

# **Alpha Quant Advisors, LLC**

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## **Form ADV Part 2A (“Brochure”)**

March 28, 2019

This Brochure provides information about the qualifications and business practices of Alpha Quant Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at (817) 391-6115 or [Regina.Castro@resolutemanagers.com](mailto:Regina.Castro@resolutemanagers.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.

Alpha Quant Advisors, LLC is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about Alpha Quant Advisors, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Item 2 discusses only material changes made to this Form ADV Part 2A (“Brochure”) since its last annual update dated March 30, 2018.

### **Item 5 - Fees and Compensation**

Updated to reflect the standard fee schedule on wrap fee programs and model delivery clients.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss and Item 10 – Other Financial Industry Activities and Affiliations**

Clarified situations when Alpha Quant invests client assets in funds sub-advised by Alpha Quant.

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

Described potential benefits to Alpha Quant employees that may be invested personally in mutual funds managed by Alpha Quant.

### **Item 15 - Custody.**

Alpha Quant no longer manages accounts on behalf of its parent company and/or affiliates. The relevant custody language has been removed.

### **Item 17 - Voting Client Securities**

Added a potential conflict of interest when client assets are invested in funds sponsored or managed by Alpha Quant or its affiliates and Alpha Quant has proxy voting authority.

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#### Item 4 – Advisory Business

Alpha Quant Advisors, LLC (“Alpha Quant” or the “Company”) is a registered investment adviser with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended (“Advisers Act”). Alpha Quant began operations in October 2011 under the name of Crest Investment Partners, LLC, which was a subsidiary of Cypress Capital Group, Inc. and was affiliated with Cypress Trust Company. In October 2016, Crest Investment Partners was acquired as a majority-owned asset management subsidiary of Resolute Investment Managers, Inc. (“RIM”) and changed its name to Alpha Quant Advisors, LLC. RIM is a wholly-owned subsidiary of Resolute Investment Holdings, LLC, which is primarily owned by Kelso Investment Associates VIII, L.P.

Alpha Quant’s clients are individuals, high-net-worth individuals, registered investment companies, charitable institutions such as endowments and foundations, financial intermediaries such as other investment advisers and corporations. Accounts under Alpha Quant’s management range from direct clients, for which Alpha Quant is the primary adviser, to sub-advisory relationships, for which Alpha Quant serves as sub-adviser to a primary adviser. In addition, Alpha Quant provides asset allocation and model portfolios to financial intermediaries that have discretion over their client accounts.

As of December 31, 2018, Alpha Quant had assets under management of \$170 million which differ from the regulatory assets under management reported in Form ADV Part 1. This figure is comprised of:

- \$96.6 million managed on a discretionary basis; and
- \$70 million of assets for clients under advisement pertaining to model portfolio recommendations for which Alpha Quant does not effect the purchase or sale of the securities.
- \$3.4 million representing Alpha Quant’s proprietary accounts

Alpha Quant offers the following advisory services to its clients.

Alpha Quant manages accounts based on three proprietary products: equity strategies, multi-asset portfolios and strategy indexes.

The equity strategies utilize proprietary, fundamentals-based quantitative models. The strategies are built based on core fundamental concepts and managed through a highly disciplined, repeatable and transparent investment process. Equity portfolios, consisting primarily of individual equity securities, span different styles and market capitalizations. Alpha Quant’s equity portfolios are managed with a disciplined, rules-based investment process based on fundamental concepts. Mutual funds or exchange-traded funds may be used for efficient portfolio management or to expose cash balances to the equity markets.

Multi-asset portfolios include a combination of Alpha Quant’s proprietary equity portfolios, mutual funds, exchange-traded funds, and individual securities. The multi-asset portfolios follow a strategic asset allocation structure among different asset classes to construct risk and cost sensitive solutions for clients across equity, fixed income and alternative asset classes. Based on client direction, Alpha

Quant may customize the multi-asset portfolios to exclude certain asset classes or securities.

Alpha Quant also offers equity portfolio management related to its index products, the SmartALPHA® strategy index suite. Alpha Quant developed the SmartALPHA® Strategy Indexes consisting of four rules-based, alpha seeking equity strategy indexes designed to capture active and flexible exposure throughout the economic cycle. The SmartALPHA® strategy indexes are independently calculated and disseminated by S&P/Dow Jones Indices.

#### Direct and Sub-Advised Accounts:

Alpha Quant provides discretionary advisory services to clients that directly enter an advisory agreement with Alpha Quant or through a sub-advisory arrangement with other financial institutions. Clients may select from any of Alpha Quant's pre-defined equity strategies and require little or no customization. Alpha Quant will manage the portfolio in accordance with a model portfolio for all client accounts employing the strategy. Clients who impose investment restrictions may limit Alpha Quant's ability to manage their account in accordance with the model portfolio, resulting in investment performance that differs from the model portfolio or other client accounts.

Alpha Quant also offers custom equity strategies tailored to the client's individual investment objective. Alpha Quant works with clients to determine their investment objective, risk tolerance and other relevant information before recommending the appropriate strategy or strategy allocation that it believes will most likely achieve the client's objective. Clients may request that Alpha Quant allocate assets across more than one strategy, maintain legacy holdings or manage to specific cash needs.

#### Wrap Fee Programs and Model Portfolio Clients:

Alpha Quant offers equity model portfolios to third-party financial intermediaries for such intermediaries to utilize with their respective clients. Alpha Quant does not have contact with the underlying clients, and therefore, the model portfolios are not created by Alpha Quant to meet the specific investment objective or restrictions of any person or individual. Rather, the model portfolios are designed to be used as a guide for investment advisors when managing their underlying clients' portfolios. Alpha Quant does not have investment discretion over these accounts, since the intermediary decides whether to follow Alpha Quant's recommended model portfolio and makes all security purchase and sale decisions. Please refer to Item 12 – Brokerage Practices for a discussion of Alpha Quant's trade rotation policy, which is designed to address potential conflicts related to the delivery of model portfolios.

Third-party intermediaries and their investment advisors are solely responsible for determining their client's suitability for any of the model portfolio strategies, recommending asset allocations and investments, purchasing and selling securities for their client accounts and all other investment decisions. For these services, the intermediary receives a fee from the client, and a portion of such fee is paid to Alpha Quant for its advisory services.

#### Limitations on Alpha Quant's Liability:

Alpha Quant's management or advisory agreements with its clients typically contain provisions that may act as a waiver, release or limitation of certain rights clients may have against Alpha Quant arising from its services. In substance, the agreements usually state that Alpha Quant, and its personnel and affiliates, are not liable for any loss arising out of Alpha Quant's advice or for any other act or

omission taken with respect to its services, except for any act or omission which constitutes gross negligence or malfeasance, or violation of applicable law.

Notwithstanding the liability limiting nature of these provisions, clients should be aware that federal and state securities laws may impose liabilities on Alpha Quant under certain circumstances. Therefore, nothing in those or any other provisions in the agreements will have the effect of waiving, releasing or limiting any rights a client may have under those laws or under any other laws that are not permitted to be waived by contract.

## **Item 5 – Fees and Compensation**

Alpha Quant calculates investment advisory fees based upon a percentage of the value of the clients' assets under management. The specific manner in which fees are charged by Alpha Quant is established in a client's written agreement with Alpha Quant. It generally bills its fees in arrears on a monthly basis.

Alpha Quant may send an invoice directly to the client for payment or to the custodian of the client account for deduction of the advisory fees from the client's account. The custodian will deduct advisory fees only based upon a written authorization from a client permitting the fees to be paid directly from the account. Clients should receive from their custodian an account statement at least quarterly. Clients who have authorized Alpha Quant to deduct its advisory fee from their account should compare the account statements provided by Alpha Quant to the statements they receive from their custodian.

Clients may have the right to terminate their management agreement with Alpha Quant in accordance with the notice provisions stated in the investment management agreement. Upon termination of an agreement, clients will be charged fees on a pro-rata basis based upon the number of days in the month for which advisory services were provided.

Fees for all services for clients are generally negotiable depending on the size of the account, scope and complexity of the services and other factors. Because some fees are negotiable, the actual fees paid by any client or group of clients may differ from the fees discussed below.

### Fee Schedule:

The standard fees charged by Alpha Quant are provided below. The tiered schedule is generally applied at each level of a client's assets under management and not at the client's aggregate amount of assets.

### Direct Accounts:

<b>Account Size</b>	<b>Standard Fee</b>
On the first:	
\$0-\$3,000,000	1.10%

On the next:	
\$3,000,001-\$10,000,000	0.80%
\$10,000,001-\$25,000,000	0.65%
\$25,000,001-\$35,000,000	0.55%
Over \$35,000,000	0.45%

#### Wrap Fee Programs and Model Portfolio Delivery:

Account Size	Standard Fee
On the first:	
\$0-\$25,000,000	0.30%
On the next:	
\$25,000,001-\$50,000,000	0.25%
\$50,000,001-\$100,000,000	0.20%
Over \$100,000,000	0.175%

In some cases, the fee received by Alpha Quant from wrap sponsors is net of an overlay fee retained by the sponsor for the implementation and operation of the model portfolios.

#### Sub-Advised Accounts:

Alpha Quant's annual management fee typically ranges from 0.15% to 0.35%.

When acting as a sub-adviser, Alpha Quant's compensation may be paid by the primary adviser out of the fee it receives from its client, or Alpha Quant's fee may be in addition to any fee earned by the primary adviser. Clients for which Alpha Quant serves as a sub-adviser should reference the Form ADV for the primary adviser for further information.

#### Additional Fees and Expenses:

In addition to Alpha Quant's advisory fees, clients will incur brokerage commissions and other related costs and expenses in connection with transactions in their advised accounts. Clients may also incur charges imposed by custodians, broker-dealers, and other third parties that may include items such as custodial fees, account maintenance fees, activity or inactivity fees, wire transfer fees, electronic fund transfer fees, termination fees, postage and handling charges, exchange fees, and other fees and charges on accounts or transactions. These additional fees and expenses are exclusive of and in addition to the advisory fees paid to Alpha Quant, and Alpha Quant will not receive any portion of those charges.

Alpha Quant may invest, or recommend investments in mutual funds or exchange-traded funds including funds that are managed by Alpha Quant or one of its affiliates. Clients investing in mutual funds or exchange-traded funds will also bear indirectly as fund shareholders their proportionate share of the fund's internal expenses, which include management fees paid to the fund's adviser. These internal fees and charges are known as the fund's expense ratio. Each fund's expense ratio will vary over time and is disclosed in its prospectus. Alpha Quant does not receive sales charges

from mutual funds or exchange-traded funds as a result of recommending such securities.

To the extent that Alpha Quant invests client accounts in a mutual fund managed by Alpha Quant, Alpha Quant will not charge its management fee on the amount invested to avoid duplication of its management fee through the fund.

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

Alpha Quant does not intend to receive advisory fees calculated as a percentage of capital gains or appreciation in the client's account, commonly referred to as performance-based fees.

## **Item 7 – Types of Clients**

Alpha Quant provides investment advisory services to individuals, high-net-worth individuals, pension trusts, registered investment companies, charitable institutions such as endowments and foundations, financial intermediaries such as other registered investment advisers, and corporations. Alpha Quant generally requires a minimum of \$5 million to open an account, although it may waive the minimum in certain circumstances. Direct individual accounts and new accounts for existing relationships are not subject to the minimum.

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

### **Equity Strategies:**

Equity strategies are created using a combination of fundamental and quantitative analysis. Alpha Quant identifies fundamental factors that have displayed ability to predict future returns. The fundamental analysis and insights are captured in a disciplined, rules-based portfolio management process.

Each equity strategy is driven by a distinct set of fundamental factors. Client accounts are managed to a single strategy or multiple strategies that are combined into a final portfolio. For certain strategies, Alpha Quant focuses on companies in a particular market capitalization range and therefore, the client portfolios invested in those strategies will be particularly subject to risks of those companies. In addition, certain strategies result in concentrated portfolios of 30-60 stocks, which presents the risk that client accounts invested in these strategies will display greater volatility than the overall equity market. From time to time, Alpha Quant will determine a minimum amount of assets for each strategy, below which Alpha Quant will typically invest a client's account in a fund or funds sub-advised by Alpha Quant that are managed to the same strategy as that of the client. Each strategy minimum will be established based on Alpha Quant's estimation of the level of assets that can be managed in a cost-effective manner for the strategy's typical portfolio of securities.

### **Multi-Asset Strategies:**

For multi-asset portfolios, Alpha Quant employs a combination of quantitative and qualitative analysis and uses extensive historical simulations to drive the strategic asset allocation process. Alpha Quant employs analytical tools in an attempt to optimize the risk-reward potential of its asset-



allocated portfolios.

The multi-asset portfolios may include a combination of Alpha Quant's proprietary equity strategies, mutual funds and exchange-traded funds, including funds sponsored or managed by Alpha Quant or its affiliates. In including mutual funds and exchange-traded funds, Alpha Quant considers several factors such as the consistency of performance, portfolio and risk characteristics, expenses, investment approach and demonstrated manager skills. Liquidity and structure are also considered for exchange-traded funds.

### **Index Strategies:**

The SmartALPHA® Strategy Indexes are constructed using a systematic rules-based process that selects stocks based on clearly defined fundamental factors. The process is initiated by grouping the investable universe according to each stock's contrasting sensitivity to market returns. Alpha Quant leverages the positive interaction between value and quality factors within defensive and cyclical sector groups in constructing four indexes, each designed to generate alpha in each specific phase of the economic cycle – recovery, expansion, contraction and recession. The indexes are reconstituted quarterly and rebalanced to equal weighting annually.

### ***Principal Risks***

Investing in securities involves risk of loss. Alpha Quant does not represent or guarantee that its services or methods of analysis can or will predict future results or insulate from loss due to market corrections or declines. Alpha Quant cannot offer guarantees or promises that financial goals or objectives will be met. Past performance is not an indication of future performance. The principal risks of the investment strategies that Alpha Quant offers are set forth below:

#### **Credit Risk**

The issuer or the guarantor of a debt security may fail to make timely payment of interest or principal or otherwise honor its obligations or default completely. Credit risk is typically greater for securities with ratings that are below investment grade (commonly referred to as “junk bonds”).

#### **Equity Investments Risk**

The value of a company's securities may fall as a result of factors directly relating to that company or other companies in the same industry or sector. The price of a company's stock may also be affected by changes in financial markets that are relatively unrelated to the company, such as changes in interest rates, exchange rates or industry regulation. Factors affecting the companies comprising the exchange-traded funds held by the strategies will impact the value of the exchange-traded funds as well.

#### **Focused-Holdings Risk**

Client accounts may have a focused portfolio of fewer companies, so the increase or decrease of the value of a single stock may have a greater impact on the value of a client's account. Although a focused portfolio has the potential to generate attractive returns over time, it also may increase portfolio volatility.

### Growth Companies Risk

Growth companies are expected to increase their earnings at a certain rate. When these expectations are not met, the prices of these stocks may go down, even if earnings showed an absolute increase. Growth company stocks may lack the dividend yield that can cushion stock prices in market downturns. Different investment styles tend to shift in and out favor, depending on market conditions and investor sentiment.

### Interest Rate Risk

Changes in interest rates may cause investment prices to fluctuate and thus impact the value of fixed-income securities or exchange-traded funds held in a strategy. For example, when interest rates rise, yields on existing bonds become less attractive causing their market values to decline.

### Exchange-Traded Funds and Mutual Funds Risk

Investments in shares of mutual funds and exchange-traded funds will result in clients indirectly bearing fees and expenses charged by the funds in addition to the management fee charged by Alpha Quant. These indirect expenses are likely to exceed the costs of investing in the underlying securities directly. In addition, those investments will be subject to the risks associated with the underlying investments in those funds. Exchange-traded funds also are subject to risks that do not apply to conventional funds: (1) the market price of their shares may trade at a discount or premium to their net asset value, which can lead to volatility in a fund's price compared to the prices of the underlying securities; (2) an active trading market for their shares may not develop or be maintained; or (3) trading of their shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

### Large Capitalization Companies Risk

The securities of large market capitalization companies may underperform other segments of the market because such companies may be less responsive to competitive challenges and opportunities, such as changes in technology and consumer tastes. Large market capitalization companies may be unable to attain the high growth rates of successful smaller companies, especially during periods of economic expansion.

### Market Risk

The risk that the value of the securities in which the strategies invest may decline in value in reaction to tangible or intangible events and conditions independent of a security's particular underlying circumstances. These risks include political, regulatory, market and economic developments, including developments that impact specific economic sectors, industries or segments of the market.

### Mid-Capitalization Companies Risk

Investments in mid-capitalization companies generally involve greater risks and the possibility of greater price volatility than investments in larger, more established companies. Mid-capitalization companies often have narrower commercial markets and more limited operating history, product lines, and managerial and financial resources than larger, more established companies. As a result, performance can be more volatile and they face greater risk of business failure, which could increase the volatility of a portfolio. Generally, the smaller the company size, the greater these risks.

Additionally, mid-capitalization companies may have less market liquidity than large capitalization companies, and they can be sensitive to changes in interest rates, borrowing costs and earnings.

#### Model and Data Risk

Models and data are used to screen potential investments for the strategies. When models or data prove to be incorrect or incomplete, any decisions made in reliance thereon expose client accounts to potential risks. The securities selected using quantitative methods may perform differently from the market as a whole or from their expected performance for many reasons, including the factors used in building the quantitative model, the weights placed on each factor or the data used to screen potential investments for client accounts.

#### Sector Risk

Companies that are invested in similar businesses may be similarly affected by particular economic or market events, which may, in certain circumstances, cause the value of the equity and debt securities of companies in a particular sector of the market to change. To the extent a client account has substantial holdings within a particular sector, the risks associated with that sector increase.

#### Small Capitalization Companies Risk

Investing in the securities of small capitalization companies involves greater risk and the possibility of greater price volatility than investing in larger capitalization and more established companies. Since smaller companies may have limited operating history, product lines, and financial resources, the securities of these companies may lack sufficient market liquidity, and they can be particularly sensitive to expected changes in interest rates, borrowing costs and earning.

#### Turnover Risk

Alpha Quant rebalances its strategies on a quarterly basis, which could result in more frequent trading, or turnover, of client holdings. Frequent trading will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains, both of which can negatively impact an investor's overall investment as compared to investments in strategies with low turnover.

#### Value Stocks Risk

Investments in value stocks are subject to the risk that their intrinsic value may never be realized by the market or that their prices may go down. This may result in the value stocks' prices remaining undervalued for extended periods of time. While a strategy's investments in value stocks may limit its downside risk over time, the strategy may produce more modest gains than other riskier strategies as a trade-off for this potentially lower risk. A strategy's performance also may be affected adversely if value stocks become unpopular with or lose favor among investors. Different investment styles tend to shift in and out favor, depending on market conditions and investor sentiment.

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

Alpha Quant is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Alpha Quant or the integrity of Alpha Quant's management. Alpha Quant has no information applicable to this Item.

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

Alpha Quant’s parent company is a diversified, multi-affiliate asset management platform comprised of SEC-registered investment advisers, a limited-purpose broker-dealer, and an asset management servicing company. These financial industry affiliations may be significant to clients and are discussed below.

Certain officers and directors of Alpha Quant are also officers and/or directors of one or more of its affiliated entities (“Dual Officers”). In their capacity as Dual Officers, the officers provide management services, corporate governance and day-to-day oversight of Alpha Quant’s and the affiliates’ operations. In addition, certain Dual Officers are registered representatives of the affiliated broker-dealer, investment adviser representatives of the affiliated advisers and/or principals of the commodity pool operator.

Alpha Quant has an affiliated broker-dealer, Resolute Investment Distributors, Inc. (“RID”), which is a limited purpose broker-dealer registered with the Financial Industry Regulatory Authority. RID limits its activities to distribution and marketing of registered investment companies to financial intermediaries and institutional investors and does not perform any securities execution or clearing services. Therefore, Alpha Quant will not use RID as a broker when executing any client transactions.

Alpha Quant receives corporate and operational support from Resolute Investment Services, Inc. (“RIS”) pursuant to an agreement that provides for Alpha Quant to pay RIS a fee for such services. The services include corporate accounting, human resources, information technology, marketing, legal counsel and compliance.

The Dual Officers and those employees of RIS who have access to Alpha Quant’s non-public information regarding clients’ account activity or holdings are subject to Alpha Quant’s Code of Ethics and certain other policies and procedures designed to protect clients from potential conflicts of interest. Please see Item 11 for a description of the Code of Ethics.

Alpha Quant’s parent company, affiliates or employees may from time to time invest in an Alpha Quant strategy. Such investments may be made on a fee-waived basis.

American Beacon Advisors, Inc. (“AmBeacon”) is an investment adviser under common control with Alpha Quant that sponsors and manages a family of mutual funds. Alpha Quant sub-advises four mutual funds for AmBeacon, each in the same or a similar strategy as Alpha Quant’s other clients.

Alpha Quant has an incentive to direct its clients’ investments to the funds sponsored or managed by its affiliates to generate fees for its affiliates and to the funds sub-advised by Alpha Quant to generate fees for itself. As discussed in Item 8, Alpha Quant will typically invest client accounts in a fund or funds sub-advised by Alpha Quant when such accounts fall below a strategy minimum. Alpha Quant may also equitize a client’s cash balance in the Alpha Quant fund corresponding to the client’s strategy. Investments in the Alpha Quant fund provides the benefit of full investment in the applicable strategy with reduced transaction costs. When Alpha Quant invests client accounts in an

Alpha Quant fund, Alpha Quant will not charge its management fee on the amount invested to avoid duplication of its management fee through the fund. Apart from such investments in Alpha Quant's funds, Alpha Quant will not invest clients in the funds managed by its affiliates. Certain affiliated investment advisers are also commodity pool operators, and Alpha Quant will not invest client accounts in the affiliated commodity pools.

Pursuant to a solicitation agreement, Alpha Quant may pay AmBeacon referral fees for each solicited client that enters and maintains a contractual intermediary relationship or that remains a client of Alpha Quant. Please see Item 14 for more information on the compensation arrangements related to client referrals.

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

### Code of Ethics

Alpha Quant has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 of the Advisers Act. Alpha Quant has designed the Code to inform the firm's directors, officers and employees under the supervision and control of Alpha Quant ("Supervised Persons") of their duty to place client interests above their own personal interests. In addition to Alpha Quant's directors, officers and employees, those officers and employees of RIS who have access to non-public portfolio information regarding Alpha Quant's client accounts are considered Access Persons under the Code. The Code addresses potential conflicts of interest generally and specifically in four main areas: 1) personal securities trading, 2) receipt and provision of gifts and entertainment involving parties associated with Alpha Quant, 3) investment personnel serving as directors of publicly-traded companies, and 4) political contributions.

The Code significantly restricts the personal trading of Access Persons. Except in limited circumstances, the Code requires that Access Persons obtain pre-approval of their personal securities trades from Alpha Quant's Chief Compliance Officer. In determining whether to approve an Access Person's trade request, the Chief Compliance Officer considers the significance of the requested trade, the quantitative model's trade recommendations and trade activity in the security on behalf of client accounts. Significant trades by an Access Person at or near the same time that Alpha Quant is rebalancing and trading in the client portfolios could adversely affect the price that the client account obtains on the transaction. As such, the Code generally prohibits Access Persons from purchasing or selling a security that is in the firm's investable universe within a specified time period around the rebalancing of client accounts.

The Code also requires that Access Persons comply with Alpha Quant's policy on the use of material non-public information, which is intended to prevent the use of such information for personal or client benefit. Certain other prohibitions in the Code apply to Access Persons with the intent of preventing or mitigating potential conflicts between their personal interests and those of client accounts. For example, the following activities are generally prohibited: portfolio managers recognizing a profit on the purchase and sale (or sale and purchase) of the same (or equivalent) security within sixty calendar days; portfolio managers trading a security that is a significant position in a client account under their management; and portfolio managers investing in initial public offerings.

All Access Persons must report their personal securities trades and holdings on a regular basis. The Chief Compliance Officer reviews the reports for compliance with the Code. All Access Persons are required to report any violation of the Code of which they are aware to the Chief Compliance Officer. The Code provides for an executive officer, in consultation with the Chief Compliance Officer, to determine appropriate sanctions for violations, up to and including termination of employment.

Alpha Quant provides the Code to each Supervised Person upon hire and annually, at which time Supervised Persons certify in writing that they agree to comply with the Code. Alpha Quant will provide a copy of the Code to any client or prospective client upon request.

#### Participation or Interest in Client Transactions

Alpha Quant may manage accounts for its affiliates, directors, officers and employees. These accounts may or may not be required to pay advisory fees to Alpha Quant. Whether fee-paying or not, all such accounts are considered proprietary accounts. Alpha Quant may have an incentive to favor proprietary accounts over other client accounts. Alpha Quant may also have an incentive to disproportionately allocate partially-filled orders to proprietary accounts.

All changes to the model portfolios must be documented prior to the implementation of the change to ensure that it is applied appropriately across accounts in the same strategy. The Company implements a trade aggregation policy that requires proprietary accounts to be traded alongside other discretionary client accounts. All trades on proprietary accounts shall be aggregated with client trades (to the extent permitted by clients) and allocated in accordance with the Company's trade allocation procedure. The CCO shall analyze partially-filled trade orders to ensure that the allocation method was fair and equitable.

Alpha Quant personnel may be invested personally in mutual funds managed by Alpha Quant. As a result, they may benefit like all investors from the added stability and positive effects that result from new asset inflows and investor interest when Alpha Quant invests its clients in those vehicles.

## **Item 12 – Brokerage Practices**

#### Selection of Brokers and Dealers; Best Execution

Alpha Quant has discretion to select brokerage firms for security transactions in the direct and sub-advised accounts. Alpha Quant recognizes its fiduciary duty to seek best execution of clients' transactions. Best execution is defined by the SEC as the "execution of transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an adviser should consider the full range and quality of a broker-dealer's services, including execution capability, commission rate, financial responsibility and responsiveness, among other things.

Alpha Quant has selected a third-party broker-dealer to act as agent for the execution of client trades. Alpha Quant negotiates the brokerage commission rates on behalf of direct clients, while the primary adviser may separately negotiate commission rates for accounts that Alpha Quant sub-advises. Each

client incurs standard transaction costs associated with acquiring and selling securities, including brokerage commissions and exchange fees.

Certain clients (direct and sub-advised) maintain their accounts on a broker-dealer platform and subscribe to the broker-dealer's brokerage and custody services. Under such arrangements, the broker-dealer may charge the client a fee when a trade is executed at another broker-dealer. This fee would be charged to the client in addition to the brokerage commission charged to the client for the trade, and Alpha Quant has no ability to negotiate the amount of the fee. In discharging its duty of best execution in placing orders for such clients, Alpha Quant considers the potential additional cost incurred by these clients and will generally direct such client trades to the custodial broker-dealer.

Alpha Quant's management team periodically reviews brokerage execution reports in order to evaluate the quality of the broker-dealers' services.

#### Research and Other Soft Dollar Benefits

Alpha Quant does not have any soft dollar arrangements, but Alpha Quant's trades on behalf of a sub-advised client may generate soft dollar benefits for the primary adviser. However, Alpha Quant does not accept direction from the primary adviser to place their trades based upon soft dollars. Alpha Quant does not have any clients that restrict its discretion to select brokers, although clients may maintain their accounts on a broker-dealer platform that charges additional fees when trades are executed with a different broker-dealer.

#### Order Aggregation

Alpha Quant has adopted a trade aggregation policy designed to ensure fair treatment of clients when two or more client accounts participate simultaneously in a purchase or sale of the same security.

Aggregation of orders may result in lower commissions, a more favorable net price, and/or more efficient execution than if each client's order was placed separately. However, there may be instances in which order aggregation results in a less favorable transaction than might have been obtained for a client by trading separately. Moreover, when orders are not aggregated, there may be circumstances when purchases or sales of portfolio securities for one or more clients will have an adverse effect on other clients.

Alpha Quant permits trade aggregation only if the portfolio manager determines, on an individual basis that the securities order is:

- in the best interests of each client participating in the order;
- consistent with the Company's duty to obtain best execution; and
- consistent with the terms of the investment management agreement of each participating client.

Account transactions typically occur in connection with the periodic rebalance of client accounts to the applicable model portfolio, although trades resulting from cash flows may occur on any day. The aggregation of trade orders across all accounts and across all strategies is constrained by the ability of Alpha Quant to rebalance all the strategies at the same time. In performing the periodic rebalance, Alpha Quant will first rebalance the strategies that it believes to have the most number of overlapping

securities. The trade orders that are generated at the same time for the same security across accounts and strategies will be aggregated for transmission to the applicable broker-dealer. The trade orders for strategies with a limited number of overlapping securities are generated separately for each account later in the day or the next day and therefore will be released to the applicable broker-dealer for execution after the other strategies. Also, the broker-dealers may elect to break up aggregated trade orders transmitted by Alpha Quant, which could result in clients receiving different prices on trade executions.

Alpha Quant's ability to aggregate trade orders across all accounts will also be limited by Alpha Quant's judgment to direct client trades to the client's broker-dealer custodian, which will prevent those trades from aggregating with trades directed to other broker-dealers.

Alpha Quant aggregates purchases and sales of the same security separately rather than netting them. To avoid potential conflicts between accounts purchasing and selling, the trade blocks for the purchase and sale orders are released to the broker at the same time.

To the extent feasible, newly opened client accounts or an existing client with an investment strategy change will be rebalanced alongside other clients in the same strategy, subject to the portfolio managers' consideration of the degree of changes to the strategy, type of funding, client liquidation instructions or other matters. Otherwise, Alpha Quant will generate trades for those portfolios separately from the rebalancing trades.

When orders are aggregated, transaction costs will be shared pro rata based upon each account's participation in the transaction. Proprietary accounts will be traded alongside other client accounts and thus may be included in aggregated trades, on the same terms as other accounts. However, each directed brokerage and broker-dealer platform client receives a negotiated fixed commission fee per trade. Each account that participated in the aggregated order will receive the weighted average share price for all transactions effected in a particular security.

If Alpha Quant is unable to acquire sufficient quantity of a security to fill the trade, the quantity obtained will be allocated among the participating client accounts using a pro-rata allocation based upon the size of the intended trade. If the portfolio manager deems that pro-rata allocation would not be fair and reasonable to all of the accounts that are involved in the order, he/she may determine to allocate other than pro-rata. Any exception to the pro-rata allocation policy is to be promptly reported to the Chief Compliance Officer.

#### Trade Rotation

As described above, Alpha Quant may trade the same security on the same day across multiple client accounts. In addition, Alpha Quant provides its model portfolios to other investment advisers that conduct their own trades. Alpha Quant shall rotate its purchase and sale of securities on behalf of client accounts with the delivery of model portfolios to provide for fair and equitable treatment.

Client orders that Alpha Quant directs to its third-party broker-dealer are grouped together. Clients that execute through other broker-dealers, such as for model delivery, directed brokerage and broker-dealer platforms, are in a second group. Each group is rotated with respect to trading order for each set of model recommendations (typically quarterly). Within the directed brokerage and model



portfolio group, each broker-dealer and model portfolio recipient is sequentially rotated, such that the relationship trading first one period is moved to last place for the next set of model recommendations, and each client following is moved up a place in the rotation. New clients will be added to the end of the rotation list and move up a place each model recommendation period. Alpha Quant will not wait for the broker-dealer or model portfolio recipient to complete their trading before moving on in the rotation.

The portfolio managers are permitted to deviate from the rotation policy when he/she believes that the trade rotation is not in the client's best interest, such as when executing trades at year end will impact tax sensitive accounts. Any deviation from the rotation policy will be documented on the trade rotation log.

#### Directed Brokerage

Alpha Quant permits a client to direct that the client's trades be placed with a particular broker-dealer(s). In the event such direction occurs, Alpha Quant may not be able to aggregate the transactions with the transactions effected for other accounts, and the directed brokerage account may execute at prices less favorable than other clients. Alpha Quant may also have limited capability to negotiate brokerage commissions, so the client may pay higher brokerage commissions than other clients. As a result, directed brokerage accounts may not generate returns equal to other client accounts. Directed brokerage accounts will be subject to Alpha Quant's trade rotation policy described above.

#### Principal and Agency Cross Transactions

Alpha does not engage in principal or agency cross transactions. Alpha Quant's affiliated broker-dealer does not execute securities transactions.

### **Item 13 – Review of Accounts**

The portfolio managers are primarily responsible for ensuring that client portfolios adhere to Alpha Quant's strategy as well as any client-imposed investment restrictions. Prior to transmitting trade orders for execution, a portfolio manager confirms that trades recommended by the model are appropriate on an account-by-account basis. If any model-recommended trades are deemed inappropriate for an account, the portfolio manager removes that account from the trade and documents the reason.

Alpha Quant has implemented investment guideline monitoring using a third-party application. To the extent applicable, investment guidelines are coded into the portfolio management system for testing on both a pre-trade and post-trade basis. After trades are executed, a portfolio manager performs a review of each account to ensure that portfolio weights are in line with the target weights. The Compliance Department also reviews post-trade reports. If a guideline violation is identified, the Compliance Department works with the portfolio managers to resolve and document the exception and to communicate it to the affected client.

On a periodic basis, the portfolio managers conduct performance dispersion review among accounts in the same strategy.

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

Alpha Quant has engaged an affiliated investment adviser to solicit and refer financial intermediaries and other clients who desire to utilize the advisory services provided by Alpha Quant. Pursuant to the solicitation agreement, Alpha Quant will pay its affiliate a percentage of all investment advisory fees Alpha Quant receives from the solicited client. Alpha Quant will continue to pay its affiliate for so long as the solicited client either maintains a contractual intermediary relationship with Alpha Quant or remains a client.

Alpha Quant, its directors, officers and employees are permitted to receive gifts of nominal value, books, occasional meals or entertainment, or reimbursement or subsidies in connection with attendance at conferences sponsored by consultants, investment managers or vendors. Alpha Quant has implemented policies and procedures intended to monitor for conflicts of interest that may arise as a result of receipt of these items. Such policies include limits on employees' receipt of gifts and business entertainment from parties that do business, or that seek to do business, with Alpha Quant.

## **Item 15 – Custody**

Certain clients have provided Alpha Quant the authority to deduct advisory fees directly from the client's custodian account. This ability to deduct fees causes Alpha Quant to exercise limited custody over the client's funds or securities. Alpha Quant does not have physical custody of any of the client's funds or securities which are held by the client's qualified custodian. Clients will receive account statements from the qualified custodian at least quarterly. Such account statements will indicate the amount of advisory fees deducted from the account in each billing period. Clients should carefully review account statements for accuracy and compare any statement received from Alpha Quant to the custodial account statement.

## **Item 16 – Investment Discretion**

Alpha Quant accepts investment discretion to manage accounts on behalf of its clients. Alpha Quant's authority typically appears in the investment management agreement it executes with the client. Although Alpha Quant manages client accounts in accordance with model portfolio strategies, each client is permitted to limit Alpha Quant's authority by instructing Alpha Quant to implement investment restrictions on the client's account.

## **Item 17 – Voting Client Securities**

Alpha Quant is responsible for voting proxies with respect to securities held in client accounts for those clients who have explicitly delegated their proxy voting authority to Alpha Quant under an active investment management agreement.

Alpha Quant has adopted the U.S. proxy voting guidelines of an independent third-party proxy advisor for all domestic proxy issues. The same proxy advisor has also been engaged to administer Alpha Quant's proxy voting. Alpha Quant has directed the proxy advisor to follow the voting

guidelines and apply them to each applicable proxy proposal or matter that seeks shareholder vote. To the extent that the proxy advisor voting guidelines do not address a proxy proposal, such proposal will be referred to Alpha Quant's Management Committee. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management and maintain or increase the rights of shareholders. Proxy votes generally will be cast against proposals having the opposite effect. However, Alpha Quant will consider both sides of each proxy issue.

Conflicts of interest may arise during the voting process when the best interest of a client conflicts with Alpha Quant's interest. For example, if a proxy issuer is a client of Alpha Quant, Alpha Quant may have an incentive to vote in the proxy issuer's favor to the detriment of its other clients. Alpha Quant does not currently have any public companies as clients but the CCO shall identify any such clients at account opening and monitor for potential proxy voting conflicts.

When Alpha Quant invests its clients in funds sponsored or managed by Alpha Quant or its affiliates and Alpha Quant has proxy voting authority, Alpha Quant may be conflicted with the client's interests. Alpha Quant will vote the proxy in accordance with the fund's board of directors' recommendation.

A conflict of interest may also arise if the portfolio manager has a personal relationship with the proxy issuer or some other relationship that would conflict the proxy voting decision. To mitigate the potential for such a conflict, Alpha Quant does not permit its portfolio managers to serve on the board of directors of public companies.

If Alpha Quant determines that a material conflict of interest exists, the following procedures shall be followed:

- Alpha Quant may rely on the independent proxy voting service's recommendation.
- Alpha Quant may disclose the existence and nature of the conflict to the client and seek directions from the client on how to vote.
- Alpha Quant may abstain from voting, particularly if there are conflicting client interests (for example, where client accounts hold different securities in a competitive merger situation).

A copy of Alpha Quant's proxy voting policies and procedures is available upon request using the contact information located on the first page of this Brochure. A client may also contact Alpha Quant to receive a detailed record of any proxies voted on its behalf.

## **Item 18 – Financial Information**

Alpha Quant does not require or solicit prepayment of fees by any client six months or more in advance. This item requires an adviser to make certain disclosures that are not applicable to Alpha Quant, because it has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and it has not been the subject of a bankruptcy petition at any time since its inception.