCIPLINARY INFORMATION

The U.S. Securities and Exchange Commission requires investment advisors to disclose to their clients or potential clients any disciplinary action by a regulatory agency or any criminal or civil action involving the firm or its employees.

Neither Alpha Investment Management nor any of its employees, past or current, have been the subject of a disciplinary hearing or a criminal or civil action.

## OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS

Alpha Investment Management does not participate in any other financial industry activities and does not have any other affiliations.

## CODE OF ETHICS

A Code of Ethics ("Code") has been adopted by Alpha Investment Management and is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act"). The Code establishes rules of conduct for all employees of Alpha Investment Management and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that Alpha Investment Management and its employees owe a fiduciary duty to Alpha Investment Management's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (1) serving their own personal interests ahead of clients, (2) taking inappropriate advantage of their position with the firm, and (3) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Alpha Investment Management continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

Pursuant to Section 206 of the Advisers Act, both Alpha Investment Management and its employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that Alpha Investment Management has an affirmative duty of utmost good faith to act solely in the best interest of its clients.

Alpha Investment Management and its employees are subject to the following specific fiduciary obligations when dealing with clients:

- The duty to have a reasonable, independent bias for the investment advice provided;
- The duty to obtain best execution for a client's transactions where the firm is in a position to direct brokerage transactions for the client;
- The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs and circumstances; and
- A duty to be loyal to clients.

In meeting its fiduciary responsibility to its clients, Alpha Investment Management expects every employee to demonstrate the highest standards of ethical conduct for continued employment with the firm. Strict compliance with the provisions of the Code is considered a basic condition of employment with Alpha Investment Management.

A copy of Alpha Investment Management's Code of Ethics may be obtained by calling 1-877-229-9400.

## BROKERAGE PRACTICES

Because Alpha does not invest in individual equity securities nor in individual fixed-income securities, preferring index funds, mutual funds and ETFs, we do not establish relationships with broker-dealers for this purpose.

## REVIEW OF ACCOUNTS

Third-party advisory accounts for which we calculate performance are reviewed quarterly. Account performance is computed monthly and reported to clients on a quarterly basis in the form of a quarterly performance report. The quarterly performance report includes account performance for appropriate time frames, i.e., quarterly, year-to-date, past twelve months, past two years, past three years, etc. In addition to the account performance, the report includes the client's date of inception with Alpha, account value at inception, contributions and/or withdrawals since inception, current account value, and time-weighted cumulative return since inception. This report is usually mailed at the end of the first month of each quarter.

Over time, clients' investment objectives or financial situations may change. If this occurs, he/she is encouraged to notify Alpha or their respective financial advisor immediately. Clients may request a different Alpha strategy for their account(s) at any time without penalty. Requests must be made in writing.

## CLIENT REFERRALS AND OTHER COMPENSATION

Alpha pays a referral fee to certain financial intermediaries who function as unaffiliated solicitors. This referral fee is paid by Alpha to the solicitor from the third-party investment advisory fees earned. The referral fee currently ranges from 20% to 60% of the advisory fee depending upon the particular provisions of each solicitor agreement. Alpha requires a Solicitor Disclosure Statement be completed and signed by the client and the solicitor at the time of the solicitation for the purpose of fully disclosing the solicitation arrangements to the client.

## CUSTODY

Alpha Investment Management does not hold any client assets and does not have actual or constructive custody of client accounts. Client assets and accounts are held by qualified, unaffiliated custodians. However, under government regulations, we are deemed to have custody of client assets if you authorize us to instruct your custodian to deduct our advisory fees directly from your account. As previously disclosed in the "Fees and Compensation" section (Page 1) of this Brochure, our firm may deduct the quarterly advisory fee directly from client accounts. All clients receive statements directly from their qualified custodian(s) at least quarterly. Alpha also provides a quarterly fee calculation statement and a performance report to clients. Clients are urged to carefully review and compare the statements provided by their qualified custodian(s) against statements provided by our firm.

## INVESTMENT DISCRETION

Alpha accepts discretionary authority to manage accounts on behalf of clients. Prior to managing an account, clients sign an Investment Advisory Agreement which provides Alpha with this authority. In addition, the custodial document will require that the client acknowledge Alpha's investment management discretion.

Clients may not place limitations on this authority. This is due to the fact that Alpha does not trade individual securities and also that portfolios are not customized to particular individuals. When hiring Alpha, clients are acknowledging that they wish their account(s) to be managed according to a well-defined strategy designed by Alpha for maximum long-term benefits

Clients may request, in writing, that Alpha temporarily suspend trading of their account(s). Alpha will honor this request and it will not be considered a termination of our contract. At the time of suspension, the client's assets will be allocated to cash or a money market fund. No advisory fees will be collected during the suspension period. Trading will resume upon written instructions from the client.

## VOTING CLIENT SECURITIES

Alpha does not vote client securities because client accounts are managed using mutual funds and ETFs exclusively. If any situation arises requiring Alpha to respond in the client's name, Alpha will act as a fiduciary, protecting the client's interests above all else (see Code of Ethics, page 4).

## FINANCIAL INFORMATION

We are not required to provide financial information in this Brochure because:

- We do not require or solicit prepayment of more than \$1,200 in fees per client, six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- We have never been the subject of a bankruptcy proceeding.

## QUALIFICATIONS

Investment advice is provided by Dr. Jerry Minton, President and CEO of Alpha Investment Management.

### Educational Background and Business Experience of Dr. Jerry Minton

**Name:** Dr. Arthur Jerry Minton  
**Date of Birth:** April 23, 1942  
**Position:** President and CEO of Alpha Investment Management

Dr. Arthur Minton received his Ph.D. in philosophy from the University of Cincinnati in 1968. From 1968 to 1975, he taught philosophy at the University of Missouri, Kansas City. During that time he published several scholarly articles and a popular textbook, Philosophy: Paradox and Discovery (McGraw-Hill). Dr. Minton went into the investment business in 1978 with E. F. Hutton, and in 1986 affiliated with Prescott, Ball and Turben, a Cleveland, Ohio based broker-dealer. As an executive vice-president, he helped start Prescott's investment consulting division. In 1990, in association with two partners from Prescott, Dr. Minton started an independent institutional consulting firm which was affiliated with Callan Associates of San Francisco, a major institutional consultant. In 1996, Dr. Minton was awarded the CIMA (Certified Investment Management Analyst) designation by the Wharton School of Business at the University of Pennsylvania.

In 1997, Dr. Minton started Alpha Investment Management as a result of his research into long-term investment strategies.

### Disciplinary Information

The U.S. Securities and Exchange Commission requires investment advisors to disclose to their clients or potential clients any disciplinary action by a regulatory agency or any criminal or civil action involving our firm or its employees.

Dr. Arthur Minton has never been the subject of:

- a criminal or civil action in a domestic, foreign or military court;
- an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority;
- a self-regulatory organization proceeding;
- any other proceeding in which a professional attainment, designation, or license was revoked or suspended because of a violation of rules relating to professional conduct.

### Other Business Activities

N/A

### Additional Compensation

N/A

### Supervision

As president and CEO of Alpha Investment Management, Dr. Minton is self-supervising.