

Form Adv Part 2 A-B Firm Brochure  
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This brochure provides information about the qualifications and business practices of SectorQuant Incorporated (IADR# 128090) and Michael S. Lawrie (IARD# 1908023). If you have any questions about the contents of this brochure, please contact us at (303) 820-3000 and or [ML@SectorQuant.com](mailto:ML@SectorQuant.com). The information in this brochure has not been approved or verified by the United States Securities and Exchanges commission or by any state security authority.

Additional information about SectorQuant, Inc. SectorQuant (IADR# 128090) and Michael S. Lawrie (IARD# 1908023) is available on the SEC's web site at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov)

### Material Changes

Going from monthly to quarterly custodian generated paper copy statements and fee assessments  
SQ will provide a quarterly fee statement (separate from TCA statement) to clients via e-mail or USPS at  
client's direction

Monthly TCA hardcopy statements are available for \$100 annual charge – Daily on-line statements available no  
charge

SectorQuant has moved its registration from the US Securities and Exchange Commission to the State of  
Colorado Department of Regulatory Agencies, Division of Securities

### Table of Contents

Contact Information	Cover
Material Change Summary	Page 2
Table of Contents	Page 2
Advisory Business	Page 2
Fees and Compensation	Page 3
Performance Based Fees	Page 4
Types of Clients	Page 4
Methods of Analysis	Page 4
Disciplinary Information	Page 5
Other Financial Industry Activities	Page 5
Code of Ethics	Page 5
Brokerage Practices	Page 5
Review of Accounts	Page 6
Client Referrals and Other Compensation	Page 6
Custody	Page 6
Investment Discretion	Page 6
Voting Client Securities	Page 7
Financial Information	Page 7
State Registration	Page 7

### Advisory Business

Clients retain **SectorQuant, Inc.**, (SQ) to manage investment portfolios using a sector and style rotation approach to asset allocation. SectorQuant uses a combination of fundamental and charting techniques in order to create a sector and style rotation approach to the securities market. SectorQuant uses fundamental analysis and charting techniques to identify attractive securities, investment styles, industry sectors and income categories based on research findings that sectors and styles rotate in and out of favor as the economy move through business cycles. Through trend analysis SQ continually seeks to adjust its portfolios, over weighing a diverse collection of attractive styles and sectors while under weighing the unattractive groups.

After performing this security, sector and style analysis, SectorQuant identifies leading Exchange Traded Funds (ETFs), no-load mutual funds, load-waived mutual funds, or will create baskets of securities that represent the attractive sectors and styles based on SQ's analysis of current conditions. There are presently three different portfolios (Equity, Balanced and Income), which are designed in anticipation of the client's specified risk parameters and investment objectives. These portfolios may change each time that SQ's analysis of sectors,

styles and market conditions changes. Each no-load mutual fund, load-waived mutual fund, ETF and/or security basket undergoes strict review by the applicant.

SectorQuant sees the value in comprehensive financial planning while recognizing SectorQuant's expertise is narrowed on investments with a focus on domestic and international equity, debt and commodity markets. SectorQuant markets its services on a wholesale basis to financial advisors (CFPs, RIAs, ChFPs and CPAs), who place their clients assets under SectorQuant's supervision. The primary advisor and SectorQuant enter a fee sharing agreement that the client must sign off on in what is referred to as the Solicitors Disclosure document.

This service will be offered to high net worth individuals, corporations, partnerships, institutions, and foundations on a retail basis as well.

Michael S. Lawrie is the chief investment officer and chief compliance officer of SectorQuant. Mr. Lawrie helped found SectorQuant in July of 2002 and has been a 100% owner since March 2009. Previously Mr. Lawrie has served as a Vice-President of Investment with UBS-Paine Webber, Inc. from 1998 to 2002. Michael Lawrie is the author of *Wall Street Secrets-7 Things You Need to Know* (Joyous Noise Publishing). Mr. Lawrie has served as a special consultant to The New York Stock Exchange on member continuing education in 1995. He was a Divisional Vice-President, Manager of the Broker Training Center and Trainer with PaineWebber, Inc. at the firm's operational headquarter in Weehawken, NJ from 1993 to 1998. Mr. Lawrie started his investment advisor career with Merrill Lynch at the firm's Fifth Avenue Financial Center in New York City where he was a Financial Consultant from 1988 to 1992. Prior to that, Mr. Lawrie had a seven-year career in the information technology industry holding various sales and marketing positions. Mr. Lawrie has held FINRA registered representative general securities registration blue skied in all 50 states and investment advisor representative (series 65) registration. Mr. Lawrie graduated from Colorado State University in 1980 with a Bachelors of Arts degree.

Risk: As a "tactical asset allocator" SectorQuant will produce results that diverge from broad markets benchmarks like the S&P 500 or the Dow Jones Industrial Average. Standard & Poor's currently breaks the S&P 500 into 10 sectors or industry groups (consumer staples, consumer discretionary, and energy, health care, financials, industrials, technology, utilities, materials and telecomm services). Versus these benchmarks SectorQuant seek to underweight in our portfolios what SectorQuant perceives to be the unattractive sectors while overweighting what SectorQuant expects to be the attractive groups. As with all equity and debt investments the potential loss of principle is significant and past performance is no guarantee of future returns.

#### Fees and Compensation

For services provided, **SQ** receives compensation based on a percentage of the net asset value of the client accounts in accordance with the fee schedule below.

<u>Portfolio Value</u>	<u>Annualized Rate</u>	<u>Monthly Rate</u>
\$10,000 - \$1,000,000	2.50%	0.208%
\$1,000,001 - \$5,000,000	2.25%	0.187%
\$5,000,001 – And Above	Negotiable	Per Agreement

To utilize the services of SQ, a prospective client must enter into an Investment Advisory Agreement with SQ.

SQ's management fee is billed in arrears. In the Investment Advisory Agreement the client authorizes the custodian on the 15<sup>th</sup> day of the month following the end of the quarter (or the first business day after) to deduct and pay SQ its Advisory fee for the quarter just past. To fulfill the three elements of "constructive custody" as defined by the State of Colorado, SQ will have (1) signed authorization from the client to direct the custodian to disburse to SQ its management fee. (2) The custodian will provide the client a statement including the management fee calculation. (3) SQ will provide the client a statement including the management fee calculation. Clients or SQ can cancel this advisory agreement with 5 days written notice. SQ reserves the right to pro rate the unpaid management fee it is owed to the day it receives termination notification. The services provided by SQ may be offered by other advisors at lower fees.

SQ will typically have discretionary authority to make changes in the client portfolio holdings and place trade orders directly with the broker-dealer/custodians. The broker-dealer/custodian will be responsible for furnishing the client with a transaction summary/ statement that includes: balance beginning of year/end of period, change in value, summary of all fees (management and custodial), summary of holdings, summary of activity and tax documents.

#### Performance Based Fees and Side-By-Side Management

SectorQuant does not charge "Performance-Based Fees" or any other, competing or potentially distracting fee structure other than our flat percentage of assets management fee. SectorQuant is not compensated for or participates in client transactions or receive any other cash or soft dollar compensation outside of the use of TCA's trading platform software (for more information see "Brokerage Practices").

#### Types of Clients

Either directly or through split fee agreements with financial advisors SectorQuant seeks to do business with: individuals, high net worth individuals, partnerships, institutions, charities - non-profits and corporations.

#### Methods of Analysis, Investment Strategies and Risk of Loss

SectorQuant uses fundamental analysis and charting techniques to identify attractive securities, investment styles, industry sectors and income categories based on research findings that sectors and styles rotate in and out of favor as the economy move through business cycles. Through trend analysis SQ continually seeks to

adjust its portfolios, over weighing a diverse collection of attractive styles and sectors while under weighing the unattractive groups.

Risk: As a “tactical asset allocator” SectorQuant will produce results that diverge from broad markets benchmarks like the S&P 500 or the Dow Jones Industrial Average. Standard & Poor’s currently breaks the S&P 500 into 10 sectors or industry groups (consumer staples, consumer discretionary, energy, health care, financials, industrials, technology, utilities, materials and telecomm services). Versus these benchmarks SectorQuant seek to underweight in our portfolios what SectorQuant perceives to be the unattractive sectors while overweighting what SectorQuant expects to be the attractive groups. As with all equity and debt investments the potential loss of principle is significant and past performance is no guarantee of future returns.

#### Disciplinary Information

SectorQuant Inc. and or Michael S. Lawrie have not been sighted in any civil, regulatory or criminal actions.

#### Other Financial Industry Activities and Affiliations

Mr. Lawrie is licensed and solicits insurance sales for both life and health insurance. Mr. Lawrie does not solicit SectorQuant clients for insurance sales. Conversely, Mr. Lawrie does not solicit insurance clients to participate in the investment programs offered by SQ. Currently Mr. Lawrie is appointed with Mass Mutual and he spends approximately twenty hours per week on his insurance sales efforts.

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

All employees of SectorQuant are required to have 100% of their securities market investments managed by SectorQuant in the same strategies as our clients. To mitigate conflicts of interest employee participation requires perfect mirroring of client model allocations, price allocations (determined by the custodian) and security allocation.

#### Brokerage Practices

SQ uses Trust Company of America (TCA) as custodian and broker dealer. Our custodian provides an integrated trading/asset-allocation platform, custodial and broker-dealer services. Trading is executed through our custodian’s model-driven platform that executes omnibus transactions re-balancing each account to mirror SectorQuant model allocation. The custodian allocates and prices all trades. Account trade conformations, client statement, gain loss reports and custodial billing are provided to the client directly by our custodian. The custodian, under client authority, deducts SectorQuant’s management fee on the 15<sup>th</sup> of the month following quarters end. All fees are charged in arrears. A potential conflict of interest is that built into TCA’s custodial charge is cost associated with its model allocation – trading software platform.

SectorQuant is of the opinion the value added efficiencies achieved by the platform justify the expense. Again, these services may be available from other vendors at lower cost.

### Review of Accounts

On a daily basis Michael Lawrie generates a summation of accounts report that list accounts by total assets and a total of all assets under management. Mr. Lawrie reviews account 'year to date' (YTD) performance of a group of actual accounts also on a daily basis. Mr. Lawrie reviews client Quarterly statements reviewing beginning of year balance, end of period balance, management fees, custodial fees and all transactions prior to distribution. From a reporting perspective clients will receive comprehensive quarterly statements and annual tax documents directly from the custodian. Clients will receive quarterly management fee statements from SectorQuant. These reports will be presented in the context on the periodic reviews agreed to between the client and their primary advisor.

### Client Referrals and Other Compensation

SectorQuant, Inc. attracts clients by entering into fees splitting agreements with certified financial planners, (CFPs) or other financial professionals (ChFPs, CFPs, RIAs and CPAs) via a "Solicitors Agreement". Clients must have a signed SQ Investment Advisory Agreement and a "Solicitors Disclosure Document" on file to participate in a SectorQuant, Inc. investment program. SectorQuant bills its quarterly management fee in arrears. SQ will pay the primary advisor on the same day SQ receives payment from the custodian.

### Custody

SQ uses Trust Company of America, Englewood Colorado (TCA) as trading platform, custodian and broker dealer. Our custodian provides integrated trading, custodial and broker-dealer services. Trading is executed through our custodian's model-driven platform that executes omnibus transactions. Other than the benefits of TCA's "trading platform" – software, SectorQuant receives no financial or soft dollar incentives from our custodian. SectorQuant does not financially participate in client transaction or receive incentive to trade or hold particular securities. Account trade conformations, client statement reporting and management, custodial and transaction billing are provided to the client directly by the custodian. Clients grant authority to the custodian to deduct management, custodial and transaction charges on the 15<sup>th</sup> of the month following the quarter's end. To fulfill the three elements of "constructive custody" as defined by the State of Colorado, SQ will have (1) signed authorization from the client to direct the custodian to disburse to SQ its management fee. (2) The custodian will provide the client a statement including the management fee calculation. (3) SQ will provide the client a statement including the management fee calculation.

### Investment Discretion

SectorQuant requires clients to grant security selection and asset allocation discretion in managing the clients account. SectorQuant does not have any non-discretionary accounts. SectorQuant's discretion is limited to the buying and selling of securities in the clients account. SectorQuant does not have the authority to withdraw or deposit funds into client accounts. On all distributions from the account the custodian requires a signed distribution form from the client.

#### Voting Client Securities

SectorQuant does not vote corporate or fund proxies.

#### Financial Information

SectorQuant, operating within “constructive custody” is not required to file corporate financial reports. Neither SectorQuant Inc., nor Michael S. Lawrie have ever filed bankruptcy or been the subject of a civil judgment.

#### State Registration

SectorQuant Inc. is an investment advisor registered with the Colorado department of Regulatory Agencies, Division of Securities.