



Form ADV Part 2A: Firm Brochure

X-Square Capital, LLC

Suite 803, Centro Internacional de Mercadeo II

90 Carr 165

Guaynabo, PR 00968

www.xsquarecapital.com

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This brochure provides information about the qualifications and business practices of X-Square Capital, LLC (“X-Square”). If you have any questions about the contents of this brochure, please contact us at (787) 282-1621 or info@xsquarecapital.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.

X-Square is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide information you should use to decide if you will hire or retain the Adviser. Additional information about X-Square also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

N/A

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Item 4 – Advisory Business

Overview of the Firm

X-Square Capital, LLC (“X-Square” or the “Firm”) was founded in January 2013. The Firm is entirely owned by Mr. Ignacio Canto and has its principal place of business located in Guaynabo, Puerto Rico.

Investment Services

X-Square provides investment advisory services for individual and institutional clients through separately managed accounts. X-Square also provides advisory services to the X2 Alternative Dividend Alpha Fund, Inc., X2 Opportunistic Debt Fund, LLC, the X-Square Balanced Fund, LLC, and the X-Square Series Trust (the “Funds”). The separately managed accounts (described further below) and the Funds are X-Square’s “clients.” Investors in the Funds are not X-Square’s clients. The X2 Alternative Dividend Alpha Fund, Inc. is an investment company organized under the laws of Puerto Rico and is not registered as an investment company under the Investment Company Act of 1940. The X2 Opportunistic Debt Fund, LLC is a Private Fund organized under the laws of Delaware. The X-Square Balanced Fund, LLC is an investment company organized under the laws of Puerto Rico and is registered as an investment company under the Investment Company Act of 1940. The X-Square Series Trust is a Delaware Statutory Trust organized under the laws of Delaware to conduct, operate and carry on the business of an investment company registered under the 1940 Act through one or more Series (including exchange-traded funds) investing primarily in securities.

The services available for separately managed accounts generally include an analysis of a client’s overall financial condition and investment needs; an analysis of net worth, asset distribution, asset growth and cash flow; estate, education, retirement, and other pertinent situations; asset allocation strategies; investment portfolio valuation and planning.

In certain circumstances, X-Square may be retained as a sub-adviser to another registered investment adviser. In such situations, the client’s other professional advisers often play an integral role in the services provided.

With regards to investments in the X2 Alternative Dividend Alpha Fund, investors must purchase shares through the Fund’s distributors, which are registered broker-dealers. In such situations, the investors’ other professional advisers often play an integral role in the determining the suitability of the Fund given the investors’ profile.

Managed Account Program

X-Square offers investment advice to clients through our managed account program. These programs are offered directly by X-Square or through an intermediary in cases where X-Square acts as a sub-adviser to the account. If an investment adviser selects X-Square as a sub-adviser, X-Square receives a portion of the fee charged by the adviser.

In this program, the X-Square will assist the client in determining the appropriate allocation of the client's account among different asset classes, and will directly manage the investment portfolio selected for the client, on a discretionary or non-discretionary basis, as selected by the client.

Investments in this program are not limited to any specific product or service offered by any one issuer, broker-dealer or company, and may include mutual funds, individual exchange-listed securities or securities traded over-the-counter, foreign issuer securities, corporate debt securities, commercial paper, certificates of deposit, municipal and U.S. government securities, and other securities individually approved by X-Square. If appropriate for the client, the account may include the use of options and other financial derivatives. The assets selected for the account will be determined by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

To ensure that the initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, X-Square will:

1. At least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
2. Be reasonably available to consult with the client; and
3. Maintain client suitability information, in the form of an Investment Policy Statement ("IPS") in each client's file.

Assets under Management

As of December 31, 2023, X-Square had \$317,285,828 in discretionary regulatory assets under management. Furthermore, X-Square had \$106,350,222 in non-discretionary regulatory assets under management as of the same date. Discretionary assets are those over which we have full authority to make investment decisions.

Item 5 – Fees and Compensation

Billing Practices

X-Square deducts or bills clients on either a monthly or quarterly basis, depending on the agreement entered into with the client. Depending on X-Square's role (e.g., Adviser, sub-adviser, etc.), we deduct or bill in arrears or in advance and the fee calculation may be based on average weekly net asset values, average monthly net asset values, or beginning of period or end of period

net asset value. All fees and account minimums are non-negotiable and may be different depending on an account's trading volume, size, and/or strategy. With the exception of the Funds and certain separately managed accounts, some clients are invoiced for advisory fees.

Managed Accounts

X-Square's annual fee schedule for separately managed accounts, both when it functions as an adviser or as a sub-adviser, is generally within the range of 1.00% to 2.00%.

The Funds

X-Square is the investment adviser to the X2 Alternative Dividend Alpha Fund, an open-end Puerto Rico investment company whose investment objective is to provide investors with a high level of current income. Investors pay certain fees and expenses if they buy and hold shares of the Funds, which include:

- An investment advisory fee, payable monthly, calculated at an annual rate equal to 1.50% of the Fund's average weekly net assets (which equals total assets minus borrowings and other leverage);
- An incentive fee, payable annually, equal to 20% of the total annual return to shareholders (if certain total return thresholds are met), including dividends and capital appreciation (which may be paid in cash or shares of the Fund, at the option of the Investment Adviser);
- An upfront management fee equal to 0.25% of the aggregate purchase price of shares issued by the Fund.
- A marketing and distribution fee, payable monthly, calculated at an annual rate equal to 0.50% of the Fund's average weekly net assets; and
- Other expenses which are estimated to be approximately 0.10% of the Fund's average weekly net assets.

The Fund also has an upfront placement agency fee equal to 4.00% for purchases of less than \$3 million and 2.50% for purchases of \$3mm or more. These fees only apply for new purchases of shares and are not levied on dividends which are automatically reinvested at the investor's option.

The Fund uses leverage and invests in marketable securities which may overlap with X-Square managed account holdings. The Fund's Private Placement Memorandum ("PPM") details all fees.

X-Square serves also as the investment adviser to the X2 Opportunistic Debt Fund, LLC, a Private Fund whose investment objective is to generate capital appreciation through investment in liquid Puerto Rico public debt and public equities to build a portfolio that leverages Puerto Rico-specific intricacies in order to opportunistically invest across the issuer spectrum. The strategy is initially focused on capitalizing on opportunities surrounding upcoming debt negotiations, fiscal and structural reforms, and subsequent economic growth. As such, the strategy is designed around a 3-year investment time horizon. Investors pay certain fees and expenses if

they buy and hold shares of the Fund. These fees and expenses are available upon request in the Funds' corresponding Investment Management Agreement and Private Placement Memorandum.

X-Square serves also as the investment adviser to the X-Square Balanced Fund, LLC which investment objective is the conservation of capital, current income and long-term growth of capital and income. The Fund uses a balanced approach to invest in a broad range of securities, including common stocks and investment-grade bonds. As compensation for advisory services to the Fund, the Adviser is entitled to an advisory fee of 1.00% of the average daily net assets of the Fund.

X-Square serves also as the investment adviser to the X-Square Series Trust (X-Square Municipal Income ETF) seeks to provide income exempt from federal income tax by investing in a non-diversified portfolio of U.S. dollar-denominated municipal securities issued by Puerto Rico, Guam and the U.S. Virgin Islands. As compensation for advisory services to the Fund, the Adviser is entitled to an advisory fee of 0.65% of the average daily net assets of the Fund.

Other Fees and Expenses

Clients may pay other expenses besides advisory fees paid to X-Square. For example, clients may pay brokerage commissions, transaction costs, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, ticket charges, and other fees and taxes which are unrelated to and in addition to the fees paid to X-Square. Mutual funds and exchange-traded funds also charge internal management fees, which are detailed in the prospectus. Such charges, fees and commissions are exclusive of and in addition to X-Square's advisory fee. Please refer to Item 12 – Brokerage Practices for further information on X-Square's brokerage practices.

Termination of Accounts and Redemptions from the Funds

Separately managed account clients may close their accounts orally or in writing at any time without penalty. However, X-Square requests that clients give X-Square written notice of at least 30 days in advance. Final client fees will be prorated through the termination date and refunds will be issued for any fees paid in advance.

X2 Alternative Dividend Alpha Fund, Inc.

Redemptions from the X2 Alternative Dividend Alpha Fund, Inc. made less than one year after the purchase of the redeemed shares are subject to a redemption fee equal to 5% of the proceeds of the redemption. Redemptions must be notified to the Fund's administrator with at least 10 business day notice.

X2 Opportunistic Debt Fund, LLC

A Member may generally withdraw all or any part of the balance of any Capital Account relating to such Member's Interest as of the end of any calendar quarter or on such other day as the Manager may determine from time to time (each a "Withdrawal Date"), upon not less than sixty-five (65) calendar days' prior written notice to the Administrator and the Manager, provided that such Capital Account has been in existence for at least one (1) year as of the Withdrawal Date. If a Member requests a withdrawal from a Capital Account that has not been in existence for at least one (1) year as of the Withdrawal Date, the Manager will charge a withdrawal fee equal to three percent (3%) of the withdrawal proceeds (payable to the Fund) (the "Withdrawal Fee").

X-Square Balanced Fund, LLC

Investors may redeem (sell) shares through a broker, dealer or other financial intermediary that has entered into an agreement with the Fund's distributor. Investors may normally redeem (sell) shares on any Business Day that the New York Stock Exchange is open and the Fund receives such redemption request in good order by mail or telephone.

X-Square Series Trust

Investors may redeem (sell) shares through a broker, dealer or other financial intermediary that has entered into an agreement with the Fund's distributor. Investors may normally redeem (sell) shares on any Business Day that the New York Stock Exchange is open and the Fund receives such redemption request in good order by mail or telephone.

Additional Compensation

X-Square and its employees do not accept compensation, including sales charges or service fees, for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

As noted above, however, investors in the Fund pay an upfront management fee equal to 0.25% of the aggregate purchase price of shares issued by the Fund.

Other

Clients have the option to purchase investment products that X-Square recommends or holds in client accounts through other brokers or agents that are not affiliated with X-Square.

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

Performance-Based Fees

X-Square charges a performance based fee in its role as investment adviser to the Funds.

X2 Alternative Dividend Alpha Fund, Inc.

The Firm's performance-based fee for the X2 Alternative Dividend Alpha Fund, Inc. is equal to 20% of the total return of the Fund if the hurdle rate, the average three-month Treasury Bill rate during the measurement period, is surpassed during the period.

X2 Opportunistic Debt Fund, LLC

As of the end of each calendar year and as of any date on which a Member receives a withdrawal or distribution from a Capital Account (a "Calculation Date"), the X2 Opportunistic Debt Fund, LLC ordinarily will debit from each Capital Account a special allocation of profits (the "Incentive Allocation") in an amount equal to a percentage of the "Net New Profit" in each Capital Account as of the Calculation Date. The Manager and the Investment Adviser will each share in the Incentive Allocation.

The Incentive Allocation percentage for Capital Accounts corresponding to Founders' Class Interests is fifteen percent (15%).

The Incentive Allocation percentage for Capital Accounts corresponding to Class A Interests will be twenty percent (20%).

Detailed information in regards to the performance fee is available upon request in the Fund's Investment Management Agreement and Private Placement Memorandum.

Some separately managed accounts are also charged performance based fees, in addition to the asset-based fees previously explained in Item 5, if they are qualified clients, as described in the Investment Advisers Act of 1940 ("Advisers Act") and the rules thereunder. Such fees are negotiated on a case-by-case basis and are documented in writing.

Performance-based fee arrangements create a potential conflict of interest by incentivizing X-Square to recommend investments which may be riskier or more speculative than those recommended under traditional fee arrangements. Performance-based fee arrangements may also incentivize us to favor account which include performance-based fees over other accounts when allocating investment opportunities. We adhere to the Firm's Code of Ethics and Regulatory Compliance Manual to ensure that all clients are treated fairly, and to prevent fee-related conflicts from influencing the allocation of investment opportunities among clients.

Side-By-Side Management

Our trade policy is designed to ensure that client accounts are treated equitably under all circumstances. We do not favor any clients or subsets of clients when we engage in side-by-side trading of managed accounts, performance-based fee accounts, and the Funds. However, X-Square faces a conflict of interest by managing accounts that do and that do not pay performance fees because it has an incentive to favor accounts for which X-Square receives a performance fee. To mitigate against this conflict, more than one Portfolio Manager reviews clients' performance at least quarterly to seek to ensure that there are no unreasonable deviations in performance returns among client accounts, given their distinct investment objectives.

Item 7 – Types of Clients

X-Square provides, or may provide, investment advisory services to the following types of clients:

- Individuals (Other than high net worth)
- High net worth individuals
- Investment companies that are not registered under the Investment Company Act
- Registered Investment Company
- Corporations and Partnerships
- Pooled investment vehicles, such as hedge funds
- Pension and profit sharing plans
- Charitable organizations
- State and municipal government entities
- Insurance companies

We impose a minimum amount of assets to be initially invested in the separately managed account program of \$50,000. This minimum amount may be waived on a case-by-case basis. Investments in the X2 Alternative Dividend Alpha Fund, Inc. may be made in an initial amount of \$25,000. Investments in the X2 Opportunistic Debt Fund, LLC may be made in an initial amount of \$1,000,000. Investments in the X-Square Balanced Fund may be made in an initial amount of \$5,000.

The Funds

Please refer to the Funds' corresponding Private Placement Memorandum (PPM) for information about the investor requirements regarding requirements for investing in the Funds.

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

Investment Strategy and Analysis

X-Square uses fundamental analysis to employ an opportunistic investment philosophy. We believe that attractive risk reward opportunities in the markets are obtained through diversified portfolios. X-Square invests in securities we believe to be undervalued or that provide

risk/reward profiles which are suitable for the investment strategies developed for our clients. Our investment philosophy is consistent with modern behavioral finance research. We believe this approach provides attractive risk/reward opportunities for our clients. Our disciplined fundamental investment philosophy and process are applied to all client portfolios.

In our investment process, we may employ, among others, any or all of the following:

- [Fundamental Analysis](#): We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition of the issuer) to determine if the security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.
- [Technical Analysis](#): We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.
- [Cyclical Analysis](#): In this type of technical analysis, we measure the movements of a particular security against the overall market in an attempt to predict the price movement of the security.
- [Quantitative Analysis](#): We use mathematical models in an attempt to obtain more accurate measurements of a security's quantifiable data and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.
- [Qualitative Analysis](#): We subjectively evaluate non-quantifiable factors and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgment may prove incorrect.
- [Asset Allocation](#): Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Risk of Loss

Investing in the capital markets involves risk, which includes the possibility that your account could go down in value. Financial markets fluctuate substantially over time with changes in the

economy and demand for particular products or services.

Investing involves risk; principal loss is possible. Clients and investors will pay fees and expenses, even when investment returns are flat or negative. Clients and investors cannot directly influence the securities bought and sold, or the timing of transactions which may result in undesirable tax consequences.

Derivatives, which include futures and options, may be more volatile than direct investments in the underlying securities, involve added costs, and may only require a small initial investment relative to the risk assumed (i.e., leverage). Also, the value of a futures or options contract may not demonstrate the expected correlation to the underlying security, index, or securities markets in general. Certain X-Square advisory services involve derivatives trading.

With respect to the Funds, the Funds have a limited operating history; liquidity restrictions and restrictions on the transfers of interest; a redemption fee in certain circumstances; is subject to management risk; may use a high level of leverage; and may incur risks relating to the use of hedging strategies, swaps, and other transactions with counterparties.

The value of fixed income securities such as those in which clients invest generally can be expected to fall when interest rates rise and to rise when interest rates fall. Debt securities or preferred stock in client accounts could decline in price or fail to make dividend or interest payments when due because the issuer of the security experiences a decline in its financial condition; this risk is greater in the case of securities that are rated below investment grade. Investments in preferred stock present certain special risks. For example, the issuers of preferred stock are not legally required to pay dividends when scheduled. The yield on fixed income securities depends on a variety of factors, including general market conditions. Political or regulatory developments could adversely affect the tax status of dividends and interest paid on clients' securities.

Depending on a client's specific investment needs and restrictions, clients may experience geographic concentration risk and non-diversification risks. Other risks include those related to investments in repurchase and reverse repurchase agreements; municipal obligations; mortgage-backed securities; CMO securities; asset-backed securities; illiquid securities; securities lending; emerging or foreign markets; foreign currencies; sovereign debt; and credit default swaps. There may also be risks associated with X-Square's valuation of certain securities, if prices for those securities are not readily available from third-party sources.

Minimizing Risk of Loss

We believe the professional and disciplined execution of our investment philosophy will generate sustainable investment returns for X-Square client accounts. However, the cumulative effect of company specific risk and systemic risk of a domestic and/or global nature clearly imply that no investment is guaranteed. X-Square clients placing funds in our separately managed accounts and investors placing assets in the Funds, do so with the full knowledge that loss of

principal is a real risk.

Item 9 – Disciplinary Information

Registered investment advisers must disclose all material facts about any legal or disciplinary events that would be material to evaluation of X-Square or the integrity of the Firm's management. X-Square does not have any legal, financial or other "disciplinary" item to report.

Item 10 – Other Financial Industry Activities and Affiliations

Investment Company

As noted in Item 4 – Advisory Business, X-Square is the investment adviser to the Funds. X-Square does not believe these advisory services create material conflicts of interest between the Firm and its other clients. We follow written policies and procedures to ensure that all clients are treated fairly, regardless of the investment strategy and fee schedule associated with the account. Mr. Canto serves as the sole member of the Board of Directors for the X2 Alternative Dividend Alpha Fund, Inc. This gives Mr. Canto direct or indirect access to the Fund's assets and the ability to act on behalf of the Fund. To mitigate this potential conflict of interest, X-Square's portfolio managers review the Fund's financial activities, including capital inflows and outflows, at least monthly. In addition, the Fund is a subject to an annual financial audit.

Sub-Advisory Agreements

As noted in Item 4 above, X-Square serves as a sub-adviser. X-Square currently has a sub-advisory agreement with Select Advisory Group, Inc., a registered investment adviser with the state of Puerto Rico. Clients advised by X-Square under this agreement are subject to the same treatment and procedures as X-Square's other clients and follow the same strict written policies and procedures to ensure that all clients are treated fairly, regardless of the investment strategy and fee schedule associated with the account. X-Square is not affiliated with this investment adviser.

Item 11 – Code of Ethics

We value client trust and place our fiduciary responsibilities to each client first and foremost in all aspects of our business. X-Square has adopted both a Code of Ethics and Regulatory Compliance Manual which outlines our goal to achieve a high standard of business conduct, and reinforces each employee's role in discharging the firm's fiduciary duty to clients. For a copy of the Firm's Code of Ethics, contact us at 787-282-1621 or e-mail us at info@xsquarecapital.com.

Third-party broker-dealers or financial advisers may recommend the X2 Alternative Dividend Alpha Fund, Inc. to their clients that may also be separately managed account clients of X-Square. X-Square is not affiliated with any third-party broker-dealers or financial advisers.

Separately managed account clients that are invested in the Fund should understand that X-Square received a management fee from the Fund, and indirectly from investors in the Fund, as well as from separately managed accounts. In addition, Fund investors are subject to their proportional share of the Fund's expenses, which are further described above in Item 5 – Fees and Compensation.

Pursuant to Rule 204A-1 under the Advisers Act, X-Square has adopted a Code of Ethics that is predicated on the principal that X-Square owes a fiduciary duty to clients. Accordingly, employees of X-Square must disclose or avoid activities, interests, and relationships that run contrary (or appear to run contrary) to the best interest of clients. X-Square endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity.

Personal securities transactions by X-Square's employees are subject to the restrictions set forth in the Code of Ethics and Regulatory Compliance Manual. Among other things, employees are prohibited from buying and selling securities that are on the Firm's Restricted List.

Employees may purchase or sell certain securities for their personal accounts that may also be purchased or sold by clients, at or about the same time that they are purchased or sold by clients. These transactions may pose a conflict of interest, for example, if an employee receives a better price than a client or trades in a direction that is opposite than that of a client. To mitigate against these potential conflicts, these transactions are subject to pre-clearance and a ninety-day minimum withholding period.

Item 12 – Brokerage Practices

X-Square, as a fiduciary to its advisory clients, endeavors to seek best execution for client transactions, seeking to obtain not necessarily the lowest commission cost but the best overall qualitative execution. When evaluating best execution, X-Square's considerations include but are not limited to price/yield competitiveness, execution capability and quality, commission rates, market impact, financial responsibility, operational efficiency, responsiveness to X-Square, knowledge of the relevant asset class, sector, and/or specific security in which the Firm is transacting business, and other factors as deemed appropriate.

X-Square does not have any formal soft dollar or commission sharing arrangements. However, certain broker-dealers used by X-Square to execute client transactions provide X-Square with access to the broker-dealers' research or to research created by third parties ("Research"). Using these broker-dealers to execute client trades provides X-Square with a benefit because it does not have to separately pay for access to the Research. X-Square's access to the Research benefits all clients, including clients who may not have executed trades with the broker-dealers providing access to the Research. X-Square does not believe that it "pays-up" for access to the Research. However, X-Square may have an incentive to select broker-dealers based on its interest in receiving access to Research rather than on its clients' interest in receiving the most favorable execution. To mitigate against this potential conflict, X-Square does not consider

access to Research when selecting broker-dealers to execute client transactions. Also, execution is evaluated at least annually by the Best Execution committee. During its last fiscal year, X-Square was provided with access to the following types of products and services, which X-Square considers Research: research reports, economic analyses, commentary, opinions, strategic recommendations, and general trading and market recommendations. X-Square believes that if these products and services were obtained with “soft dollars,” they would fall under the Section 28(e) safe harbor.

In addition, broker-dealers provide X-Square with products or services that benefit X-Square in managing or trading certain, or all, client accounts. For example, a broker-dealer provides X-Square with access to electronic system that facilitates trading for X-Square’s clients. X-Square understands that these products or services are offered to other investment advisers wishing to use the products or services and that the products or services are not correlated with the number of transactions placed by X-Square with a broker-dealer.

X-Square does not recommend, request, require, or permit clients to direct brokerage to a broker-dealer.

X-Square does not consider, in selecting broker-dealers, whether X-Square receives client referrals from a broker-dealer or a third party.

In circumstances where a specific investment is suitable for more than one client, X-Square may choose to aggregate the purchase of the investment and allocate it to more than one client account. When allocating trades, we strive to treat clients fairly and equitably. Portfolio Managers initiate trade allocations in the individual accounts and submit aggregate trade orders by custodian to a broker/dealer to execute the trade.

When Portfolio Managers receive notice from the broker that a trade has been executed, they allocate securities to clients in line with pre-allocated order ticket instructions. If there is a partial order fill, Portfolio Managers allocate securities on a *pro rata* based on the size of the total order and the percent of the order that was filled. Under no circumstance do Related Person accounts receive preferential treatment in the trade allocation process. All accounts participating in a block trade receive the average price and pay a proportional share of any commission, subject to any minimum ticket charge.

Item 13 – Review of Accounts

Account Reviews

Account reviews are performed regularly, at least monthly, by Portfolio Managers. More frequent reviews can be triggered by various factors including portfolio model changes, changes in client investment objectives, account deposits and withdrawals and volatile markets.

Client Reporting

Clients receive account statements from their custodian at least quarterly. These statements should be reviewed carefully as they are the official records for your account. X-Square does not produce regular client reports, but may do so at the client's request. If you request monthly or quarterly reporting from the Firm, we urge you to compare the statements received from your custodian with the reports X-Square sends you each quarter.

At least quarterly, investors in the Funds receive capital statements from the Fund's distributors and investor letters and/or fact sheets from X-Square. Annually, investors receive audited Fund financial statements from the Fund's administrator.

Item 14 – Client Referrals and Other Compensation

Compensation for Client Referrals and Distribution of the Fund

As compensation for the services to be provided by Solicitor hereunder, Investment Manager agrees to pay Solicitor, without limitation as to time, the following fees (collectively "Referral Fees"):

(i) 20% of the management fees on assets under management in connection with amounts invested by investors introduced by Solicitor, which amounts would be otherwise payable to the Investment Manager; and

(ii) 20% of any performance-based incentive compensation attributable to each investor introduced by Solicitor, which amounts would be otherwise payable to the Investment Manager. Referral Fees shall be paid by Investment Manager to Solicitor on or prior to the last business day of the month after the month in which the applicable fees are received by Investment Manager.

Marketing and distribution fees are paid to some professional firms, known as distributors, for their client's investment in the Funds. The following firms, which are both registered broker-dealers, distribute the X2 Alternative Dividend Alpha Fund, Inc. in return for monthly fees based on the amount of assets their clients have invested in the Fund:

- Popular Securities, Inc.
- Oriental Financial Services Corp.

The following firms, which are both registered broker-dealers, distribute the X-Square Balance Fund, LLC in return for sales charges based on the amount of assets their clients have invested in the Fund:

- Oriental Financial Services Corp.
- ALPS Distributors, Inc
- First Southern Securities
- Popular Securities Inc.

Item 15 – Custody

All client assets are maintained with qualified custodians such as banks or registered broker-dealers. However, X-Square may be deemed to have custody of Fund assets because of Mr. Canto's and consequently X-Square's ability to access the Fund's assets, including securities and funds. In this instance, the Fund is subject to an annual audit and audited financial statements are distributed to each investor. Audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Fund's fiscal year end.

X-Square may also be deemed to have custody of separately managed accounts' fund or securities if it chooses to deduct advisory fees directly from the accounts. In these instances, clients receive account statements from their custodian at least quarterly. These statements should be reviewed carefully.

Item 16 – Investment Discretion

Separately Managed Accounts

At the outset of the advisory relationship, X-Square requires separately managed account clients to execute and deliver limited powers of attorney authorizing the Firm to place trades on behalf of the client, in such form as may be required by various brokerage firms, banks, etc. X-Square obtains discretionary investment authority from the client through the execution of an "investment advisory agreement" or an "investment sub-advisory agreement" at the outset of the advisory relationship. Discretion is exercised in a manner consistent with stated investment objectives for the particular client account pursuant to the fiduciary duty and standard of care which we must discharge.

Investment guidelines and restrictions are developed by X-Square and must be approved by clients in writing. Throughout the portfolio management process, X-Square observes the investment policies and limitations imposed by each client.

X-Square has the authority to make discretionary investment decisions. Before investing client funds, X-Square conducts a suitability review to identify client objectives, security restrictions, allowable cash positions, brokerage arrangements, and general risk limitations. X-Square requests updated investment objective information from separately managed accounts at least annually.

Portfolios are well-diversified across industries and markets appropriate to each product. X-Square's Portfolio Managers are responsible for all discretionary investment decisions and for individual portfolio rebalancing and client-initiated events such as new account opening, liquidation, deposits, withdrawals, and tax strategy requests.

The Funds

X-Square provides discretionary investment advisory services to the Funds pursuant to a written investment advisory agreement. Funds' distributors perform the suitability review for accounts which invest in the Fund. Within our Funds, X-Square's authority to trade securities may be limited by certain federal and/or state securities and tax laws and regulations that require diversification of investments.

Item 17 – Voting Client Securities (i.e., Proxy Voting)

X-Square has adopted proxy voting policies and procedures pursuant to Rule 26(4)-6 under the Advisers Act. With respect to the X2 Alternative Dividend Alpha Fund, Inc., X-Square has been delegated by the Fund the authority to vote all proxies and corporate actions for securities held within the Fund's portfolio. Whether X-Square votes proxies for separately managed accounts is determined on a case-by-case basis, after consultation with the client, at the inception of the client relationship.

In instances where X-Square votes proxies for clients, we follow written policies and procedures to ensure that X-Square votes proxies in accordance with SEC rules and in the best interest of clients. Each proxy is evaluated on a case-by-case basis by the investment committee, which consists of the portfolio managers. In upholding our fiduciary obligation to the Fund, we strive to keep all votes free from any inappropriate influences. If the investment committee detects a material conflict of interest, it will consult with an independent third party, a third-party proxy voting service's proxy voting guidelines, or outside counsel. If no material conflict of interest is identified or if the conflict is appropriately addressed, X-Square will seek to vote the proxy in the best interest of the relevant client(s) or X-Square will abstain from voting the proxy if it believes that abstaining is in the best interest of the relevant client(s).

Clients cannot direct X-Square's vote in any particular solicitation. However, a copy of our proxy voting policies and a copy of a client account's voting history may be obtained by contacting us at info@xsquarecapital.com.

Absent specific instructions from a client, the investment committee will determine on a case-by-case basis whether clients will participate in a recovery achieved through a class action. The CCO oversees the completion of Proof of Claim forms and any associated documentation, the submission of such documents to the claim administrator, and the receipt of any recovered monies. The CCO will maintain documentation associated with clients' participation in class actions.

Item 18 – Financial Information

X-Square has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.