



Part 2A of Form ADV Disclosure Brochure

March 30, 2013

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This disclosure 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 QA at 800-397-4002 and/or advisorservice@QAglobal.net. The information provided in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

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

Item 2 – Material Changes

This summary of material changes identifies, and briefly discusses, only the material changes to QA’s Form ADV disclosure brochure since its last annual update on March 30, 2012. To see all changes since the last annual update, please review the entire disclosure brochure.

Item 4 - Advisory Business

We have updated Item 4 to reflect our current client assets under management and advisement and included new disclosures about the investment advisory services provided to QA employees.

Item 5 – Fees and Compensation

We have provided additional information regarding how QA is compensated for its services provided through its affiliate, QA Investment Services, LLC.

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

While we have added, enhanced or revised the disclosures throughout Item 8, the following specific changes were made effective January 1, 2013:

- The benchmark for the QA Tactical All Market strategy was changed from the HFRX Quantitative Directional Index to the Dow Jones Credit Suisse Core Hedge Fund Index.
- QA Equity Flex investment strategy name changes:

Prior Name:

QA Global Equity with Equity Flex

QA Global Balanced 80/20 with Equity Flex

QA Global Balanced 60/40 with Equity Flex

QA Global Balanced 40/60 with Equity Flex

New Name:

QA Global Equity Flex

QA Global Balanced Flex – Growth

QA Global Balanced Flex – Moderate

QA Global Balanced Flex – Conservative

- In addition to the name changes identified above, QA changed the way it refers to its QA Equity Flex strategies. QA now collectively refers to these strategies as QA Flex.
- Within the QA Flex strategies, the investment options were updated to include additional international exposures, such as international low volatility and small-cap investments.
- Emerging markets investments within the QA Flex strategies are now generally limited to a maximum of two of the three international positions.
- Individual Flex decisions are made for each equity position, rather than general “across the board” reductions in equity exposure. The overall equity exposure is now the result of individual position-by-position Flex analysis. The equity exposure at any given time will therefore fall within a range, depending on the individual position decisions.
- The range of equity exposure for the enhanced Flex strategies is:

<u>QA Flex Strategies</u>	<u>Equity Exposure Range</u>
QA Global Equity Flex	50% to 100%
QA Global Balanced Flex – Growth	40% to 80%
QA Global Balanced Flex – Moderate	30% to 60%
QA Global Balanced Flex – Conservative	20% to 40%

- The option of reducing the equity exposure in QA Flex strategies to zero was eliminated.

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

We have updated the disclosure in Item 11 to include additional information provided within QA's Code of Ethics as it relates to the personal securities transactions of QA's officers, directors and employees.

Item 15 – Custody

Additional disclosures have been provided regarding custody of client securities and cash.

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Item 4 - Advisory Business

Quantitative Advantage, LLC (QA) is an investment advisor registered with the Securities and Exchange Commission. Founded in 2000 by its principal owners, John W. Wing and Thomas G. Fox, QA is a limited liability company incorporated in the state of Minnesota.

QA provides three principal types of investment advisory services:

- Discretionary investment management services directly to clients;
- Model strategies to model strategist platforms and/or an overlay manager appointed by the sponsor, who use the models to manage their client accounts; and
- Investment advice regarding securities available under employer-sponsored retirement plans.

QA's investment advisory services are based primarily on its proprietary Global Investment System, a quantitative research resource which analyzes relative price trends to rank various investment styles, sectors, international regions and countries and alternative and fixed income investments. In exercising its investment discretion, QA does not simply follow the rankings generated by the Global Investment System. Instead, QA reviews the analysis and evaluates it in light of other available political, financial, economic and market information to help contextualize the analysis when making investment decisions. QA also weighs other considerations when making investment decisions including diversification, turnover and transaction costs.

QA uses exchange-traded funds (ETFs) and mutual funds exclusively in its equity, balanced, alternative and fixed income investment strategies. QA's investment strategies are limited to these types of investments. You will find additional information about QA's investment strategies and their underlying investments in Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss).

As of December 31, 2012, QA managed or advised approximately \$1.596 billion in client assets. Of these assets, QA exercised investment discretion over approximately \$458 million, and provided non-discretionary advisory services to approximately \$1.138 billion in client assets.

Discretionary Investment Management

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

The Advisor will determine whether QA's services are suitable for a client and, if so, assist the client in selecting 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 the 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. Investment strategy changes must be provided to QA in writing.

QA's role is to manage the client's account in accordance with the investment strategy selected, subject to any reasonable restrictions the client may impose on the 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 of client securities in accounts over which QA has investment discretion.

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 client-appointed Broker-Dealer/Custodian.

QA makes its services available in various ways, including through its affiliate, QA Investments Services, LLC (QAIS), third-party investment management programs, sub-advisory arrangements with Advisors and, in limited circumstances, directly to clients.

QA Investment Services, LLC

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

Third-Party Investment Management Programs

QA manages third-party investment management program accounts in the same way as any other QA managed account. In all cases, QA will receive a separate investment management fee, or a portion of the program fee, for providing these investment management services. The Advisors sponsoring the program(s) generally determine the documents, terms and conditions of the programs, which therefore vary. Clients may obtain information regarding these programs from the Advisor-sponsors.

In so-called dual contract programs, the client also enters into an agreement with QA.

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.

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.

Employee Accounts

QA provides investment management services directly to its employees. In QA-managed employee accounts, the investment management fees are generally waived. QA also provides monthly asset allocation models for employees to refer to when reviewing their QA-sponsored 401(k) plan accounts. QA provides this service to its employees for no charge.

Variable Annuity Policies

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

QA is not accepting any new variable annuity contract clients.

Model Strategist Programs

In these cases, QA provides model investment portfolios to the sponsor of the model strategist program or the overlay manager appointed by the sponsor. The sponsor or overlay manager then uses the model investment portfolios to manage client accounts, including effecting all securities transactions in the accounts. QA anticipates that the sponsor or overlay manager will generally follow the model investment portfolios QA provides. However, the sponsor or overlay manager has full investment discretion to invest client accounts in accordance with the model investment portfolios, and may deviate from the model investment portfolios and select other investments.

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

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

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

General

QA's annual management fee is generally based on a percentage 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. In general, the Management Fee is not negotiable. The following table provides the typical fee schedule for QA's investment strategies.

<u>Investment Strategies:</u>	<u>Annual Management Fee:</u>
Equity, Balanced and Alternative	0.50%
Fixed Income	0.35%

Separately, the Advisor will also typically charge an annual advisory 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 generally charge the client brokerage fees or commissions for its services.

In some cases, 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.

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 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 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. 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 Management Fees if QA's services are terminated during a quarter. The client's Advisor and Broker-Dealer/Custodian, respectively, determines when Advisory and Brokerage Fees are payable.

In sub-advisory arrangements, the Advisor will generally pay QA's fees out of the fees the Advisor receives from its clients.

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. The client will typically receive one or more statements, 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 its investment strategies by investing the account assets in 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 are required to be delivered to investors at the time of purchase.

QA Investment Services, LLC

In the case of services provided through QA’s affiliate, QA Investment Services, LLC (QAIS), a different fee schedule applies. QA and QAIS will generally charge the client a combined annual fee (Annual Program Fee) based on a percentage of the market value of the assets in the client’s account for advisory and management services. However, in some programs, QA and QAIS may provide its services for a higher or lower fee. QA and QAIS, in our discretion, may household accounts for billing purposes. In general, the Annual Program Fee is not negotiable. The following tables provide the typical fee schedule:

Equity, Balanced and Alternative Investment Strategies:

<u>Market Value of Assets in Account:</u>	<u>Annual Program Fee:</u>
First \$250,000	1.50%
Next \$250,000	1.25%
Over \$500,000	1.00%

Fixed Income Investment Strategy:

<u>Market Value of Assets in Account:</u>	<u>Annual Program Fee:</u>
First \$250,000	1.00%
Next \$250,000	0.85%
Over \$500,000	0.70%

In addition, the Broker-Dealer/Custodian will generally charge the client brokerage fees or commissions for its services. The client may choose to pay either an annual brokerage asset-based or a per-transaction commission cost. The per-transaction commission option may be advantageous to clients with large accounts and/or clients selecting investment strategies with lower turnover. Typically, the Advisor is available to consult with clients at any time regarding their choice of brokerage payment option. No portion of the brokerage fee or commissions is paid to the Advisor.

Direct Accounts

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.

Variable Annuity Policies

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 are required to be delivered to investors at the time of purchase.

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

QA does not enter into performance-based fee arrangements.

Item 7 - Types of Clients

QA generally provides investment advisory services to individuals, trusts, pension and profit sharing plans (including ERISA accounts), estates, charitable organizations 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.

The investment minimum for QA's investment strategies is generally \$100,000 for managed accounts, although a lower minimum account balance may apply to some investment strategies. QA may at its discretion permit a lower minimum in certain circumstances. In the case of third-party investment management programs, the Advisor, sponsor or insurance company may determine the minimum account balance.

The investment minimum for QA's investment strategies on model strategist platforms is generally \$50,000, with a lower minimum of \$25,000 applying to the QA Tactical Bond strategy. However, the sponsors of the model strategist platforms may require different minimums.

In its sole discretion, QA may allow accounts of any type with smaller balances, either systematically or in specific cases.

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

QA's investment strategies, like most investment strategies, involve the risk of loss of principal that clients should be prepared to bear. Past performance of QA's investment strategies is no guarantee of future performance. You should not assume that future performance results will be profitable or equal to QA's past performance. Some of QA's investment strategies have a limited performance history. The use of QA's investment strategies may be appropriate for certain investors as part of their overall investment strategy. However, the use of investment strategies is not a substitute for personalized investment advice and investors should consult with their advisor before implementing any investment strategy.

There is no guarantee that QA's investment philosophy, Global Investment System and investment strategies will be successful or that the opinions expressed by QA will prove to be true.

In making its investment decisions, QA's portfolio management team reviews information generated by QA's proprietary Global Investment System, a quantitative research resource which analyzes relative price trends to rank various investment styles, sectors, international regions and countries and alternative and fixed income investments. QA's Global Investment System analyzes a large amount of price information which QA obtains from third parties. 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.

In exercising its investment discretion, the portfolio management team does not simply follow the rankings generated by the Global Investment System. Instead, the portfolio management team reviews the analysis and evaluates it in light of other available political, financial, economic and market information to help contextualize the analysis when making investment decisions. The portfolio management team also weighs other considerations when making investment decisions including diversification, turnover and transaction costs.

In addition to the portfolio management team, QA also has an Investment Committee which plays an important role, focusing on higher level portfolio management matters, such as review, discussion and approval of new investment strategies, enhancements to existing strategies and determining the overall strategic priorities of the portfolio management team. Along with the portfolio management team, the Investment Committee includes QA's Chief Executive Officer and Chief Operating Officer and General Counsel, with other director-level employees participating by invitation on an as-needed basis.

QA provides discretionary investment management services to its clients, who select from various QA investment strategies depending on their investment objectives and risk tolerance.

For model strategist accounts, QA will provide model investment portfolios to the overlay manager. QA anticipates that the overlay manager will generally follow the model investment portfolios QA provides. However, the overlay manager has full discretion to invest client accounts in accordance with the model investment portfolios, and may deviate from the model investment portfolios and select other investments. In model strategist accounts, the overlay manager (and not QA) exercises full investment discretion. These and other factors will result in model strategist account performance being different than that of the composite.

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. In addition, QA's investment strategies (especially the QA Flex strategies) involve a high level of portfolio turnover, which may increase transaction costs, lower returns and have negative tax consequences in taxable accounts.

QA's investment strategies are generally implemented using exchange-traded funds (ETFs), which are subject to risks similar to those of other publicly-traded shares, including loss of principal, price volatility, competitive industry pressures, possible trading halts and global, political and economic developments. In some cases, QA's investment 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 risks including loss of principal, price volatility, competitive industry pressures, delays in payments of redemption proceeds for up to seven days and global, political and economic developments. In addition, many mutual funds and ETFs in which QA's investment strategies may invest are exposed to various other risks often associated with index funds, including the use of derivatives, potential for high turnover, securities lending, index tracking error and other risks. These risks may be magnified in funds with concentrated holdings. 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.

While index ETFs (which QA typically uses to implement its investment strategies) are designed to provide investment results that generally correspond to their underlying indices, index ETFs may not be able to exactly replicate the performance of the indices because of ETF-related expenses and other factors.

All holdings within QA's investment strategies are subject to change at any time without notice. Asset allocation does not ensure a profit or protect against a loss.

Core Investment Strategies:

QA Global Equity

QA Global Balanced 80/20 (80% Equity, 20% Fixed Income)

QA Global Balanced 60/40 (60% Equity, 40% Fixed Income)

QA Global Balanced 40/60 (40% Equity, 60% Fixed Income)

QA Tactical Bond

QA's Global Equity and Global Balanced strategies seek long-term growth of capital by investing in focused equity portfolios of US style, US sector and international region or country securities. QA's Global Balanced strategies are designed to reduce the higher volatility associated with equity investments by allocating a fixed percentage of the portfolio to fixed income.

QA's Tactical Bond strategy seeks to limit capital loss while outperforming the Barclays Capital U.S. Aggregate Bond Index by investing in government and corporate fixed income securities.

QA's Global Equity and Global Balanced strategies may make small-cap investments, which are subject to greater volatility than those in other asset categories. The illiquidity of the small-cap market may adversely affect the value of these investments. These strategies may 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.

All of QA's core investment strategies may make international investments, which are subject to additional risks, such as heightened sovereign credit, downgrade and default risk, currency fluctuation, confiscatory policy, political instability or potential illiquidity, including investing in emerging markets, which may accentuate these risks. While even the sovereign debt of the US is subject to credit, downgrade and default risk, these risks are typically greater in the case of countries outside the US, especially in the case of governments with heavy sovereign debt burdens, e.g., in the Euro zone, as well as in emerging nations. In light of these risks, these investments may not be suitable for all investors.

QA’s Global Balanced and Tactical Bond strategies may invest in fixed income investments, which are subject to various risks, including variations in market value, changes in interest rates, illiquidity, credit, downgrade and default risk, prepayments and extensions, corporate events, tax ramifications and other risks.

In all cases, bonds are subject to availability, change in price, and market and interest rate risk if sold prior to maturity. Bond values generally decline as interest rates rise.

US government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

US Treasury inflation-protected securities (TIPS) help mitigate inflation risk, as the principal is adjusted semi-annually for inflation based on the Consumer Price Index, while providing a real rate of return guaranteed by the US government. However, even the sovereign debt of the US is subject to credit, downgrade and default risk, with major credit rating agencies lowering the long-term sovereign credit rating of the US in 2011.

In addition to general bond risks, agency mortgage-backed securities are subject to credit, downgrade and default risk, prepayment risk and extension risk.

As a general matter, corporate bonds are considered higher risk investments than US government bonds, but normally offer a higher yield. In addition to market and interest rate risk, corporate bonds are subject to credit, downgrade and default risk, as well as risks based on the quality of the issuer, corporate events, coupon rate, and maturity and redemption features. International corporate bonds are also subject to the additional risks associated with international investments described above. High yield or “junk” bonds are not investment grade securities, involve heightened risks and generally should only be used on the advice of your advisor as part of a diversified portfolio.

QA Flex Investment Strategies:

- QA Global Equity Flex
- QA Global Balanced Flex – Growth
- QA Global Balanced Flex – Moderate
- QA Global Balanced Flex - Conservative

In addition to the disclosures provided below, please review the risks regarding small-cap investments, sector funds, international and fixed income investments provided in the Core Investment Strategies section.

QA’s Global Equity Flex and Global Balanced Flex strategies seek long-term growth of capital by investing in focused equity portfolios of US style, US sector and international region or country securities. In addition, QA’s Global Balanced Flex strategies are designed to provide a measure of downside protection by managing the overall range of equity exposure.

The overall equity exposure in Flex strategies is based on individual position-by-position analysis. The equity exposure will fall within a range, depending on individual position decisions. The range of equity exposure in the Flex strategies is:

<u>QA Flex Strategies:</u>	<u>Equity Exposure Range:</u>
QA Global Equity Flex	50% to 100%
QA Global Balanced Flex – Growth	40% to 80%
QA Global Balanced Flex – Moderate	30% to 60%
QA Global Balanced Flex – Conservative	20% to 40%

While QA will generally execute Flex actions on its regular monthly trade days, QA retains full discretion to affect trades in Flex accounts at any time.

In QA's view, it is not possible to fully "time" the market, either generally or with respect to any individual position, always entering at the "low" or selling at the "top". QA 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, Flex seeks to limit portfolio losses by selectively reducing equity exposure in client accounts in more extreme market conditions, so preserving more assets to participate in any ensuing market recoveries.

While 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 Flex is designed to provide, and may also forego potential gains in rising equity markets. In addition, each of the Flex strategies will at all times maintain some equity exposure (see Equity Exposure Range), and will therefore at all times 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 selectively reduces the equity exposure in client accounts. In the same way, the system will by design generally not suggest re-entering the market or an individual position 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.

Alternative Investment Strategy:

QA Tactical All Market

QA's Tactical All Market strategy seeks superior risk-adjusted investment returns (including positive returns every trailing twelve months), with a low correlation to the returns of traditional asset classes, by tactically rotating within and among a variety of traditional and alternative asset classes.

In addition to the risks relating to small-cap investments, sector funds, international and fixed-income investments discussed in the Core Investment Strategies section, the Tactical All Market strategy may also make investments in a variety of asset classes which are subject to potentially greater risks than other asset categories. Some ETFs in which the strategy invests may have limited liquidity. This strategy may also invest in 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; precious metal investing is subject to substantial price fluctuation and potential loss.

This strategy may invest in inverse funds which seek to deliver the opposite of the performance of the indices they track, where the divergence may be significantly greater than traditional index funds. Similar to index funds, inverse funds may not be able to exactly replicate the performance of the indices because of ETF-related expenses and other factors. In addition, inverse funds seek to track the inverse of their indices only on a daily basis, which means significant divergence can occur over time, especially when the effect of compounding is taken into account. Inverse funds pursue their investment objectives by investing in various financial instruments, including derivatives, which are subject to leverage, liquidity, counterparty and credit risks. Inverse funds may engage in short selling in order to emulate the inverse performance of a particular index.

Although many ETFs are registered under the Investment Company Act like traditional mutual funds, some ETFs, in particular those that invest in commodities and currencies, are not registered as investment companies under the Investment Company Act. The Tactical All Market strategy typically includes investments of this type. These types of ETFs may be formed as limited partnerships or grantor trusts and may have unique tax consequences. The tax reports and information with respect to holdings of this type may include Form 1099s, Schedule K-1s, and/or other information, such as grantor trust tax reporting statements. Clients should consult with their tax advisors regarding these matters before investing in these types of ETFs.

The description of risks identified and the information provided above is limited and does not identify or fully describe all risks and information associated with the investments which QA's investment strategies may make. You will find disclosure regarding the specific risks associated with the ETFs in which QA invests in their prospectuses, which are required to be delivered to investors at the time of purchase.

Other Investment Strategies

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

Item 9 - Disciplinary Information

QA has no disciplinary information to disclose.

Item 10 - Other Financial Industry Activities and Affiliations

QA Investment Services, LLC

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.

Generally, QA and QAIS share equally in all fees from these clients.

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

Benefits from Sponsors of Exchange-Traded Funds (ETFs)

QA receives various benefits from sponsors of exchanged-traded funds (ETFs), which QA uses extensively in its investment strategies. These benefits may include business consulting services, access to investment, regulatory and marketing expertise, trading advice and support, marketing opportunities and other benefits.

These benefits create a conflict of interest and may compromise QA's independence and objectivity in selecting the ETFs available for investment in QA's investment strategies.

QA seeks to manage this conflict of interest, and to select for inclusion in our investment universes those ETFs that we believe will be in our clients' best interests, by using a disciplined, multi-factor due diligence process in evaluating and selecting the ETFs available for investment in QA's investment strategies.

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

As required by the Investment Advisers Act, QA has adopted a Code of Ethics that describes the business conduct standards expected of its directors, officers and employees, including: compliance with federal securities laws and the regulations related to those laws; fiduciary duties; confidentiality; the use of material non-public information; and personal securities investment activities. The Code of Ethics requires that QA's officers, directors and employees report certain personal securities holdings and transactions in accordance with the Investment Advisers Act and rules.

QA may recommend securities to its clients that may be bought or sold at or about the same time they are purchased or sold in the personal securities accounts of QA, its officers, directors and employees. Similarly, QA may buy or sell securities on behalf of client accounts which may be purchased or sold at or about the same time they are purchased or sold in the personal securities accounts of QA, its officers, directors and employees. These conflicts of interest are addressed in the Code of Ethics. Among other requirements, QA and their respective officers, directors and employees shall at all times place the interests of its clients first and avoid any actual or potential conflicts of interest while engaging in personal securities transactions.

Further, QA, QAIS and their respective officers, directors and employees are not permitted to execute personal securities transactions in exchange-traded products (ETPs), including: ETFs, which are used extensively in QA's investment strategies; exchange-traded notes; or any ETP-related investments, such as options in ETPs. This prohibition extends to accounts managed on a discretionary basis by third-party investment managers, but does not apply to accounts managed by QA. Positions at the strategy level are established, trimmed or eliminated on a pro rata basis across all like-managed accounts.

Additional provisions related to personal securities investment activities are included in the Code of Ethics. Upon request, QA will provide any client or prospective client with a copy of its Code of Ethics.

Item 12 - Brokerage Practices

Research and Other Soft Dollar Benefits

QA does not receive research or other products or services from Broker-Dealer/Custodians or third parties other than trade order execution in connection with client securities transactions, commonly referred to as “soft dollar benefits”.

While QA and/or QAIS may receive various publications, communications or other information from Broker-Dealer/Custodians, QA and/or QAIS do not solicit these materials or direct brokerage transactions to Broker-Dealer/Custodians or recommend Broker-Dealer/Custodians to clients, in order to receive research, services or any other benefits.

Brokerage Discretion

QA does not have discretion to determine which broker-dealer will be used or the commission rates paid for client accounts. Instead, clients appoint a Broker-Dealer/Custodian for their account(s) and all transactions are executed through the client-appointed Broker-Dealer/Custodian. These types of brokerage arrangements, commonly referred to as “directed brokerage”, may prevent QA from obtaining the most favorable execution of client transactions and may cost clients more money due to the potential of higher commissions, greater spreads or less favorable net prices. For example, in a directed brokerage account, the client may pay higher commissions because QA may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable 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 and execute securities transactions for the client’s account. 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 Broker-Dealer/Custodians to clients. In these cases, QA recommends Broker-Dealer/Custodians which QA believes provide quality execution services with competitive transaction costs.

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, QAIS and their 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.

For model strategist accounts, QA will provide model investment portfolios to the overlay manager. QA anticipates that the overlay manager will generally follow the model investment portfolios QA provides. However, the overlay manager has full discretion to invest client accounts in accordance with the model investment portfolios, and may deviate from the model investment portfolios and select other investments. In model strategist accounts, the overlay manager (and not QA) exercises full investment discretion. These and other factors will result in model strategist account performance being different than that of the composite.

QA disseminates model investment portfolio updates to the model strategist program sponsors or overlay managers 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

In all cases, it is QA's policy to address trade errors fairly and equitably, although the specific procedures available to correct trade errors may vary from one executing broker-dealer to another.

In general, if a trade error is discovered before the trade is settled, QA seeks to correct the error outside of the client account so that the client account is not affected by the trade error in any way. If QA is responsible for the error, QA will either pay for the loss, or the loss will be entered in an error account. If the trade error results in a gain, the gain will either be gifted to a charitable organization, or entered in an error account. Periodically, QA will pay any excess losses arising from its error accounts, and gift any excess gains to a charitable organization. QA's policy regarding trade errors discovered pre-settlement creates a conflict of interest because QA benefits to the extent gains offset losses for which QA would otherwise have to pay.

In the case of errors discovered after the trade has settled, QA seeks to correct the trade error in the client account. The client will retain any gain resulting from the error, unless the client advises QA that it does not wish to retain the gain. If QA is responsible for a trade error resulting in a loss, QA seeks to place the client as nearly as possible in the same financial position it would have been in the absence of the error.

In all cases, if the Broker-Dealer/Custodian is responsible for a trade error resulting in a loss, QA will request the Broker-Dealer/Custodian to make the client whole.

Item 13 - Review of Accounts

QA's portfolio management team generally reviews investment strategies as a group on a monthly basis with ongoing evaluations conducted throughout the month, as needed. QA's portfolio operations team generally reviews client accounts on a monthly basis with ongoing reviews conducted throughout the month, as needed.

QA's directly managed account clients receive a written report quarterly which contains the account holdings, transaction history for the quarter, including any fees debited from the account.

Clients will typically receive one or more account statements, at least quarterly, indicating all amounts disbursed from the client's account, including all Advisory, Management and Brokerage Fees. In addition, account statements will typically include account holdings and transaction history and may include various other information and analytics.

Item 14 - Client Referrals and Other Compensation

Referral/Solicitation 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 manage a small number of client accounts 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.

QA's investment management services are typically made available through Advisors, including QAIS, an affiliated investment advisor, third-party investment management programs and model strategist platforms. The Advisors and sponsors of the various programs and platforms are providing an economic benefit to QA by selecting or recommending QA to provide our services to their clients and/or making our investment strategies available on their platforms.

Payments to Advisors

From time to time, QA is invited to participate, or may choose to participate, in investment-related conferences, webinars, panels and similar events. When sponsoring, supporting or participating in such events, QA may generate an alternative revenue stream for Advisors 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 websites and advertisements to financial professionals. QA also may make 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 may make 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. In other cases, QA may pay the Advisor a per account fee.

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 Business Entertainment

In accordance with QA's gifts and business entertainment policy and procedures, QA provides and receives gifts and/or business entertainment to and from investment advisers, broker-dealers or other third parties with whom QA has an ongoing or prospective business relationship. All gifts and business entertainment activities must be professional and of reasonable value so as not to conflict with client interests or industry standards.

To provide monitoring of this policy, employees are required to submit all gifts and business entertainment information to the compliance department.

Item 15 - Custody

Securities and cash in client accounts are held by a Broker-Dealer/Custodian. QA is not affiliated with any such Broker-Dealer/Custodian. At no time will QA ever intentionally hold client securities or cash. By virtue of directly deducting fees from certain Client accounts, QA is deemed to have custody in certain instances. With respect to these Client accounts, QA will comply with the custody rules under Rule 206(4)-2 of the Advisers Act as follows:

- a. The Clients will be required to maintain such Clients' assets with a "qualified custodian" as defined in Rule 206(4)-2 of the Advisers Act in separate accounts maintained under the respective names of such Clients; and
- b. QA will take adequate measures to form a reasonable belief that the custodians send account statements (identifying the amount of funds and securities in the Clients' accounts as of the end of such period and that sets forth all of the transactions in such accounts during such period) directly to Clients no less frequently than quarterly. In addition, clients may receive account statements from QA or their Advisor. Clients should carefully review and compare all account statements and contact their Broker-Dealer/Custodian, Advisor or QA with any questions.

Item 16 - Investment Discretion

QA typically manages client accounts on a discretionary basis. Clients may impose reasonable account restrictions on the management of their account(s). Account restrictions must be provided to QA in writing. Before QA assumes discretionary authority to manage securities on its client's behalf, a signed Client Agreement must be received indicating the selected investment strategy. Investment strategy changes must be provided to QA in writing by the Client, or by the Advisor, if the Advisor has investment discretion.

Item 17 - Voting Client Securities

Upon request, QA will vote proxies of client securities in which QA has investment discretion. 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.

QA does not vote proxies of securities that are 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.

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 are reviewed by QA's Proxy Officer. The Proxy Officer votes the proxies according to QA's Proxy Voting Policy and consults the Chief Compliance Officer regarding issues not clearly covered by the Proxy Voting Policy.

QA will provide a copy of its proxy voting policy and procedures to clients upon request. To obtain information about how QA voted securities, clients can request such information directly from QA.

Item 18 - Financial Information

QA has no financial information to disclose.