

# **ALPHACREST CAPITAL MANAGEMENT LLC**

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## **FIRM BROCHURE**

(Part 2A of Form ADV)

July 18, 2018

**This Firm Brochure provides information about the qualifications and business practices of AlphaCrest Capital Management LLC (“AlphaCrest”). If you have any questions about the contents of this brochure, please contact us by telephone at (212) 203-0807 or by email at [information@alphacrestcapital.com](mailto:information@alphacrestcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT ALPHACREST OR ANY PRINCIPALS OR EMPLOYEES OF ALPHACREST POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.**

**Item 2: Material Changes**

This brochure dated July 18, 2018 is a new document and, accordingly, there are no material changes to report.

### **Item 3: Table of Contents**

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## **Item 4: Advisory Business**

### **4.A. Advisory Firm Description**

AlphaCrest is a Delaware limited liability company formed on April 9, 2013. AlphaCrest offers clients investment advisory services with a focus on statistical arbitrage and volatility trading strategies. Mika Toikka is our founder and managing member. He is the only principal with a greater than 25% equity interest in AlphaCrest. Certain members of the investment team, which includes Mika Toikka, have worked together for over 10 years.

AlphaCrest intends to provide investment management services to private pooled investment vehicles (the “AlphaCrest Funds”) that are offered to investors on a private placement basis. The investment vehicles AlphaCrest intends to advise generally will be structured as Delaware limited partnerships, Delaware limited liability companies, Cayman Islands exempted limited partnerships and Cayman Islands exempted companies. Generally, AlphaCrest intends to be appointed as an investment manager with discretionary trading authorization in connection with the investment management services it will provide to the AlphaCrest Funds.

### **4.B. Types of Advisory Services**

Investment advisory services provided to clients will include statistical arbitrage and volatility trading strategies. AlphaCrest’s investment approach is based upon a rigorous, highly disciplined research process developed and managed by a senior team of investment professionals. Decisions to buy or sell securities will primarily be driven by quantitative modeling. Underlying instruments will include long and short positions on U.S., Japanese and European listed equities and developed market indices. Swaps, options, and contracts for differences (CFDs) may also be used.

AlphaCrest intends to advise, on a discretionary basis, private investment funds. The investment management agreement with each private investment fund client will set forth the guidelines and restrictions related to its services. AlphaCrest may in the future provide both discretionary and non-discretionary advisory services to other clients.

### **4.C. Client Investment Objectives/Restrictions**

AlphaCrest will tailor its investment advisory services to satisfy the unique needs of each of its clients. A client may impose restrictions with respect to investing in certain securities or types of securities as well as restrictions on investment strategies, eligible underlying instruments and risk management guidelines. The scope of the investment advisory services provided to each client of AlphaCrest will be governed by the specific terms and conditions of such client’s investment management agreement and may differ between clients.

### **4.D. Wrap Fee Programs**

AlphaCrest does not intend to participate in, nor will it be a sponsor of, wrap fee programs.

#### **4.E. Assets under Management**

As of July 18, 2018, AlphaCrest has \$0 funds managed on a discretionary and non-discretionary basis.

### **Item 5: Fees and Compensation**

#### **5.A. Advisor Compensation**

Fees will be determined on a case-by-case basis with each client based upon the scope of investment advisory services to be provided.

#### **5.B. Direct Billing of Advisory Fees**

It is anticipated that AlphaCrest will begin to manage client assets commencing on or about September 1, 2018. Such assets will initially be held in the AlphaCrest Funds. AlphaCrest may have the ability to deduct fees from such client's assets. AlphaCrest may be compensated with a management fee and/or fixed fee which will be billed and paid on a monthly basis by each client and a performance fee which will be billed and paid annually by such client. The performance fee may be payable to AlphaCrest or to an affiliate of AlphaCrest. The performance fee, to the extent payable, will be based on a share of the capital gains or capital appreciation of the assets or any portion of the assets of such client.

#### **5.C. Other Non-Advisory Fees**

Other types of fees or expenses clients may be responsible for paying in connection with the investments in their accounts, include (but are not limited to) related to research, due diligence, proxies, underwriting and private placements, brokerage commissions, interest on debt balances or borrowings, custody fees, travel fees and expenses related to the Fund's offering and any withholding or transfer taxes imposed on the client. Private fund clients may also bear out-of-pocket costs of the operation and administration of such client, including (i) accounting, audit and legal expenses, (ii) costs of any litigation or investigation involving the client's activities, (iii) the costs, fees and expenses of any appraisers, accountants or other experts engaged by the such client's managing member or general partner, as applicable, or by AlphaCrest, as well as other expenses directly related to such client's investments and (iv) costs associated with reporting and providing information to existing and prospective investors.

#### **5.D. Advance Payment of Fees**

AlphaCrest or its affiliates may, at their option, require fees to be billed and payable monthly in advance or in arrears.

Should an investment management agreement between AlphaCrest and a client be terminated, such client may be charged a fee prorated in accordance with the number of days that have elapsed from the end of the last billed month through the date of termination, and an adjustment to the estimated fee paid for the period will be paid or due within 30 days after the date of termination of the agreement.

## **5.E. No Compensation of Sale of Securities or Other Investment Products**

Not applicable.

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

AlphaCrest or its affiliates will seek to negotiate both a management fee and/or fixed fee and/or a performance-based fee for investment advisory services provided to its clients. Currently, there are no client relationships whereby a conflict could arise as a result of a performance-based fee charged to one client versus an hourly or flat fee or asset-based fee charged to another client. The performance-based fee arrangements discussed above will comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended.

Performance-based fee arrangements received may create an incentive for AlphaCrest or its affiliates to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. In addition, “net appreciation,” which is the basis upon which AlphaCrest’s performance-based compensation is determined, includes unrealized appreciation, and may result in AlphaCrest receiving greater performance-based compensation than would be the case if net appreciation was based only on realized gains. However, AlphaCrest does not have the authority to value the positions held in the managed accounts of its private investment fund clients; a third party administrator together with the applicable private investment fund client independently value the positions held by such private investment fund client.

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

AlphaCrest seeks to provide investment advisory services to pooled investment vehicles, including the AlphaCrest Funds. The limited partners and shareholders of such pooled investment vehicles may include corporations, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans. The AlphaCrest Funds will be offered in the United States to accredited investors as defined under Regulation D under the Securities Act, and to qualified purchasers as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), and therefore will not be required to register as investment companies under the Investment Company Act in reliance upon the exemption under Section 3(c)(7) for funds whose securities are not publicly offered.

AlphaCrest may provide investment management and supervisory services to separate account clients from time to time. Certain of AlphaCrest’s separate account clients may invest in existing or future AlphaCrest Funds.

Investors in the AlphaCrest Funds will generally be required to make a minimum initial investment of \$1 million or such other amount as may be set forth in the governing documents of the particular AlphaCrest Fund, although AlphaCrest may accept lower amounts in its (or the relevant general partner’s or managing member’s) discretion. Certain of the AlphaCrest Funds may have a defined term, but investors in an open-ended AlphaCrest Fund will generally be subject to a lock-up period of six months after investment, which lock-up may be waived or reduced by AlphaCrest, the relevant board of directors or the relevant general partner or managing member, in its discretion.

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

### **8.A. Methods of Analysis and Investment Strategies**

Statistical arbitrage and volatility trading are the primary investment strategies of AlphaCrest. AlphaCrest's investment objective is to seek capital appreciation by buying and selling listed securities, options and contracts for differences (CFDs) traded on the global equity markets. AlphaCrest's trading will primarily focus on U.S. and non-U.S. equities and options on global indices. AlphaCrest will focus on making investments in listed equities and index options, but such investments could include other listed securities from time to time, including derivative instruments and other financial instruments. AlphaCrest may sell short such securities and use leverage against such long and short positions.

AlphaCrest will employ rigorous quantitative methods to identify possible mispricings of securities. Such quantitative methods seek to identify possible relative values between securities. AlphaCrest believes that mispricings of equity securities continue to occur as a result of investors' behavioral biases.

Decisions to buy or sell securities are primarily driven by quantitative modeling.

### **8.B. Material Risks of Investment Strategies**

*The following is a summary of material risks related to each significant investment strategy or method of analysis used by AlphaCrest. It is important to note, however, that the summary of material risks below is not meant to be exhaustive or complete.*

*Investing in securities involves a high degree risk, including the risk that the entire amount invested may be lost. Clients should be prepared to bear such risk of loss.*

**Risk of Volatility and Leverage.** AlphaCrest uses investment strategies which can employ such investment techniques as option and margin transactions, short sales, and derivative trading, which can involve substantial volatility and the use of leverage. The use of leverage enables positions to be controlled with a nominal value significantly more than the investment in such positions, with the result that the amount that may be lost in the event of adverse price movements will be high in relation to the amount invested.

**Statistical Arbitrage Trading.** Statistical arbitrage is a market neutral relative value trading strategy that involves the utilization of a quantitatively based investment methodology that identifies securities or groups of securities that are currently trading at prices that are relatively attractive or expensive. Statistical arbitrage depends heavily on the ability of market prices to return to a historical or predicted set of relationships. Statistical arbitrage strategies involve the short sale of stocks, which can result in the complete loss of a client's assets, as there is no necessary upper limit to the price of a stock (and thus the cost of later purchasing securities to cover a short sale of such stock). In engaging in arbitrage, AlphaCrest clients are subject to the risk of divergent movement in the positions comprising the arbitrage. Thus, for example, if the so-called "undervalued securities" were to decrease in value and the so-called "overvalued securities" were to increase in value, AlphaCrest clients could suffer a substantial loss. In addition, if the securities were to increase in value, but the overvalued securities increased in

value at a rate faster than the undervalued securities, AlphaCrest's clients could also suffer a substantial loss.

**Trading Risks.** "Position limits," which are maximum amounts of gross, net long, or net short positions that any one person or entity may own or control in a particular financial instrument and which may be imposed by various regulators, may limit the ability to effect desired trades. The AlphaCrest investment strategy may include investments in non-U.S. markets using non-U.S. derivatives contracts or other means, and taking positions in non-U.S. currencies, which may involve risks and considerations not present in U.S. investments.

There can be no assurance that a liquid secondary market will exist for any transactions involving privately negotiated OTC derivative instruments, that any investment will not be adversely affected by lack of liquidity in the relevant market, or that due to economic, legal, political or other factors an expected exit strategy for any given position will be available. The failure of one or more computer programs or systems upon which the AlphaCrest investment strategy relies may adversely affect performance. Credit risk may arise through a default by one or more institutions, including clearing agencies, clearing houses, banks, exchanges or market intermediaries.

**Derivatives Generally.** Derivative instruments, or "derivatives," include options, swaps, futures, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. There is no assurance that derivatives which AlphaCrest clients wish to acquire will be available at any particular times upon satisfactory terms or at all.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose AlphaCrest clients to the possibility of a loss exceeding the original amount invested. Over-the-counter derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments.

**Illiquid Instruments.** Certain instruments, such as derivatives and other types of unregistered financial instruments, may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price, and AlphaCrest might only be able to liquidate these positions at highly disadvantageous prices, if at all. The market prices, if any, for such illiquid financial instruments tend to change rather quickly and AlphaCrest may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Even those markets which AlphaCrest expects to be liquid can experience periods, possibly extended periods, of illiquidity. For some investments, AlphaCrest may be unable to predict with confidence what the exit strategy will ultimately be for any given core



position, or that one will definitely be available. Exit strategies, which appear to be viable when an investment is initiated, may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

**Call Options.** The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

The buyer of a call option assumes the risk of losing his entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

**Put Options.** The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

**Foreign Investments.** AlphaCrest clients may trade in non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the United States. Such transactions require consideration of certain risks not typically associated with trading in United States securities or property. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the United States or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

**Short Selling.** AlphaCrest may engage in “short sale” transactions. To make delivery to the buyer, AlphaCrest must borrow the security, and AlphaCrest is obligated to return the security to the lender, which is accomplished by a later purchase of the security by AlphaCrest. Short selling can result in profits when the prices of the securities sold short decline. In a generally rising market, AlphaCrest’s short positions may be more likely to result in losses because the environment would be more conducive for the securities sold short to increase in value. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Model Risk.** AlphaCrest's investment strategy relies on proprietary models. Predictions with regard to the performance of an asset class or particular investment generated by these models may not be accurate because of imperfections in the models, their deterioration over time, or other factors, such as the quality of the data input into the model, which involves the exercise of judgment. These types of risks are inherent in any type of model, and even if the model functions as anticipated, it cannot account for all factors that may influence the prices of the investments, such as event risk.

**Trading Decisions Based on Quantitative and Other Analysis.** AlphaCrest's portfolio management and trading decisions are based on quantitative models, signals and other analyses. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that its strategies will be successful under all or any market conditions.

**Technical Trading Systems.** Quantitative trading strategies, including statistical arbitrage, are highly complex, and, for their successful application, require relatively sophisticated mathematical calculations and complex computer programs. Such trading strategies are dependent upon various computer and telecommunications technologies and upon adequate liquidity in markets traded. The successful execution of these strategies could be severely compromised by, among other things, a diminution in the liquidity of the markets traded, telecommunications failures, power loss and software-related "system crashes" or software bugs. These trading strategies are also dependent upon historical relationships that may not always continue to hold and may result in losses. In addition, the "slippage" from entering and exiting positions (i.e., the market impact of trades identified by the quantitative trading strategies) may be significant and may result in losses.

In addition, AlphaCrest intends to rely on technical trading systems. Such systems may be profitable for a period of time, after which the system fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their systems on a periodic basis. Any factor (such as increased governmental control of, or participation in, the markets traded) that lessens the prospect of sustained price moves in the future may reduce the likelihood that AlphaCrest's technical systems will be profitable.

**Obsolescence Risk.** The strategies of AlphaCrest are unlikely to be successful unless the assumptions underlying the models used to implement those strategies are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and AlphaCrest does not successfully

address such omission through its testing and evaluation and modify the models accordingly, major losses may result. AlphaCrest will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. There can be no assurance as to the effects (positive or negative) of any modification on a client's portfolio.

**Crowding/Convergence.** There is significant competition among quantitatively focused managers. To the extent that AlphaCrest's models come to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect a client is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace.

**Risk of Programming and Modeling Errors.** AlphaCrest's research and modeling process is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although AlphaCrest seeks to hire individuals skilled in 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 and would generally not constitute a trade error under the AlphaCrest's trade error policy.

**Involuntary Disclosure.** As described above under "Model Risk" and "Crowding/Convergence," AlphaCrest's ability to achieve its client's investment objective is dependent in large part on its ability to develop and protect its models and proprietary research. The proprietary research and the models and data are largely protected by AlphaCrest through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to clients, exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer strategies, and thereby impair the relative or absolute performance of a client's portfolio.

**Proprietary Trading Methods.** Because AlphaCrest's trading methods are proprietary, a client will not be able to determine any details of such methods or whether they are being followed.

**Risk of Dependence on Key Employees.** The performance of AlphaCrest's investment strategy is largely dependent on the talents and efforts of highly skilled individuals and its success depends upon AlphaCrest's ability to identify and retain such investment professionals.

**Risk of General Economic and Market Conditions.** The success of AlphaCrest's investment strategy will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instruments' prices and their liquidity.

**Business and Regulatory Risks.** Legal, tax and regulatory changes could occur that may adversely affect AlphaCrest's investment strategy. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and self-regulatory requirements. The Securities and Exchange Commission, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, which may adversely affect investments.

**Investment Strategy Risk.** There is no certainty of return and no assurance that investments will be able to realize returns in a timely manner or at all, or that losses on unsuccessful investments may be realized before gains on successful investments are realized. No assurance can be given that the AlphaCrest investment strategy will be able to correctly or successfully locate investment opportunities or to exploit pricing inefficiencies in the capital markets, or that the capital markets ultimately will value assets at the prices and/or within the time frame the investment strategy anticipates.

**No Guarantee of Profit.** There is no assurance that the strategy will provide an acceptable return to investors or not incur substantial losses.

**Speculative Nature of Investment Programs.** AlphaCrest's investment program is speculative and involves a high degree of risk. There is no assurance that the technical and risk management techniques utilized, as well as the investment decisions made by the investment team, will not expose clients to risk of significant losses.

**Fees and Expenses.** AlphaCrest's investment strategy is subject to fees and expenses that must be covered by trading profits before any net profits are realized, including trading expenses related to a high portfolio turnover rate. Certain fees and expenses may be incurred regardless of whether AlphaCrest's investment strategies are profitable.

## **Item 9: Disciplinary Information**

AlphaCrest and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

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

### **10.A. No Registered Representatives**

None of AlphaCrest or its principals or employees are currently registered as a broker-dealer or a registered representative of a broker-dealer.

### **10.B. No Other Registrations**

None of AlphaCrest or any of its principals or employees are currently registered as or affiliated with a registered futures commission merchant, commodity pool operator or commodity trading advisor.

### **10.C. Material Relationships or Arrangements**

AlphaCrest and its affiliates may be, directly or indirectly, the general partner, limited partners and/or managing members of each of the AlphaCrest Funds. AlphaCrest and its related persons may spend substantially all of their business time on one or more of the AlphaCrest Funds.

Employees of AlphaCrest and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which clients of AlphaCrest may invest. Employees or partners of AlphaCrest may also be given access for other reasons to confidential information relating to companies in which clients of AlphaCrest may invest. As a result, AlphaCrest and the clients of AlphaCrest may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the securities of such a portfolio company, which prohibition may have an adverse effect on clients of AlphaCrest.

### **10.D. Recommendations of Other Investment Advisors**

AlphaCrest does not intend to recommend or select other investment advisers for its clients or receive compensation from such advisers in a manner that would create a material conflict of interest. AlphaCrest does not currently have other business relationships with other advisers that create a material conflict of interest.

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

### **11.A. Code of Ethics**

AlphaCrest strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, AlphaCrest has adopted a Code of Ethics, which is reviewed and updated (if necessary) at least annually. The Code of Ethics incorporates the following general principles that all employees and service providers are expected to uphold: employees and service providers must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code of Ethics and any actual or potential conflicts of interest or any abuse of an employee's and service provider's position of trust and responsibility must be avoided; employees and service providers must not take any inappropriate advantage of their positions; and information concerning the identity of securities and financial circumstances of clients must be kept confidential. The Code of Ethics also places restrictions on personal trades by employees and service providers, including requiring that they disclose their personal securities holdings and transactions to AlphaCrest on a periodic basis, and requires that employees and service providers preclear certain types of personal securities transactions.

As part of the Code of Ethics, AlphaCrest maintains insider trading policies and procedures that are designed to prevent the misuse of material, non-public information. AlphaCrest's personnel are required to certify to their compliance with the Code of Ethics, including the insider trading policy, on at least an annual basis.

The insider trading policies prohibit AlphaCrest and its personnel from trading for themselves or clients, or recommend trading, in securities of any company while in possession of material, non-

public information about the company, and from disclosing such information to any person not entitled to receive it. By reason of its various activities, AlphaCrest may have access to inside information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. AlphaCrest has designed and implemented policies and procedures reasonably designed to closely monitor the access of its investment professionals to inside information. Among other things, such policies seek to control and monitor the flow of inside information to and within AlphaCrest, as well as to prevent trading securities based on inside information.

Notwithstanding such policies and procedures, there may be certain cases where AlphaCrest either may receive inside information due to its various activities on behalf of itself or clients or may be restricted in acting for clients. As a result, AlphaCrest may, under certain circumstances, be prohibited for a period of time from engaging in transactions, which prohibition may have an adverse effect on a client. AlphaCrest seeks to minimize those cases whenever possible, consistent with applicable law and its insider trading policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

Clients may request the opportunity to review a copy of the Code of Ethics by contacting AlphaCrest at the address or telephone number listed on the first page of this brochure.

#### **11.B. Recommendations of Securities and Material Financial Interests**

As a matter of policy, AlphaCrest does not intend to engage in principal transactions, cross trading or agency cross transactions. Any exceptions to this policy must be approved in advance by the Board of Managers of AlphaCrest.

#### **11.C. Personal Trading**

AlphaCrest may in the future cause one or more of its clients to buy securities from, or sell securities to, other clients of AlphaCrest at current market prices, including accounts in which AlphaCrest, its principals or employees are investors or in which such persons may have a financial interest, either directly or indirectly, due to the payment of a performance allocation to AlphaCrest (or an affiliate) by such client. AlphaCrest will only engage in “cross trades” if the sale or purchase is consistent with AlphaCrest’s fiduciary obligations to each client. Cross transactions may include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. AlphaCrest has a potentially conflicting division of loyalties and responsibilities regarding both parties to any cross transactions. Where required by applicable law, any such transaction will be approved in advance by the client in accordance with Section 206(3) of the Investment Advisers Act of 1940, as amended.

On occasion, AlphaCrest and its principals and employees may buy and sell securities for themselves that they also recommend to clients. AlphaCrest and its principals and employees may be investors in some of the investment funds managed by AlphaCrest. The Code of Ethics contains policies and procedures designed to prevent improper practices with respect to such transactions, and compliance with the Code of Ethics by AlphaCrest, its principals and

employees is the primary method employed by AlphaCrest to address the conflicts of interest that arise with respect to these transactions.

#### **11.D. Timing of Personal Trading**

In certain situations, related persons of AlphaCrest may purchase interests in portfolio investments held by one or more AlphaCrest Funds. All such purchases will be subject to compliance with AlphaCrest's Code of Ethics as described above. In addition, AlphaCrest and/or certain members or employees of AlphaCrest may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain AlphaCrest Funds, provided that the sale is consistent with AlphaCrest's fiduciary obligations to the AlphaCrest Funds. Such transactions will be fully disclosed in writing, and where required by applicable law, the written consent of the appropriate client will be obtained in accordance with Section 206(3) of the Investment Advisers Act of 1940, as amended.

### **Item 12: Brokerage Practices**

#### **12.A. Selection of Broker/Dealers**

AlphaCrest will evaluate several factors in selecting a broker-dealer for client transactions. Examples of factors to be reviewed include (but are not limited to) trading commissions, quality of execution, trading technology, research, electronic reporting, as well as the broker-dealer's financial stability.

AlphaCrest may receive research and soft dollar benefits from its relationship with its broker-dealers. Client commission arrangements commonly known as commission sharing or "soft dollars" allow investment advisers to use client assets to pay for research and brokerage services under Section 28(e) of the Securities Exchange Act of 1934, as amended, for the benefit of their clients. Section 28(e) provides a safe harbor that permits advisers, when selecting brokers to execute transactions for client accounts, to take into account certain research products and services provided to the adviser by brokers. Clients may pay higher commissions than are obtainable from other brokers as a result of the consideration of research services as a factor in selecting brokers in addition to commission cost and best execution, provided that AlphaCrest determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research services provided by such broker.

It is important to note that when client brokerage commissions are used to obtain research or other products or services, AlphaCrest may benefit due to the fact that it may not have to produce or pay for certain research, products or services. In addition, AlphaCrest may have an incentive to select a broker-dealer based upon its interest in receiving the research or other products or services rather than on the client's interest in receiving most favorable execution. Further, AlphaCrest may consider referrals of clients in determining its selection of brokers. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to clients of AlphaCrest by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services.

Benefits that may be received by AlphaCrest as a result of a soft dollar relationship with its broker-dealers may include (but are not limited to) the following:

- Traditional research reports analyzing performance of a company or stock
- Financial newsletters and trade journals
- Order routing software and algorithm trading software
- Exchange messages among brokers, custodians and institutions
- Electronic communication of orders and allocation instructions
- Routing settlement instructions to custodians and clearing agents
- Post trade matching

Consistent with obtaining best execution for clients, AlphaCrest may in the future engage in such soft dollar arrangements, provided that such arrangements are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment AlphaCrest's own internal research and investment strategy capabilities.

The referral of clients to AlphaCrest from a broker-dealer or third party is possible. However, while such an arrangement may generate introductions to new clients, it is not guaranteed. As such, AlphaCrest does not rely or place value on the possibility of receiving client referrals. In evaluating a broker-dealer for a possible business relationship, AlphaCrest evaluates the criteria described in this Item 12.

With respect to each of the existing private investment fund clients of AlphaCrest, such client reviews and approves all counterparties used by AlphaCrest to execute transactions for its account.

#### *Directed Brokerage*

AlphaCrest does not currently have any arrangements with any clients that require AlphaCrest to execute transactions through a specified broker-dealer.

### **12.B. Aggregation of Orders**

AlphaCrest will attempt to aggregate the purchase or sale of securities in order to realize more favorable transaction costs for clients. In instances where aggregation is available, allocation of trades will be performed on a commercially reasonable efforts basis via pro rata distribution across client accounts. In instances where clients request to custody their account at their specified broker-dealer, aggregation of trades may not be available. In such instances, clients will receive proper disclosure from AlphaCrest prior to entering an investment advisory relationship.

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

### **13.A. Frequency and Nature of Review**

A client's account will be reviewed on a daily basis to ensure that all trading activity is performed in accordance with the investment parameters as defined in the client's investment management agreement. Daily reconciliations of all trading activity as well as cash, collateral and margin management (if applicable) among AlphaCrest, relevant broker-dealers and relevant



administrators will also occur. Such reviews will be conducted by AlphaCrest's investment professionals.

### **13.B. Factors that May Trigger an Account Review Outside of Regular Review**

Not applicable as client accounts are reviewed on a daily basis as described above.

### **13.C. Content and Frequency of Reports**

AlphaCrest or its affiliates intends to furnish to its clients and investors as soon as practicable after the end of each taxable year (or as otherwise required by law) annual reports containing financial statements examined by its private investment fund clients' independent auditors as well as such tax information as is necessary for each client investor to complete U.S. federal and state income tax or information returns, along with any other tax information required by law. AlphaCrest or its affiliates may also furnish quarterly reports reviewing its private investment fund clients' performance for such calendar quarter.

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

### **14.A. Client Referrals**

AlphaCrest welcomes client referrals from its existing clients or other trusted sources, such as attorneys, accountants, employees, or personal acquaintances of the staff. AlphaCrest does not currently compensate any person or firm for client referrals.

### **14.B. Referrals from Third Parties**

AlphaCrest or its affiliates may enter into arrangements with unaffiliated placement agents or third parties whereby AlphaCrest or its affiliates will pay to third parties who introduce clients or investors in the AlphaCrest Funds to AlphaCrest or its affiliates a portion of the advisory fee received by AlphaCrest or its affiliate from such clients or with respect to such investors' investment in a AlphaCrest Fund. Any sales charge associated therewith will ultimately be payable by AlphaCrest or its related persons, either directly or through an offset of the management fee payable by the relevant client or AlphaCrest Fund to AlphaCrest. Such arrangements will be disclosed to AlphaCrest's clients in accordance with, and otherwise comply with, Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, to the extent applicable. Certain third parties may be affiliates of AlphaCrest.

## **Item 15: Custody**

AlphaCrest will not have physical custody of any client assets. AlphaCrest may, however, be deemed to have custody of the assets of the AlphaCrest Funds as a result of its authority over the AlphaCrest Funds.

It is AlphaCrest's policy to cause each AlphaCrest Fund with assets over which AlphaCrest is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles, to investors as soon as practicable after the end of each fiscal year.

It is intended that all assets in the accounts of AlphaCrest clients will be held by a qualified custodian.

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

AlphaCrest intends to provide investment advisory services on a discretionary basis to its clients. Prior to trading, AlphaCrest will negotiate with each client a written investment management agreement. The executed investment management agreement between AlphaCrest and a client will define all agreed upon investment parameters for the advisory relationship. Subject to AlphaCrest's approval, clients may place limitations on AlphaCrest's discretionary investment authority. Such restrictions will be documented in the investment management agreement.

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

Clients may have AlphaCrest exercise proxy voting authority over their securities in portfolios AlphaCrest manages. Clients may at any time obtain information from AlphaCrest about how AlphaCrest voted any proxies on their behalf.

Although the trading frequency (as well as correspondingly relatively shorter holding periods, frequently changing position sizes and changing position directionality) of the investment strategies to be employed by AlphaCrest significantly reduces the importance and usefulness of the proxies voted on behalf of clients, AlphaCrest will employ policies and procedures that are designed to ensure that in the isolated cases where it votes proxy proposals, amendments, consents or resolutions relating to client securities, if any (collectively, "proxies"), such proxies are voted in the best interests of clients. Due to the high turnover investment strategy that will be employed by AlphaCrest, it will generally abstain from voting proxies, as AlphaCrest has concluded that under ordinary circumstances the voting of proxies for its clients would not be in the best interests of its clients, because (i) it would divert resources away from the implementation of its trading strategy and (ii) given the high rate of turnover of client securities, it is unlikely that securities held on a particular record date would remain in the portfolio on the date of the vote.

To the extent AlphaCrest votes proxies, it will do so in a manner that serves the best interests of the clients of AlphaCrest, as determined by AlphaCrest in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices.

Clients will also have the option of exercising their voting privileges directly by having all proxy materials sent directly to their mailing address by their custodian or broker. In such case, AlphaCrest will not exercise any proxy voting authority over the client's securities, will not provide any recordkeeping of proxy voting materials and will not assume any responsibility for votes cast in a timely manner.

Prior to exercising its voting authority, if any, AlphaCrest will review the relevant facts and determine whether or not a material conflict of interest may arise due to business, personal or family relationships of AlphaCrest, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. If a material conflict exists, AlphaCrest will take

steps to ensure that its voting decision is based on the best interests of the client and is not a product of the conflict. AlphaCrest may, at its discretion, disclose the conflict of interest to the client and defer to the client's voting recommendation, defer to the voting recommendation of an independent third party provider of proxy voting services, or take any other action which would serve the best interest of the client. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar or identical.

Should a client be interested in receiving a copy of AlphaCrest's proxy voting policies and procedures or other information about proxy voting, including information about how such client's securities were voted, please direct inquiries to:

AlphaCrest Capital Management LLC  
Attention: Chief Compliance Officer  
120 West 45th Street, 14th Floor  
New York, NY 10036  
[information@alphacrestcapital.com](mailto:information@alphacrestcapital.com)

**Item 18: Financial Information**

Not applicable.