

# **Quantitative Strategies, Inc.**

## **Firm ADV Part 2A Brochure**

### **Item 1 - Cover page**

This brochure provides information about the qualifications and business practices of Quantitative Strategies, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number or website below.

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 Quantitative Strategies, Inc. is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

Quantitative Strategies, Inc. (QSI) is a registered investment advisor. Registration does not imply a certain level of skill or training.

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The date of this brochure is March 30, 2012

## **Item 2 - Material Changes**

Based on rules adopted by the SEC in July, 2010, ADV Part 2 is now required to be filed in a “narrative, plain English” format, replacing the “check-the-box” format. This is the first filing to meet these requirements and represents a material change.

The following material changes have occurred to Quantitative Strategies, Inc. (QSI) since our prior Brochure dated March 30, 2011.

Effective January 1, 2012 Quantitative Strategies, Inc. (QSI), a SEC-registered investment advisor became a wholly owned subsidiary of Planned Asset Management, LLC (PAM). QSI and PAM are under the common ownership of Morrie W. Reiff and share their principal office and place of business.

## **Item 3 - Table of Contents**

<b>Item 1 - Cover page.....</b>	<b>1</b>
<b>Item 2 - Material Changes.....</b>	<b>2</b>
<b>Item 3 - Table of Contents.....</b>	<b>2</b>
<b>Item 4 - Advisory Business.....</b>	<b>3</b>
<b>Item 5 - Fees and Compensation.....</b>	<b>3</b>
<b>Item 6 - Performance-Based Fees.....</b>	<b>3</b>
<b>Item 7 - Types of Clients.....</b>	<b>3</b>
<b>Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss.....</b>	<b>3</b>
<b>Item 9 - Disciplinary Information.....</b>	<b>4</b>
<b>Item 10 - Other Financial Industry Activities and Affiliations.....</b>	<b>4</b>
<b>Item 11 - Code of Ethics .....</b>	<b>5</b>
<b>Item 12 - Brokerage Practices.....</b>	<b>6</b>
<b>Item 13 - Review of Accounts.....</b>	<b>6</b>
<b>Item 14 - Client Referrals and Other Compensation.....</b>	<b>6</b>
<b>Item 15 - Custody .....</b>	<b>6</b>
<b>Item 16 - Investment Discretion.....</b>	<b>6</b>
<b>Item 17 - Voting Client Securities.....</b>	<b>6</b>
<b>Item 18 - Financial Information .....</b>	<b>7</b>
<b>Item 19 - Management and Personnel Profiles .....</b>	<b>7</b>

#### **Item 4 - Advisory Business**

Quantitative Strategies, Inc. ("QSI") was formed in 2001, and is wholly owned by Parent company and owning entity, Planned Asset Management, LLC ("PAM"). PAM is wholly owned by Morrie W. Reiff. QSI is managed by Mr. Reiff and Paul Okawa, and offers a series of diversified portfolios managed with a passive strategy.

Based on studies indicating that long-term performance of actively managed mutual funds rarely outperform their benchmarks, QSI has developed portfolios consisting of low-cost, passively managed funds, that represent different "benchmarks" or asset categories. QSI acts as a sub-advisor. All clients will have a primary relationship with an investment advisor. Portfolio's range in risk and return, from a "Fixed Plus" 10% equity, 90% fixed income allocation, to an "aggressive" 95% equity, 5% fixed income allocation. Portfolios are managed in an effort to maintain risk/return characteristics consistent with a given strategy, at the lowest possible cost.

QSI will match strategy to client based on financial objectives, risk tolerance questionnaire, and client's overall financial position. Investments will consist primarily of no-load mutual funds, exchange traded funds, or other low cost alternatives.

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

QSI will charge an annual fee ranging between .45% to .60% of assets under management. This amount may be negotiated lower for larger accounts. Prior to 2008, QSI charged .30% for all accounts, and these accounts continue to be billed at the same rate. In addition, the primary investment advisor or solicitor will charge a fee, not to exceed 2.5%. This amount will be determined by a separate agreement between the investment advisor and the client. QSI will bill accounts for all fees, with the investment advisor's portion sent to the advisor or broker, per separate written instructions. Fees are billed quarterly, in advance, and are deducted from client accounts. If contracts are terminated within 60 days of a new quarter, a pro rata refund of the fees paid in advance will be made available to the client on request.

#### **Item 6 - Performance-Based Fees**

QSI does not have any clients that pay fees based on performance.

#### **Item 7 - Types of Clients**

QSI provides service to individual clients, pension plans, trusts, and investment companies. The minimum account size is \$400,000 but may be lowered at the discretion of the applicant.

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

QSI uses its own securities analysis, in addition to research and analysis from various companies.

QSI employs modern portfolio management techniques to develop model portfolios. These include the following principals:

1. Asset Allocation (diversifying asset classes within a portfolio) can improve the risk/return characteristics of a portfolio.

2. Portfolios must include equities to minimize losses due to inflation and taxes, which can greatly erode the return on fixed income securities.
3. Attempting to time the market is impossible on a consistent basis. To capture long-term returns it is necessary to maintain a disciplined strategy and stay invested in the market.
4. Since small companies (companies with less than \$1.5 billion in market capitalization) have historically outperformed large companies (companies with \$5.5 billion plus in capitalization), investing in small companies can improve a portfolio's performance.

These principals are used to develop and maintain six investment strategies:

<u>Strategy Name</u>	<u>Equity Allocation</u>	<u>Fixed Income Allocation</u>
Fixed Plus	10%	90%
Defensive	20%	80%
Conservative	40%	60%
Balanced	60%	40%
Growth	80%	20%
Aggressive	95%	5%

Allocations to equities and fixed income will remain stable. However, the underlying asset mix within equities, or within fixed income, is subject to change, based on directors' opinions, market conditions, and economic environment.

### **Item 9 - Disciplinary Information**

QSI is required to disclose all material facts in any legal or disciplinary event that is material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Mr. Morrie Reiff was named as a responding party in 8 FINRA Arbitration claims due to his status as a control person, President and 50% shareholder of former broker-dealer, AFA Financial Group, LLC (AFA). 7 of the 8 claims were eventually dismissed. AFA withdrew its membership from FINRA on April 30, 2010.

These claims did not accuse Mr. Reiff of being involved in any sales-related wrongdoing, but included him as a responding party solely due to his ownership role, with the exception of one case; "Frankovich Trust v. AFA Financial Group, LLC, Planned Asset Management, Inc. and Morrie W. Reiff." The complaining party, known as "Frankovich Trust" later withdrew their claims against Mr. Reiff and Planned Asset Management, Inc. in their entirety.

One other FINRA arbitration claim filed 01/13/2010 entitled "Hajek & Park v. AFA Financial Group, LLC" making a \$571,000 claim against the former broker-dealer, AFA was settled in October, 2011 by the broker-dealer, AFA for \$12,500, and considered this a "nuisance settlement." Mr. Reiff was not a respondent or party in this claim but due to a clerical error, the arbitration was erroneously included in his Form U4 disclosure and hence, viewable on Mr. Reiff's public disclosure report at FINRA's BrokerCheck.

Details of these claims can be found on Mr. Reiff's public disclosure report at the SEC's Investment Adviser public disclosure site: [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

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

QSI is owned by Planned Asset Management, LLC (“PAM”), an independent Registered Investment Advisor which is wholly owned by Morrie W. Reiff. Morrie W. Reiff is a registered representative and Paul Okawa is an administrative registered representative of Independent Financial Group, LLC (“IFG”), a registered broker dealer. Since QSI only acts as a third party manager under its parent company Advisor, PAM, through IFG, clients will have a primary relationship with a registered representative or investment advisor representative. Therefore, QSI does not anticipate a conflict of interest from QSI Investment Advisor Representatives.

Morrie W. Reiff, Director and owner of PAM and QSI, has 50% direct ownership in AFA Holding, LLC as well as indirect ownership in AFA Holding, LLC’s subsidiary companies; Accountants Financial Alliance, Inc., a SEC Registered Investment Advisor which is undergoing the process of closing its business, and Accountants Financial Alliance Insurance Services, Inc., a California licensed Insurance Agency.

Morrie W. Reiff, CFP also owns and operates Planned Asset Management, LLC (“PAM”), an independent Registered Investment Advisor and QSI’s parent company. The majority of his time is allocated to PAM, the Registered Investment Advisory firm with a smaller portion allocated to the operations and administration of the other entities, including QSI.

### **Item 11 - Code of Ethics**

QSI has adopted a written code of ethics covering all supervised persons. The code of ethics consists of the following core principles:

- 1) The interests of clients will be placed ahead of the firm’s or any employee’s own investment interests.
- 2) Employees are expected to conduct their personal securities transactions in accordance to the firm’s trading policy and will strive to avoid any actual or perceived conflict of interest with the client. Employees will consult with the CCO before taking any action that may result in conflict.
- 3) Employees will not take inappropriate advantage of their position with the firm.
- 4) Employees are expected to act in the best interest of each of our clients.
- 5) Employees are expected to comply with federal securities laws.

Employees must agree and comply with this code in connection with the annual policy manual acknowledgement process. A copy of the code of ethics is available to any client or prospective client on request.

QSI or a related person may purchase the same mutual fund/ETF owned by clients. Based on the dollar amounts of the purchases, the size of the funds, and long-term nature of these investments, we do not feel it represents a conflict of interest.

Since we do not recommend individual stocks, QSI or related persons will not purchase the same stock recommended to a client. However, it is possible that QSI or related persons will own the same

stock that a client owns. If this occurs, trading will be monitored to avoid any conflict, or the appearance of a conflict of interest, with client trades having priority and executed separately and independently from any QSI trades.

### **Item 12 - Brokerage Practices**

In reviewing custodians for client assets (broker-dealers), QSI will look at costs to open, maintain, and close the account. Trading costs are typically an integral part of this and Applicant does not participate in trading costs or commissions, and does not receive research or soft dollar benefits.

Trading costs are subject to change by the custodian and will generally represent less than 1/4 of 1% of assets. The operational support and technology provided by the custodian is also important, as higher efficiencies allow for faster, more accurate reporting and allow for focus on research and other client services.

We do not receive client referrals for brokerage, and we do not direct brokerage. Since we do not recommend individual stocks, the aggregation of orders is not applicable to us.

### **Item 13 - Review of Accounts**

Portfolios are reviewed no less than quarterly to determine if reallocation is necessary. Portfolio review includes analysis of various economic factors, including but not limited to - interest rates, valuations (p/e ratios, p/cf ratios) inflation/deflation, unemployment, gross domestic product, and world events. Individual assets will be reviewed periodically for standard deviation, correlation internal costs, and performance to ensure against style drift or other deviation from their sector.

The portfolio will be compared to the target allocation no less than quarterly. Reallocation of assets will be performed when adjustments to the allocation model are implemented, or when necessary due to shifts in financial markets. In reallocation; consideration will be given to taxes (if applicable), costs, and overall portfolio risk/return characteristics. Advisors will meet on at least a weekly basis to discuss portfolio allocations and other relevant issues. Reviews will be performed by directors.

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

QSI does not receive any economic benefit from non-clients for providing investment advice or advisory services to clients. We do not compensate any non-supervised person for client referrals.

### **Item 15 - Custody**

QSI does not have custody of client funds or securities.

### **Item 16 - Investment Discretion**

QSI does exercise discretion over client accounts, under QSI's Customer Management Agreement. Our management agreement and account applications outline the terms of this arrangement. However, the overall client allocation must remain consistent with the agreed upon model, unless the client or advisor provides written instructions to the contrary.

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

Client's Proxy information is sent directly to the client, and clients may call us for additional information or clarification. However, QSI does not vote client proxies on the client's behalf.

### **Item 18 - Financial Information**

QSI does not solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. We do maintain discretion over client accounts. Since our primary contractual commitment to clients is service, it is unlikely that any financial condition would limit our ability to meet these obligations.

### **Item 19 – Management and Personnel Profiles**

Below is a description and background of executive officers and management persons.

#### **President, Paul S. Okawa, CFA**

Born November 25, 1968

Mr. Okawa's higher education includes: BS Business, Finance, California State University of Northridge (Northridge, California), 1990.

His background over the last five years includes:

Ownership and operation of Quantitative Strategies, Inc. (QSI), a Registered Investment Advisor. Vice President of Planned Asset Management, QSI's Parent firm and Registered Investment Advisor. Formerly, Administrative Registered Representative of AFA Financial Group, LLC, a registered broker dealer. Currently Administrative Registered Representative of Independent Financial Group, LLC, a registered broker dealer.

Mr. Okawa has received the Chartered Financial Analyst (CFA) designation from the Board of Governors of the Association for Investment Management and Research (AIMR), in September, 2000. The CFA program is a globally recognized standard for measuring competence and integrity of financial analysts. Its curriculum develops and reinforces a fundamental knowledge of investment principals.

Mr. Okawa also holds Series 7, 63 and 24 securities registrations and is licensed for Life and Variable insurance contracts through the State of California.

#### **Director, Morrie W. Reiff, CFP**

Born August 7, 1950.

Mr. Reiff's higher education includes:

University of Southern California ("USC") (Los Angeles, CA) Financial Planning Program.  
College of Financial Planning, Certified Financial Planner Program.  
Los Angeles Valley College - Associates of Arts - Accounting.  
San Diego State University - Bachelor of Science - Accounting.

Mr. Reiff's professional background over the last five years has included: The operation and ownership of QSI's Parent Company and Financial Planning firm, Planned Asset Management, a

registered investment advisor.

Mr. Reiff is a registered representative and OSJ for Independent Financial Group, LLC, an unaffiliated registered broker dealer. He is also owner of a firm using the DBA, BR & Co., in service to implement advanced estate planning, long-term care, disability, and medical coverage for both individuals and businesses.

Mr. Reiff maintains 50% direct ownership in AFA Holding, LLC, as well as indirect ownership AFA Holding, LLC's subsidiaries; Accountants Financial Alliance, Inc., a Registered Investment Advisor that is undergoing the process of withdrawal from business with the SEC, and Accountants Financial Alliance Insurance Services, Inc. Time is allocated as needed for administration related to the various entities with PAM, AFA, BR & Co. and QSI, and will vary from period to period. Time is allocated as needed in his capacity as a registered representative and branch manager for Independent Financial Group, LLC.

Mr. Reiff maintains his Series 7, 24, and 63 securities registrations and is licensed for Life and Variable insurance contracts through California and other states.

Mr. Reiff is a Certified Financial Planner (CFP) and member of the Financial Planning Association (FPA) and he has served on the Board of Directors and is a past president of both the San Fernando Valley Society of the Institute of Certified Financial Planners and the San Fernando Valley Chapter of the International Association for Financial Planning (the two are now merged and are the West Valleys Chapter of the Financial Planning Association).