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This brochure provides information about the qualifications and business practices of Quantitative Advantage, LLC (QA). If you have any questions about the contents of this brochure, please contact us at 800-397-4002 and/or advisorservice@QAglobal.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about QA also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2

Material Changes

Not applicable

Item 3

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Item 4

Advisory Business

Quantitative Advantage, LLC (QA) was founded in 2000 by John W. Wing and Thomas G. Fox, who are the principal owners of the firm.

QA provides three principal types of advisory services:

- QA provides discretionary investment management services directly to clients
- QA provides model strategies to third party advisors, who use the models to manage client accounts
- QA provides advice regarding the investment alternatives available under employer-sponsored retirement plans

QA provides these services using QA's proprietary research tool, the Global Investment System,SM but does not provide financial planning or any other services. You will find additional information about QA's quantitative investment philosophy in Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss).

As of August 31, 2011, QA managed or advised approximately \$1.3 billion in client assets. Of these assets, QA exercised investment discretion over approximately \$482 million, and provided non-discretionary advisory services to approximately \$862 million in client assets.

Discretionary Investment Management

In most cases, QA makes its services available through third-party investment advisors and broker-dealers (Advisors), including QA Investment Services, LLC, an affiliated investment advisor.

The Advisor will determine whether QA's services are suitable for a client and, if so, assists the client to select a suitable QA investment strategy. In order to make its recommendations, the Advisor will typically require the client to complete an investor questionnaire, profile or similar document. The Advisor will also inquire whether the client wishes to impose any reasonable restrictions on the management of its account. It is the Advisor's responsibility to periodically contact the client to obtain updated information regarding the client's financial and investment needs, goals and objectives and, as appropriate, may recommend changes to the client's investment strategy.

QA's role is to manage the client's account in accordance with the investment strategy the client selects, subject to any reasonable restrictions the client may impose on management of the account. QA will execute and date Client Agreements, and commence trading, as soon as practicable following receipt of all required documentation and information, unless the client instructs QA otherwise in writing.

Upon request, QA will vote proxies solicited by or with respect to the issuers of securities in which assets of the client's account may be invested from time to time.

The client also appoints a custodial broker-dealer to maintain custody of assets in the client's account and to execute securities transactions for the client's account (the Broker-Dealer/Custodian). The Broker-Dealer/Custodian is typically the broker-dealer available to the client through the Advisor's investment advisory platform, although the client may sometimes have the ability to choose from among alternative broker-dealers. In all cases where QA is responsible for trading, QA effects all securities transactions for the client's account with or through the Broker-Dealer/Custodian.

QA's annual management fee for equity, balanced and alternative investment accounts is typically 0.50% of the market value of the assets in the client's account (the Management Fee). However, in some programs QA provides its services for a higher or lower fee. QA generally charges a lower fee for managing fixed income accounts. In general, the Management Fee is not negotiable.

The Advisor will also charge an annual management fee equal to a percentage of the market value of the assets in the client's account (the Advisory Fee). In addition, the Broker-Dealer/Custodian will charge the client brokerage fees or commissions for its services. Typically, the client may choose to pay either an annual brokerage fee equal to a percentage of the market value of the assets in the account which covers all transactions the Broker-Dealer/Custodian effects for the account (the Brokerage Fee), or traditional brokerage commissions on each transaction. Which of these alternatives will be more advantageous to a client will depend on the size of the client's account, the volume of transactions made in the account and the commission rates and other costs charged for each transaction. If applicable, clients are responsible for choosing which brokerage fee alternative (asset-based fee or traditional commissions) their Broker-Dealer/Custodian will charge them. At the time clients open their accounts, the Advisor will upon request provide clients with advice to help them make this choice. If a client requests the Advisor to do so, the Advisor will also advise the client at any time the client wishes to reconsider his or her choice. However, the Advisor will not monitor a client's account to determine whether the client's choice remains most favorable to him or her. In general, no Brokerage Fee or transaction costs will be imposed in accounts where the Investment Strategy is implemented solely with no-load mutual funds or in a variable annuity fund sub-account. The various Advisors and Broker-Dealer/Custodians determine their own charges, so Advisory Fees, Brokerage Fees and commission rates will vary depending on the Advisor and Broker-Dealer/Custodian the client chooses. You will find additional information regarding brokerage in Item 12 (Brokerage Practices).

The Advisory and Management Fees will typically be payable quarterly, in advance, based upon the market value of the assets in the client's account on the last day of the previous quarter. The Advisory and Management Fees for the initial quarter will generally be calculated on a pro rata basis commencing on the day QA first places one or more trades for the account. Advisory and Management Fees for other partial billing periods will be prorated based on the number of days in the calendar quarter the account is open. The client will typically receive a pro rata refund of Advisory and Management Fees if QA's services are terminated during a quarter. The client's Broker-Dealer/Custodian determines when Brokerage Fees are payable. They are generally payable quarterly, either in advance or in arrears.

Typically, clients authorize QA and/or the Advisor to invoice the Broker-Dealer/Custodian for the Advisory and Management Fees, and the Broker-Dealer/Custodian to deduct these fees directly from

the client's account. The Broker-Dealer/Custodian then distributes the Management and Advisory Fees to QA and/or the Advisor. Clients also direct QA and/or the Advisor to instruct the Broker-Dealer/Custodian to send clients a statement, at least quarterly, indicating all amounts disbursed from the client's account, including all Advisory, Management and Brokerage Fees. It is the client's responsibility to verify the accuracy of the calculation of the Advisory, Management and Brokerage Fees.

QA generally implements clients' Investment Strategies by investing the account assets in funds, including ETFs and mutual funds. In addition to Advisory, Management and Brokerage Fees or commissions, clients will also have to pay any sales loads, redemption fees and the like, as well as bear their proportionate share of the management fees and other expenses incurred by the funds. These sales loads, fees and expenses are disclosed in the funds' prospectuses, which the Advisor or QA will provide to clients upon request.

QA makes its services available in various ways, including the Quantitative Advantage Investment Management Program, sub-advisory arrangements with Advisors, Advisor-sponsored wrap programs and, in limited circumstances, directly to clients.

Quantitative Advantage Investment Management Program

QA and the Advisor enter into an Advisor Participation Agreement, and the client enters into agreements with QA, the Advisor and the Broker-Dealer/Custodian.

Sub-Advisory Arrangements

QA and the Advisor enter into a Sub-Advisory Agreement, and the client enters into agreements with the Advisor and the Broker-Dealer/Custodian, but does not typically enter into an agreement with QA. In these arrangements, the Advisor may pay QA's fees out of the fees the Advisor receives from its clients.

Advisor-Sponsored Wrap Programs

QA manages third party wrap program accounts in the same way as any other QA managed accounts. In all cases, QA will receive a portion of the wrap fee for providing these investment management services.

The Advisors sponsoring the programs determine the documents, terms and conditions of the programs, which therefore vary. Clients may obtain information regarding these programs from the Advisor-sponsors.

Direct Clients

QA provides investment management services directly to a limited number of clients, primarily long-standing clients of QA's principals and friends, family and others with special relationships with QA. In these cases, QA also performs the role played by Advisors in its other programs. QA's direct clients typically pay annual investment management fees ranging from 0.50% to 1.50% (although in some cases QA may charge a lower fee), depending on the size, complexity and nature of the account, the inception,

nature and length of the relationship, the services QA provides with respect to the account, and various other relevant considerations.

Model Strategist Programs

In these cases, QA simply provides model investment portfolios to the Advisor sponsoring the program. The Advisor then manages the client's account, including effecting all securities transactions.

Since QA is not responsible for trading, reporting and similar matters in these programs, QA typically charges a lower fee for these services.

The Advisors sponsoring the model strategist programs determine the documents, terms and conditions of the programs, which therefore vary. Clients may obtain information regarding these programs from the Advisor-sponsors.

Employer-Sponsored Retirement Plans

QA also provides investment recommendations, through a Retirement Allocation Program, to participants in employer-sponsored retirement plans regarding the mutual funds available under the plans for a fixed annual fee. Clients are able to select (with the assistance of their Advisor) from a range of Retirement Allocation Program equity and balanced investment strategies, depending on their investment objectives and risk tolerances.

Each client receives notification of their recommended mutual fund purchases and sales at the beginning of each month, depending on their selected strategy. The client is then responsible for implementing the recommended transactions.

In some cases, QA provides confidential advance notification of its recommendations to the sponsors of the mutual funds available as investment alternatives under the plans to facilitate management of the resulting cash flows into and out of the funds. The sponsors of the mutual funds have agreed to keep this information confidential and to use it only for this limited purpose.

Miscellaneous Advisory Services

Variable Annuity Policies

QA also provides its investment management services with respect to variable annuity contracts clients own. In so doing, QA allocates client assets among the various fund sub-accounts available for investment under the contracts.

Some variable annuity contracts require a portion of the client's assets to be held in a fixed account, the amount of which varies depending on various factors, including market conditions. If the insurance company requires assets to be moved into the fixed account, this decreases the amount of assets

available for management by QA, which may adversely affect the performance of the client's account. In general, QA does not charge fees on assets held in the fixed account because QA is not actively managing these assets. However, if the insurance company moves assets to the fixed account during a quarter, the client will pay fees on these assets, as QA charges its fees in advance based on assets under management at the beginning of each quarter.

Variable annuity contract clients will typically not incur any Brokerage Fees or commissions, but will have to pay any sales loads, redemption fees and the like, as well as bear their proportionate share of the management fees and other expenses incurred by the fund sub-accounts in which they invest. These loads, fees and expenses are disclosed in the funds' prospectuses, which QA will provide to the clients upon request.

QA is not accepting any new variable annuity contract clients.

Miscellaneous

In a few instances, QA provides non-discretionary investment advisory services. In addition, QA may occasionally agree to provide other investment consulting services for a fixed fee.

QA at all times seeks to act in a timely manner in response to client instructions, directions and requests. However, the various steps QA needs to take to implement any instruction, direction or request require time, which results in delay before the required action is complete. The length of the lead time varies, depending on the nature of the instruction, direction or request, the volume of other activity QA is required to undertake in the same time frame, and all the circumstances of the particular instance. QA is not responsible for movements in the securities markets or any other development affecting clients or their accounts pending completion of any required actions.

Clients with specific instructions, directions or requests concerning their accounts should contact QA or their Advisor.

Item 5

Fees and Compensation

See Item 4 (Advisory Business)

Item 6

Performance-Based Fees and Side-By-Side Management

Not applicable

Item 7

Types of Clients

QA's clients include individuals, pension and profit sharing plans (including ERISA accounts), trusts, estates, charitable organization and other business entities.

The minimum value of assets required to open a QA managed account depends on how the client accesses QA's services, the type of account and the investment strategy the client chooses.

In the Quantitative Advantage Investment Management Program, QA generally requires a minimum of \$100,000, although some investment strategies may permit a lower minimum account balance. The minimum for sub-advisory accounts is typically \$50,000. In its sole discretion, QA may allow accounts of any type with smaller balances, either systematically or in specific cases.

In the case of third party investment programs, the Advisor, sponsor or insurance company typically determines the minimum account balance.

Item 8

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

In all cases, QA provides advisory services using QA's proprietary research tool, the Global Investment System.

QA generally implements clients' investment strategies by investing the account assets in funds, including exchange-traded funds (ETFs) and mutual funds. QA's investment strategies focus on total return. In line with this, QA does not generally take tax considerations into account in making investment decisions. QA's investment strategies also involve high portfolio turnover, which increases transaction costs, lowers returns and may have negative tax consequences in taxable accounts.

QA makes independent discretionary investment decisions for its clients' accounts, in most cases at the beginning of each month. In making its investment decisions, QA reviews rankings generated by its proprietary Global Investment System, a quantitative research tool which analyses relative price trends to rank various equity investment styles, sectors, international regions and countries and alternative and fixed income asset classes or groups.

QA's review of the rankings generated by its Global Investment System is central to its independent discretionary investment decision-making process. In most cases, QA's investment decisions will reflect the rankings, but they will not always do so. For example, QA may not make investments suggested by the rankings if QA believes it would create too much concentration, it may retain securities to limit portfolio turnover, or the Chief Investment Officer and portfolio managers may make other investment decisions based on their investment experience and judgment.

The Global Investment System, as QA's proprietary research tool, analyzes a large amount of price information which QA obtains from third-party sources. QA does not guarantee the accuracy of this information or that it will be correctly captured or analyzed by the system. Any errors in the information, its capture or the analytical process may result in different rankings, which may influence or cause QA to make different investment decisions. QA will not be liable for investment decisions resulting from inaccurate price information or errors in capturing or analyzing information.

Investment Strategies and Risk of Loss

QA's strategies, like most investment strategies, involve the risk of loss. In light of this, clients should be prepared to bear losses in their accounts. Clients should not assume that future performance results will be profitable or equal to QA's past performance. The use of QA's strategies may be appropriate for certain clients as part of their overall investment strategy. However, the use of investment strategies is not a substitute for personalized investment advice and clients should consult with their Advisor before implementing any strategy.

QA's investment strategies are generally implemented using ETFs, which are subject to risks similar to those of other publicly-traded shares, including loss of principal, price volatility, competitive industry pressures, global political and economic developments, possible trading halts and index tracking error. In some cases, QA's strategies invest in mutual funds, which share many of these risks. While mutual funds are not publicly-traded, and are therefore not subject to possible trading halts, investments in mutual funds do involve the risks of loss of principal, price volatility, competitive industry pressures, global political and economic developments, and index tracking error. Funds with concentrated holdings will be subject to greater volatility than those that invest more broadly. In all cases, investment returns will fluctuate and are subject to market volatility, so that a client's shares, when sold, may be worth more or less than the original cost. Various types of investments involve different kinds of risk, and there is no assurance that any investment strategy will be profitable. QA's investment strategies involve a high level of portfolio turnover, which may increase transaction costs, lower returns and have negative tax consequences in taxable accounts.

Although index funds (which QA typically uses to implement its investment strategies) are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indices, the funds may not be able to exactly replicate the performance of the indices because of fund expenses and other factors.

Although many ETFs are registered under the Investment Company Act like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as investment companies under the Investment Company Act. These types of ETFs may be formed as limited partnerships or grantor trusts, which report tax information to investors in the form of Schedule K-1s or grantor trust statements, and may have unique tax consequences. Clients should consult with their tax advisor regarding the tax reporting of investments in these types of entities before they invest.

Comparison of QA's composite returns to the returns of one or more specific indices is for illustrative purposes only and does not imply that any composite will have investments which reflect the composition of the indices. QA's investment strategies are less diversified than these indices, which may increase both the volatility and risk of client accounts. An investor cannot invest directly in an index. An index's performance does not reflect the deduction of transaction costs, management fees or other costs which would reduce returns.

QA Global Equity Strategies

QA's Global Equity strategy, as well as Retirement Allocation Program equity strategies, will invest in sector funds, which may be adversely affected by the performance of the specific sector or group of industries on which they are based, and may make small cap investments, which are subject to greater volatility than those in other asset categories. The strategies will also make international investments, which are subject to additional risks, such as currency fluctuation, confiscatory policy, political instability or potential illiquidity, including investing in emerging markets, which may accentuate these risks.

QA International Equity Strategy

QA International Equity makes international investments, which are subject to special risks, such as currency fluctuation, confiscatory policy, political instability or potential illiquidity, including investing in emerging markets, which may accentuate these risks. The strategy may also have exposure to small cap investments, which are subject to greater volatility than those in other asset categories.

QA US Equity Strategy

QA US Equity invests in sector funds, which may be adversely affected by the performance of the specific sector or group of industries on which they are based, and may make small cap investments, which are subject to greater volatility than those in other asset categories.

QA Global Balanced Strategies

The QA Global Balanced 80/20, 60/40 and 40/60 strategies, as well as Retirement Allocation Program balanced strategies, invest in sector funds, which may be adversely affected by the performance of the specific sector or group of industries on which they are based, and may make small cap investments, which are subject to greater volatility than those in other asset categories. The strategies also make international investments, which are subject to additional risks, such as currency fluctuation, confiscatory policy, political instability or potential illiquidity, including investing in emerging markets, which may accentuate these risks. In addition, they make fixed income investments, which are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, corporate events, tax ramifications and other risks. Specifically, bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise and bonds are subject to availability and change in price.

QA Fixed Income Strategy

QA Fixed Income invests in fixed income investments, which are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, corporate events, tax ramifications and other risks. Specifically, bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise and bonds are subject to availability and change in price. The strategy may also make international investments, which are subject to additional risks, such as currency fluctuation, confiscatory policy, political instability or potential illiquidity, including investing in emerging markets, which may accentuate these risks.

QA Tactical All Market Strategy

QA Tactical All Market may make investments in a variety of asset classes which are subject to potentially greater risks than other asset categories, including small cap investments, which are subject to greater volatility than those in other asset categories; sector funds, which may involve a greater degree of risk than investments in other funds with greater diversification and which may also be adversely affected by the performance of the specific sector or group of industries on which they are based; international investments, which are subject to additional risks, such as currency fluctuation,

confiscatory policy, political instability, and potential illiquidity, including investing in emerging markets, which may accentuate these risks; commodity funds, which may be subject to volatility in the value of futures contracts and other instruments relating to underlying commodities, together with fluctuations in the prices of the underlying commodities themselves, as well as leverage, liquidity, counterparty and credit risks; currency funds, which are subject to similar risks as international investments, including fluctuations in exchange rates; real estate funds, which are subject to the risks of changing economic conditions, declines in the value of real estate, increasing vacancies or declining rents, and liquidity, counterparty and credit risks; and “inverse” funds, which utilize derivatives and may engage in short selling in order to emulate the inverse performance of a particular index, and are subject to the risks associated with derivatives, including leverage, liquidity, counterparty and credit risks. This strategy may also invest in fixed income investments, which are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, corporate events, tax ramifications and other risks. Specifically, bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise and bonds are subject to availability and change in price. In addition, some ETFs in which the strategy may invest may have limited liquidity.

Although index funds are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indices, the funds may not be able to exactly replicate the performance of the indices because of fund expenses and other factors. This is especially the case with respect to inverse funds, which seek to deliver the opposite of the performance of the indexes they track, where the divergence may be significantly greater than with traditional index funds. Inverse funds pursue their investment objectives by investing in various financial instruments (including derivatives), many of which involve the use of leverage, and these investment strategies increase the risk of divergence. In addition, inverse funds seek to track the inverse of their indexes only on a daily basis, which means significant divergence can occur over time, especially when the effect of compounding is taken into account.

QA Equity Flex Strategies

QA’s Equity Flex strategies are designed to provide a measure of downside protection in severe equity market declines by reducing or eliminating equity exposure.

While QA will typically implement Equity Flex by reducing or restoring equity exposure in steps, and will generally execute Equity Flex actions on its regular monthly trade days, it retains full discretion to reduce, eliminate or restore equity exposure in Equity Flex accounts in any amounts at any time.

In QA’s view, it is not possible to fully “time” the market, always selling at the “top”, and re-entering at the market “low”. QA Equity Flex is therefore not intended to prevent all losses in client accounts, and will not do so. It does not aim to reduce the risk of losses in normal equity market corrections or declines. Instead, QA Equity Flex seeks to limit portfolio losses by reducing equity exposure in client accounts in more extreme market conditions, so preserving more assets to participate in any ensuing market recoveries.

While QA Equity Flex is designed to reduce the magnitude of losses in severe equity market declines, there can be no guarantee that it will successfully do so. If QA does not correctly identify price trends in the equity markets, client investment portfolios may not receive the measure of protection QA Equity Flex is designed to provide, and may also forego potential gains in rising equity markets. In addition, since the reduction in equity exposure in QA Equity Flex is generally implemented in steps, a significant portion of the assets in client accounts will typically remain invested in, and exposed to the risks associated with, the equity markets.

QA's Global Investment System is designed to identify long-term price trends, while avoiding so-called "head-fakes", i.e., short-term movements in prices that are not in line with long-term trends. As a result, some investment losses will typically occur in a severe market decline before QA reduces the equity exposure in client accounts. In the same way, the system will by design generally not suggest re-entering the market in response to the early stages of a recovery, so that there will typically be a period of time before client accounts benefit, or fully benefit, from rising equity prices. The strategy design of generally reducing or restoring equity exposure in increments may also contribute to client portfolios "lagging" equity market price trends, although QA believes this feature is important in managing risk in volatile markets and in avoiding excessive turnover.

QA's investment strategies involve a high level of portfolio turnover, which may increase transaction costs, lower returns and have negative tax consequences in taxable accounts. Since the implementation of QA Equity Flex requires additional trades, clients using the QA Equity Flex strategies will experience even higher turnover in their accounts.

Other Investment Strategies

Information regarding the principal risks associated with other QA investment strategies is available from QA upon request.

Item 9

Disciplinary Information

Not applicable

Item 10

Other Financial Industry Activities and Affiliations

QA owns a 50% interest in its affiliate, QA Investment Services, LLC (QAIS), which is also an investment advisor.

QAIS serves as one of the third-party Advisors through which QA makes its investment management services available to clients. As an affiliate of QA, QAIS has an incentive to recommend QA over other investment managers. Historically, QAIS has not recommended investment managers other than QA, and does not presently plan to do so. As such, QAIS recommends that its clients use QA's investment management services.

QA also provides advice to QAIS clients regarding the investment alternatives available under employer-sponsored retirement plans.

QA and QAIS share all these client fees equally.

QA also provides various management, compliance and administrative services to QAIS, for which QAIS pays QA.

Item 11

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

QA and its officers, directors and employees may buy or sell securities that QA recommends, buys or sells to or for clients.

In most cases, these transactions occur in clients' accounts opened by QA or the officer, director or employee. As a result, the QA, officer, director or employee account participates in the same transactions, at the same time and on the same terms as any other client account.

In the less frequent instance where transactions of this type take place in an outside account, the Chief Compliance Officer's review of all personal transactions reports ensures that these transactions do not disadvantage clients in any way.

As required by the Investment Advisers Act, QA has adopted a Code of Ethics that describes the standards of conduct expected of its directors, officers and employees. The Code of Ethics covers the use of material non-public information, limitations on gifts and entertainment and personal securities transactions of officers, directors and employees. The Code of Ethics requires that QA and certain of QA's officers, directors and employees report their proprietary or personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Upon request, QA will provide any client or prospective client with a copy of its Code of Ethics.

Item 12

Brokerage Practices

Brokerage Discretion

QA does not have discretion to determine which broker-dealer will be used or the commission rates paid. Instead, QA requires clients to direct that all transactions be executed through a particular broker-dealer. These types of brokerage arrangements, called “directed brokerage”, may result in higher commissions, greater spreads or less favorable net prices than would be the case if QA selected the broker-dealers to execute transactions. You should note that not all investment managers require clients to direct brokerage.

To put a directed brokerage arrangement in place, the client appoints a Broker-Dealer/Custodian to maintain custody of assets in the client’s account and to execute securities transactions for the client’s account. The Broker-Dealer/Custodian is typically the broker-dealer available to the client through the Advisor’s investment advisory platform, although the client may sometimes have the ability to choose from among alternative broker-dealers. In all cases where QA is responsible for trading, QA effects all securities transactions for the client’s account with or through the Broker-Dealer/Custodian.

Upon request, QA may recommend custodial broker-dealers to clients. In these cases, QA recommends broker-dealers which QA believes provide quality execution services with competitive transaction costs.

The Broker-Dealer/Custodians selected by clients may provide QA with free research and other services that may enhance QA’s portfolio management capabilities with respect to its clients generally, although the research and other services will not necessarily directly benefit the client paying the brokerage fees or commissions. Similarly, QA may receive computer software and/or systems support from Broker-Dealer/Custodians used by QA’s clients which enhances QA’s ability to manage client accounts maintained at the Broker-Dealer/Custodians. QA may receive these benefits free of charge by virtue of the aggregate value of assets in QA client accounts in the custody of the Broker-Dealer/Custodians.

However, QA does not direct brokerage transactions to Broker-Dealer/Custodians, or recommend custodial broker-dealers to clients, in order to receive free research or services.

Bunched Trades

QA will frequently purchase or sell the same security at the same time for a number of clients using the same Broker-Dealer/Custodian. In these cases, trades in the same security for clients using the same Broker-Dealer/Custodian will be “bunched” in a single order in an effort to obtain the best execution available with or through the Broker-Dealer/Custodian, or to allocate equitably among QA’s clients differences in prices and commissions or other transaction costs that might have been obtained or incurred if client orders were individually placed. In bunched trades, all transactions (including any partial fills) will be averaged as to price (including transaction costs) and allocated among QA’s clients in proportion to the purchase and sale orders placed for each client on any given day. Where QA bunches trades, including in securities in which QA and its officers, directors and employees may invest, QA will

do so in accordance with the SEC No-Action Letter, SMC Capital, Inc. QA will not receive any additional compensation in connection with bunched trades.

Trade Rotation Policy

To ensure fairness among its clients, QA rotates the order in which it places bunched trades with the principal Broker-Dealer/Custodians its clients use. However, bunched trades placed with Broker-Dealer/Custodians with lower levels of QA client assets do not participate in the rotation, because the limited trading volume associated with these trades means they are unlikely to have any market impact. To ensure that clients using these Broker-Dealer/Custodians are not systematically disadvantaged by the large bunched trades which may affect the market price, QA places the smaller bunched trades before the large bunched trades.

QA also provides model investment portfolios to the sponsors of various model strategist programs. In these cases the sponsor or its overlay manager, and not QA, places the trades. QA disseminates model investment portfolio updates to the model strategist program sponsors or overlay managers early in the same day on which QA places trades for its managed account clients. The model strategist program sponsors or overlay managers generally place their trades on either the same day or the next trading day.

Trade Error Policy

QA seeks to address trade errors fairly and equitably. If a trading error is discovered before the trade is settled, QA will typically correct the error outside of the client account so that the client account is not affected by the trade. Unless the Broker-Dealer/Custodian accepts responsibility for the error, any gain or loss will go into QA's error account. At the end of each month, QA will pay any excess losses, and gift any excess gains to a charitable organization. QA's policy regarding trade errors discovered pre-settlement creates a conflict of interest because it benefits to the extent gains offset losses. If a trading error is discovered after the trade is settled, QA will correct the error and the client will retain any gain, unless the client advises QA that it does not wish to retain the gain. If QA is responsible for the error, QA will contribute funds or securities to the client's account, or otherwise compensate the client, to place the client as near as possible in the same financial position it would have been in the absence of the error. If the Broker-Dealer/Custodian is responsible for the error, QA will request the Broker-Dealer/Custodian to make the client whole.

Item 13

Review of Accounts

QA's portfolio managers and/or portfolio operations analysts review client managed accounts on an ongoing basis. The portfolio managers generally trade client accounts only on QA's regular monthly trade day, but may occasionally do so at other times too.

Item 14

Client Referrals and Other Compensation

Solicitation/Referral Arrangements

QA has no active solicitation or referral arrangements with broker-dealers or other third parties and has made a decision not to enter into any new referral agreements. However, QA continues to have a small number of clients who were referred by third party solicitors. As required by the agreement with the solicitors, QA continues to make referral payments to the solicitors with respect to the few remaining clients.

Payments to Advisors

QA generates an alternative revenue stream for Advisors by supporting or sponsoring conferences and other events organized by them, by making direct payments to them to offset costs incurred to market QA's investment management services, and by sharing certain back office and technological costs with them. For example, QA supports sales, client and similar conferences (which may include booths) and other events where investment advisers, broker-dealers and their representatives are provided with information about QA and its services. In addition to attending the conferences and other events, QA may receive speaking opportunities, special access to attendees, investment adviser and broker-dealer representatives (both during and after the conference and other events), special promotion of QA's investment management services, and general industry exposure through inclusion of its name on web sites and advertisements to financial professionals. QA also makes direct payments to Advisors to offset their marketing expenses, such as the costs of creating and distributing printed materials and the Advisors' attendance at conferences and other events. In addition, QA makes payments to Advisors to offset certain back office and technological costs incurred by them, such as fees for the CheckFree APL portfolio accounting system, which may be based on the percentage of assets QA receives through the Advisors.

These payments by QA to Advisors create a conflict of interest and may compromise the Advisors' independence and objectivity in their selection of investment managers for their clients. They provide an incentive to the Advisors to select or recommend QA's investment management services for or to their clients over other investment managers who have not made payments to the Advisors.

Gifts and Entertainment

In accordance with QA's gifts and entertainment policies and procedures, QA provides reasonable business gifts and/or business entertainment to investment advisers, broker-dealers or other third parties with whom QA has a business relationship.

Item 15

Custody

Managed account clients will receive account statements directly from their Broker-Dealer Custodian, in addition to any statements they may receive from QA or their Advisor.

We encourage clients to carefully review and compare all statements and to contact the Broker-Dealer/Custodian, the Advisor or QA with any questions.

Item 16

Investment Discretion

QA has authority to determine which securities are bought or sold and the amount of securities to be bought or sold for all client accounts that QA manages on a discretionary basis. However, this authority may be limited with respect to some accounts by investment restrictions or other limitations imposed by the client.

Item 17

Voting Client Securities

Upon request, QA will vote proxies solicited by or with respect to the issuers of securities in which assets of clients that QA manages on a discretionary basis may be invested from time to time. In these cases, QA votes all proxies in accordance with its Proxy Voting Policy. QA will not take instructions from clients regarding how to vote any proxy.

The general principle of the Proxy Voting Policy is to vote any beneficial interest in an equity security prudently and solely in the best long-term economic interest of clients and their beneficiaries, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote.

All proxies received by QA for clients that have requested QA to vote their proxies are reviewed by QA's Proxy Officer. The Proxy Officer votes the proxies according to QA's Proxy Voting Policy and consults a Proxy Committee appointed by QA regarding issues not clearly covered by the Proxy Voting Policy.

However, QA does not vote proxies of issuers of securities which may be transferred into a client's account, typically when the client first opens the account, and held temporarily in the account pending their sale and the investment of the proceeds in accordance with the QA investment strategy selected by the client. If QA receives proxy materials with respect to securities of this type, QA will promptly forward the materials to the client to enable the client to vote the proxies if the client chooses to do so.

Upon request, QA will provide any client with a copy of QA's Proxy Voting Policy or information regarding how QA voted their securities.

Item 18

Financial Information

Not applicable