



## Form ADV Part 2 - Brochure

(Prepared Pursuant to SEC Rule 204 of the Investment Advisers Act of 1940)

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### Item 1. Cover Page

February 1, 2019

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**This brochure provides information about the qualifications and business practices of FolioBeyond, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 397-7539 or mail us at [info@foliobeyond.com](mailto:info@foliobeyond.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. Additional information about FolioBeyond Asset Inc. also is available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**



**Plain English**

For the sake of clarity, this document has been prepared using a minimum of technical legal language and portfolio management jargon.

**Item 2. - Material Changes Made to this Brochure**

This brochure includes additional conflict of interest disclosures in relation to certain activities by members of management separate and apart from the firm.

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#### **Item 4. - Advisory Business – “Internet-Only” Investment Adviser; Types of Clients**

FolioBeyond, LLC (“FolioBeyond” or the “firm”) manages money for individual investors and corporate and non-corporate entities (family offices, businesses, not-for-profits, pension plans, etc.). It provides investment management services via online access to our systems via a web browser or mobile devices, such as smart phones. The firm provides investment management services directly to investors who access our systems for their own accounts (B-to-C), and indirectly by providing access to our investment algorithms to other investment advisors who then use our technology to provide investment management services to their clients (B-to-B).

The firm maintains a set of model portfolios that invest in a variety of exchange traded funds (“ETFs”) each of which provides exposure to specific sectors or market factors we believe have value in the creation of an optimally diversified portfolio. The proportions of the various ETFs in each model portfolio are determined using our proprietary algorithms. The model portfolios are monitored and adjusted daily, based on market movements and other factors. In order to determine which of these model portfolios is most suitable for a given investor, we make an assessment of each investor’s expressed risk tolerance and investment goals. This assessment can be adjusted by the investor, from time to time, but at no point can investors make specific investment decisions. Instead, our algorithms determine which portfolio best suits the investor, and adjustments to the model portfolios are made as market conditions warrant. As of the date hereof, because it has only recently commenced operations, FolioBeyond has \$300,000 under management. As assets under management increase materially, the firm will amend this document accordingly. Additional information may be found in Part 1 of Form ADV.

#### **Item 5. - Fees & Other Compensation**

Generally, the firm charges fees to each investor based on the market value of the investor's portfolio. For most individual B-to-C investors, we charge a monthly fee of 0.03% (0.36% per year) times the market value of the investor's portfolio at the beginning of each month. For individual B-to-C investors with portfolios in excess of \$5 million, we charge a reduced fee of 0.02% (0.24% per year). For investors who are not individuals, but are instead corporate or non-corporate entities, fees are negotiable, but are generally expected to be between 0.15% and 0.25% per year. For B-to-B investment advisor clients, fees are negotiable and will vary substantially based on the amount of investors' assets the investment advisor anticipates managing with our technology.

The firm does not charge performance-based fees. There is no side-by-side management of accounts that are charged performance fees and accounts that are not, which allows the firm to avoid certain conflicts that are related to such side-by-side arrangements.

#### **Item 6. – Performance-based Fees and Side-by-Side Management**

The firm does not charge performance-based fees. There is no side-by-side management of accounts that are charged performance fees and accounts that are not, which allows the firm to avoid certain conflicts that are related to such side-by-side arrangements.

#### **Item 7. – Types of Clients**

As indicated above, the firm manages money for individual investors and corporate and non-corporate entities (family offices, businesses, not-for-profits, pension plans, etc.).

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

FolioBeyond believes the highest long-term risk-adjusted returns can be achieved through careful analysis and selection of ETFs. FolioBeyond utilizes its own research staff and uses proprietary computer systems and algorithms for the allocation and management of client portfolios. As with all investments, there is the potential for substantial loss of principal, especially given an aggressive investment strategy.

### **Item 9. – Disciplinary Information**

FolioBeyond is registered with the United States Securities and Exchange Commission (the "Commission") as an investment adviser. FolioBeyond has no disciplinary record with the Commission or with any other regulatory authority, domestic or foreign.

### **Item 10. – Other Financial Industry Activities and Affiliations**

FolioBeyond's only business is investment advisory/investment management services. It maintains no material business relationships with affiliates in the US or in other countries, with the exception of Treesdale Partners, LLC, which is the substantial owner of the firm and is a registered investment adviser.

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

FolioBeyond has a code of ethics. The general purpose of its code of ethics is to foster high principles of commercial honor and just and equitable principles of trade. The code of ethics covers investment related matters as well as non-investment related matters and establishes procedures for handling ethics related concerns or matters. It also contains provisions for the handling of personal trading by the firm's officers and employees. FolioBeyond has not entered into any soft dollar arrangements. FolioBeyond has not engaged any person to provide it with client referrals, for a fee, but it may do so in the future. FolioBeyond is not a part of any directed brokerage arrangements. FolioBeyond may, acting as principal, participate in a client transaction (See ADV, Part I), but it has not done so to date and there are no plans to do so presently.

### **Item 12. – Brokerage Practices**

FolioBeyond has discretion to select broker-dealers to effect client account transactions. In selecting broker-dealers, it will take into consideration the broker-dealers' general ability to execute transactions in a timely manner; their experience with the asset class or types of securities relevant to the transaction; the reasonableness of fees and commissions; and the availability of quality analytical materials, including research. Within the bounds of FolioBeyond's duty to provide "best execution" for its client accounts, FolioBeyond may cause the accounts to pay higher fees or commissions than might be available through other broker-dealers. FolioBeyond will take into account a combination of qualitative and quantitative factors in determining which broker-dealers to use for client account transactions, including commission cost, the availability of research, responsiveness of the broker-dealer, willingness to assume

principal risk, and other qualitative factors as discussed above. Research obtained by directing certain transactions to certain broker-dealers will be used for all clients and all clients will therefore benefit from such research, all else being equal. Presently, FolioBeyond has not entered into any soft dollar or directed brokerage arrangements with any broker-dealer, but may enter into such arrangements in the future. Generally, such arrangements will be consistent with the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, unless arrangements outside of Section 28(e) are required and consistent with the policies and objectives of certain hedge funds or other institutional clients advised/managed by FolioBeyond, consistent with FolioBeyond's fiduciary duties under the various securities laws.

Certain brokers may pay or provide reimbursement for certain investment management related expenses incurred (e.g., investment research, investment data service providers, on-line quotation services, and news and research services). This practice will or may benefit FolioBeyond since the clients will not need to pay for such products and services out of their own resources and since FolioBeyond will not need to provide for those services out of its own resources. This practice may be a factor in such clients' selection of prime brokers.

FolioBeyond's brokerage practices on behalf of its clients may be modified based upon the governing documents of certain clients. It is anticipated that execution of trades will be automatic, based upon FolioBeyond's interface with selected prime brokers/custodians for client accounts. FolioBeyond will monitor execution quality and services regularly.

The principal broker for all client accounts is Interactive Brokers, at which client accounts are custodied. Most client trades will be effective through Interactive Brokers. FolioBeyond will monitor executions by or through InteractiveBrokers to assure that clients are receiving best execution. You can obtain information about Interactive Brokers at [www.interactivebrokers.com](http://www.interactivebrokers.com)

### **Item 13. – Reviews of Accounts and Reports to Clients**

Client portfolios are reviewed regularly by FolioBeyond's Investment Committee or similar investment team ("Investment Committee"). The Chief Investment Officer is responsible for such reviews, which he may delegate to other qualified investment personnel. The Investment Committee will monitor financial, operational and risk factors that are or may be relevant to the respective client portfolios. The Investment Committee will meet from time to time to discuss client portfolios, strategies, macroeconomic conditions, brokerage arrangements and other relevant matters. The Investment Committee may meet in the event of unusual or extraordinary macroeconomic, market, or political news that may reasonably be expected to affect client portfolios.

Generally, the firm expects to provide a high degree of total account transparency to clients in real time, in view of the internet-only nature of FolioBeyond's business.

#### Item 14. – Client Referrals and Other Compensation

Economic Benefits Provided By Others to the Firm. The firm does not receive economic benefits from other persons for managing client accounts. The firm is paid only the fees indicated above.

Third-Party Marketers and Solicitation Arrangements. The firm does not presently pay third-party marketers for new client introductions.

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#### Item 15. – Custody

FolioBeyond does not maintain custody of client assets. Custody of client assets is the responsibility of qualified custodian banks or broker-dealers. Currently, Interactive Brokers, a fully-computing registered broker-dealer, serves as the custodian. You can obtain information about Interactive Brokers at [www.interactivebrokers.com](http://www.interactivebrokers.com)

#### Item 16. – Investment Discretion

In most cases, FolioBeyond will have full investment discretion over client accounts pursuant to a written investment management agreement, i.e. it will make investment decisions without first consulting clients. This includes the ability to select brokers for the execution of portfolio trades. In some cases, FolioBeyond will not have investment discretion.

To clarify the preceding, FolioBeyond will effect client transactions based upon certain risk and other investment criteria selected by clients and communicated to FolioBeyond **through an on-line interface**. The specific ETFs selected will be determined by FolioBeyond, not the client.

#### Item 17. – Voting Client Securities

As part of FolioBeyond's management obligations, FolioBeyond may be required to vote proxies on equity securities held in client portfolios, where clients do not agree to vote proxies themselves. In accordance with applicable law, FolioBeyond has prepared procedures to govern how such proxies are voted. Where FolioBeyond will vote proxies, the procedures require that a reasonable decision be made regarding a vote on any matters recommended by issuer management or concerning any issuer shareholder proposals. The procedures require that if FolioBeyond determines not to vote, it must have a reasonable basis for withholding its vote. The policies and procedures address the handling of conflicts of interest that may arise in the voting of proxies. FolioBeyond's vote on any matter regarding any issuer's equity securities will be recorded and kept on file in FolioBeyond's principal office in New York. Clients may request to see how FolioBeyond voted any proxy, and obtain an explanation as to why it voted as it did. Requests for an explanation of votes, or for a copy of the policies and procedures, should be sent to the address listed below.

## Item 18. – Financial Information

*Not applicable.*

### Conflicts of Interest

FolioBeyond may effect principal trades with clients in accordance with the constraints imposed on it under documents that govern client accounts (such as offering memoranda, management agreements, indentures or other documents) and pursuant to the requirements of the Advisers Act. Such trades (if any) will be rare. See above.

At times FolioBeyond, its affiliates, or employees (hereinafter with respect to this section, "Traders") may purchase or sell for their own accounts the same issue or class of securities that are being purchased or sold for client accounts. Further, Traders may employ investment strategies for client accounts that differ from the investment strategies they employ for their own accounts. In connection therewith, Traders may at times buy the same issue or class of security that is being sold from client accounts or sell the same issue or class of security that is being purchased for client accounts. Such disparities in direction will likely, inter alia, reflect a difference between the Traders' investment objectives, policies, risk tolerances, and investment limitations and those of clients. Nevertheless, these activities may create a conflict of interest in respect of client accounts. FolioBeyond intends to mitigate such conflicts of interest by following policies and procedures (such as its code of ethics and compliance policies and procedures) as it has created to determine whether such proprietary purchases and sales by Traders do or may violate FolioBeyond's fiduciary obligations to clients, or in any material manner undermine the clients' interests. FolioBeyond has adopted a code of ethics which requires a high degree of internal transparency with respect to proprietary and personal transactions so that potential conflicts of interest may be addressed. The code of ethics and other policy documentation require employees of FolioBeyond to report to the Chief Compliance Officer (or his or her designee) securities and commodities transactions in which they have a beneficial interest. The code of ethics also precludes certain types of transaction without prior approval.

FolioBeyond or its affiliates may at times purchase or sell securities part of which purchases will be allocated to client accounts and part to their own accounts. Where there are such trades, FolioBeyond will generally determine in advance that portion that will be allocated to its own or an affiliate's account and that portion that will be allocated among client accounts. As indicated above, a similar advance determination will be made when purchase or sale will be allocated only among client accounts. This advance determination will usually be recorded in an appropriate trade memorandum or similar record (which may be in electronic form). Sometimes it may not be possible to allocate in accordance with such advance determination because of bona fide client or portfolio considerations. FolioBeyond will record the reason for amending such advance allocation determination in an internal memorandum. Further, at certain times FolioBeyond will only allocate after a substantial amount of time has elapsed since effecting the block order. This may happen from time to time in rapidly moving markets in which FolioBeyond must make a quick decision to buy or sell without time for prior allocation decisions. In such circumstances, allocations will be made in accordance with bona fide client portfolio considerations, including any



investment restrictions or limitations. It is FolioBeyond's policy that all allocations will be made in a fair and equitable manner over time in view of each client's or Trader's investment risk tolerances, account or portfolio restrictions, account size, and other relevant factors.

FolioBeyond, a Trader, or an affiliate may hold securities for longer or shorter periods of time than in client accounts for which FolioBeyond is exercising discretion over such accounts. Generally, this will have to do with the differing objectives between FolioBeyond's various client accounts and its or an affiliate's accounts. At times FolioBeyond may purchase for its own account or the account of affiliates securities that it is not also purchasing for client accounts (this is also the case with sales of securities). Generally, this has to do with the differing investment objectives, policies and investment restrictions imposed (explicitly or by agreement, or both) by the various accounts. Further, FolioBeyond may employ investment strategies for client accounts that differ from the investment strategies it employs for its own or affiliates' accounts (and the same is true of such affiliates). Again, this is due, generally, to differing investment objectives, policies, restrictions and strategies.

The Chief Investment Officer owns VS Asset Management (CRD No. 282521 / SEC No. 802-107442), which employs trading strategies in the public securities markets. The strategies are dissimilar to those of FolioBeyond's strategies and are expected to remain dissimilar. VS Asset Management does not trade the same instruments, generally. At some point in the future this may change. In such case, conflicts of interest could arise. Those conflicts will be addressed by management, which may include additional monitoring or precluding certain strategies or trades that give rise to such conflicts.

### **Financial Information/Condition**

FolioBeyond is solvent and is not in a "precarious financial condition" (as that phrased is defined by FolioBeyond's regulator, the SEC). The firm does not receive fees six months or more in advance of services, and would therefore not be liable for the reimbursement of such fees upon termination of an investment advisory or management agreement that called for such advance pre-payment of fees.

### **Other Information About FolioBeyond: Certain Senior Officers and Investment Professionals**

As mentioned, all of the investment personnel have appropriate degrees in finance, portfolio management or related disciplines. A number of our investment professionals have MBAs from well-known business schools and/or may have or hold the designation "Chartered Financial Analyst" (or "CFA"). FolioBeyond expects to require these or similar qualifications of anyone who joins the portfolio management or research teams. See below.

#### **YUNG LIM, CHIEF EXECUTIVE OFFICER (B. 1961)**

30+ years of experience in the fixed income markets spanning investment management, risk management, quantitative model development.

- Co-founder of Treesdale Partners, LLC
- Chairman of Pedestal Inc.
- Senior consultant at Andrew Davidson & Co., Inc.
- Vice President at Merrill Lynch, Mortgage-Backed Securities Group
- Co-author of Collateralized Mortgage Obligations, by Davidson, Ho and Lim

- MBA from the University of Chicago;
- B.S. in Electrical Engineering from the California Institute of Technology

**SAMIR VARMA, CHIEF INVESTMENT OFFICER (B. 1966)**

25 years of experience in quantitative trading strategies involving equities, commodities, currencies, and bonds.

- Founder of VS Asset Management
- Co-founder of Investpic, LLC and Chaos Systems, LLC
- Finance patents covering risk management and analysis of financial information
- Ph.D in Theoretical Particle Physics from the University of Texas at Austin
- B.S. in Electrical Engineering from Columbia University

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**DEAN SMITH, CHIEF STRATEGIST (B. 1959)**

25+ years of experience in all aspect of structured products with roles as an investment banker, trader, and hedge fund portfolio manager.

- Founder, Stonehenge Financial Partners
- Partner, Highland Financial Holdings
- Senior positions at DLJ and Nomura Securities
- M.A. and M.Phil in Economics from Columbia University
- B.A in Economics from the University of California San Diego

**ROB HARRINGTON, CHIEF TECHNOLOGY OFFICER (B. 1962)**

25+ years of experience in building and managing advanced systems for trading and portfolio management as well as innovative software and data products.

- President of WI8 Consulting
- Managing Partner of VS Asset Management
- Director of New Business and Product Management for Qwest Communications International
- Founder and CEO of Instanton; Software patent in high-performance digital delivery
- Ph.D in Theoretical Physics from the University of Texas at Austin
- B.S. in Mechanical/Nuclear Engineering from the University of Oklahoma

**TIM LYNCH, CHIEF CUSTOMER OFFICER (B. 1973)**

20+ years of combining experience, knowledge and passion for technology to grow brands and guide organizations to stay current with marketing and tech trends.

- Vice President of OdinText; Vice President of Applango
- Global Marketing Director of FocusVision
- B.S. in Marketing from Sacred Heart University
- Additional marketing and sales programs completed at Vanderbilt University, Duke University and Wesleyan University

**BRAD HLISTA, VICE PRESIDENT, ENGINEERING (B. 1968)**

27+ years of software development experience with specialization in enterprise applications, SaaS, distributed computing, machine learning and BigData

- On team of 4 that built high throughput data pipeline to back test trading models
- Senior Principal Engineer at Dell for petabyte scale data archiving
- Data analysis and machine learning pipelines for DoD
- B.S in Physics and Mathematics from the University of Texas at Austin

**WESLEY HUBER, DIRECTOR OF OPERATIONS (B. 1991)**

5+ years of operational experience at both small and large financial firms.

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- Associate Director of Operations at Treesdale Partners, LLC
- Compliance Analyst at JP Morgan Securities
- B.S. in Business Administration from Mercy College

**DR. DAVID E. MCCLEAN, CHIEF COMPLIANCE OFFICER (B. 1962)**

27+ years in regulatory compliance and enterprise risk

- Principal and founder, DMA Consulting Group, since 1992, which provides consulting services to financial services firms on regulation and enterprise risk
- Principal and founder, Business and Government Ethics International ("BGEI"), which provides consulting service to entities of all types in the areas of organizational ethics, enterprise risk, governance and compliance management, with reference to ISO standards
- Prior to DMA and BGEI, Dr. McClean was responsible for various compliance and administrative functions at Van Eck Global, BV Capital Management, and National Securities and Research Corporation.
- Dr. McClean is a member of the board of trustees of The New School, and is a member of the board of governors of The New School for Social Research
- He is also a member of the board of directors of the recently established Impact@Africa, a not-for-profit organization which facilitates impact investing across the African continent, and is a member of the advisory board of the Global African Agribusiness Accelerator Platform
- Lecturer, business ethics and philosophy, Rutgers University
- PhD and MA, The New School for Social Research (Philosophy)
- MA, New York University, Liberal Studies (Philosophy Concentration)
- BA, Hunter College, CUNY (Comparative Religion and Philosophy)
- Various securities industry licenses

## Form ADV Part 2 - Brochure Supplements

This brochure supplement provides information about \_\_\_\_\_ that supplements the FolioBeyond Asset Inc. brochure. Please contact David McClean at [info@foliobeyond.com](mailto:info@foliobeyond.com) if you did not receive FolioBeyond Asset Inc.'s brochure or if you have any questions about the contents of this supplement.

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**Name**

*Title*

Address:

Phone:

**Educational Background and Business Experience:**

**Supervision/Disciplinary History:**

**Outside Business:**

**Note: No supplements are required at this time.**

**For further information:**

**David E. McClean**

*Chief Compliance Officer*

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