

QA Investment Services, LLC

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This brochure provides information about the qualifications and business practices of QA Investment Services, LLC (QAIS). If you have any questions about the contents of this brochure, please contact us at 866-767-8007 and/or info@QAIS.biz. 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 QAIS 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 Investment Services, LLC's Form ADV Brochure since its last annual update on March 31, 2011. To see all changes since the last annual update, please review the entire brochure.

Methods of Analysis, Investment Strategies and Risk of Loss

We have updated the discussion of Quantitative Advantage, LLC's (QA) methods of analysis, investment strategies and risk of loss in Item 8. While we have made revisions throughout Item 8, we have added, enhanced or revised disclosures regarding the following matters:

- The risks associated with exchange-traded funds (ETFs) and mutual funds, including index funds
- Tax information relating to ETFs investing in commodities and currencies, in which the QA Tactical All Market strategy typically invests
- International investments
- The QA Tactical Bond strategy (formerly the QA Fixed Income strategy), and related fixed income investments; these updated disclosures also apply to the QA Global Balanced strategies (including the Equity Flex versions of each) and the QA Tactical All Market strategy, which also make fixed income investments
- The QA Equity Flex strategies, reflecting the extension of the Equity Flex mandate to permit the QA portfolio management team to eliminate equity exposure in Equity Flex accounts if they determine market conditions require doing so

Other Financial Industry Activities and Affiliations

We have added disclosure in Item 10 regarding conflicts of interest in connection with benefits QA receives from sponsors of ETFs.

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

We have updated the disclosure in Item 11 to reflect revisions to our Code of Ethics, including some restrictions on QAIS officers, directors and employees investing in ETFs.

Brokerage Practices

We have updated various disclosures in Item 12 regarding QA's and QAIS's brokerage practices, including with respect to publications, communications or other information QA or QAIS receive from broker-dealers and QA's trade error policy.

Item 3

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Item 4

Advisory Business

QA Investment Services, LLC (QAIS) is a subsidiary of Quantitative Advantage, LLC (QA). QAIS was established in 2004, with Robert W. Roddy as President and Managing Partner. QA and Robert Roddy each own 50% of QAIS.

QAIS provides two principal types of advisory services:

- QAIS provides clients with investment advice regarding, and in connection with, the investment management services provided by QA
- QAIS provides recommendations, generated by QA using the Global Investment System,SM to participants in employer-sponsored retirement plans

QAIS provides non-discretionary investment advisory to clients, but does not provide financial planning or other services. QAIS's investment advisory services rely principally on the QA Global Investment System, a proprietary research tool developed by QA. 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 December 31, 2011, QAIS provided investment advice with respect to approximately \$683 million in client assets.

Managed Accounts

QAIS serves as one of the third-party investment advisors through which QA makes its discretionary 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.

In these cases, QAIS 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, QAIS will typically require the client to complete an investor questionnaire, profile or similar document. QAIS will also inquire whether the client wishes to impose any reasonable restrictions on the management of its account. QAIS will 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.

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.

QAIS and QA will generally charge the client a combined annual fee for advisory and management services, which for equity, balanced and alternative investment accounts is typically as follows:

<u>Value of Assets</u>	<u>Annual Fee</u>
First \$250,000	1.50%
Next \$250,000	1.25%
Assets over \$500,000	1.00%

QA and QAIS generally charge lower fees with respect to fixed income accounts. In all cases, QA and QAIS share equally in the annual fee.

While QAIS and QA may sometimes provide their services for a higher or lower combined fee, the fee is generally not negotiable. The fee will 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 fee for the initial quarter will be calculated on a pro rata basis commencing on the day QA first places one or more trades for the account. 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 receive a pro rata refund of fees if services are terminated during a quarter.

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 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.

QAIS will upon request provide clients with advice to help them make this choice at the time clients open their accounts. If a client requests QAIS to do so, QAIS will also advise the client at any time the client wishes to reconsider his or her choice. However QAIS will not monitor a client's account to determine whether the client's choice remains most favorable to him or her.

Broker-Dealer/Custodians determine their own charges, so brokerage fees and commission rates will vary depending on the Broker-Dealer/Custodian the client chooses. 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 QAIS to invoice the Broker-Dealer/Custodian for the combined annual 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 QAIS. Clients also direct QA and/or QAIS 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.

You will find additional information regarding brokerage in Item 12 (Brokerage Practices).

QA generally implements clients' Investment Strategies by investing the account assets in funds, including exchange-traded funds (ETFs) and mutual funds. In addition to the combined annual advisory and 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.

Variable Annuity Policies

QAIS also makes QA's discretionary investment management services available 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 and QAIS do not charge fees on assets held in the fixed account because QA and QAIS are not actively advising on or 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 and QAIS charge their fees in advance based on the 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.

QAIS is not accepting any new variable annuity contract clients.

Employer-Sponsored Retirement Plans

QAIS also provides investment recommendations, generated by QA using the Global Investment System, 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, QAIS 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

QAIS at all times seeks to act in a timely manner in response to client instructions, directions and requests. However, the various steps QAIS 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 QAIS is required to undertake in the same time frame, and all the circumstances of the particular instance. QAIS 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 QAIS.

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

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

QAIS does not impose a minimum value of assets to open a client account. However, clients who use QA's investment management services will be subject to QA's minimum account balances and/or other qualification requirements, which are described in QA's brochure.

In the case of variable annuity contracts, the insurance company typically determines the minimum account balance.

Item 8

Methods of Analysis, Investment Strategies and Risk of Loss

QAIS's investment advisory services rely principally on the investment management services provided by QA, its affiliate.

Methods of Analysis

QA generally provides discretionary investment management services to clients, who select from among various QA investment strategies depending on their investment objectives and tolerance for risk. In making its investment decisions, QA reviews rankings generated by its proprietary Global Investment System, a quantitative research resource which analyzes relative price trends to rank various investment styles, sectors and international regions and countries and alternative and fixed income asset classes or groups.

In exercising its investment discretion, QA does not simply follow the rankings generated by its Global Investment System. Instead, it reviews the rankings as part of its independent investment decision-making process. In many cases, QA's investment decisions will reflect the rankings, but they will not always do so. For example, QA may select or retain other investments to avoid excessive concentration, to limit turnover or for other reasons in the discretion of the Chief Investment Officer and portfolio managers.

The Global Investment System, as QA's proprietary research resource, 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

Past performance of QA's investment strategies is no guarantee of future performance, and QA's strategies, like most investment strategies, involve the risk of loss. You 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 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 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 and possible trading halts. 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, and global political and

economic developments. In addition, many funds in which QA's 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.

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 involve a high level of portfolio turnover, which may increase transaction costs, lower returns and have negative tax consequences in taxable accounts.

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 QA 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.

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

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 index. 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.

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

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 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 International Equity Strategy

QA International Equity makes international investments, which are subject to special 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.

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 will also 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.

In addition, they 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 market and interest rate risk if sold prior to maturity, since bonds are subject to availability and change in price, and 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 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. 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 Tactical Bond Strategy (formerly QA Fixed Income Strategy)

QA Tactical Bond invests 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 market and interest rate risk if sold prior to maturity, since bonds are subject to availability and change in price, and 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 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. 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.

The strategy may also 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 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. In addition, some ETFs in which the strategy may invest may have limited liquidity.

The strategy 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, and may make small cap investments, which are subject to greater volatility than those in other asset categories.

It may also 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 Tactical All Market 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; 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.

The strategy may also make 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 market and interest rate risk if sold prior to maturity, since bonds are subject to availability and change in price, and 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 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. 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.

Although index funds (which QA typically uses to implement its investment strategies) are designed to provide investment results that generally correspond to their 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 indices 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 indices 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 - Managed Accounts

In addition to the Equity Flex risks below, please see the risks associated with the underlying strategy above, e.g., for QA Global Equity with Equity Flex, please see QA Global Equity Strategies above, as well as the Equity Flex risks below.

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.

QA Equity Flex Strategies – Retirement Allocation Program

In addition to the Equity Flex risks below, please see the risks associated with the underlying strategy above, e.g., for the Retirement Allocation Program QA Ultra Growth with Equity Flex strategy, please see QA Global Equity Strategies above, as well as the Equity Flex risks below.

While QA will typically implement Equity Flex by recommending reducing or restoring equity exposure in steps, and will generally recommend Equity Flex actions as part of the regular Retirement Allocation Program (RAP) update on the first trading day of each month, it retains full flexibility to recommend reducing, eliminating or restoring 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 recommends reducing 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 result in redemption fees, round trip restrictions and lower returns. 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 QAIS upon request.

Item 9

Disciplinary Information

Not applicable

Item 10

Other Financial Industry Activities and Affiliations

Quantitative Advantage, LLC

QAIS is a subsidiary of its affiliate, QA, which is also an investment advisor. QA owns a controlling 50% interest in QAIS.

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 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

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

As required by the Investment Advisers Act, QAIS has adopted a Code of Ethics that describes the standards of conduct expected of its directors, officers and employees, including compliance with the federal securities laws, fiduciary duties and confidentiality, use of material non-public information, and the personal investment activities of officers, directors and employees. The Code of Ethics requires that QAIS's officers, directors and employees report certain personal securities holdings and transactions in accordance with the Investment Advisers Act and rules. Among other requirements, QAIS's officers, directors and employees are not permitted to invest in exchange-traded funds (ETFs), which QA uses extensively in its investment strategies, except in QA managed accounts.

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

Item 12

Brokerage Practices

Brokerage Discretion

QAIS does not have discretion to determine which broker-dealer will be used or the commission rates paid.

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

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

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.

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

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

QAIS monitors the portfolios of clients who participate in the Quantitative Advantage Investment Management Program as part of an ongoing process, while regular reviews of these portfolios are conducted on at least a quarterly basis by one or more QAIS advisors.

QA's portfolio managers and/or portfolio operations analysts also 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

Not applicable

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 QAIS.

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

Item 16

Investment Discretion

QAIS does not exercise 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

QAIS does not provide advice regarding proxies.

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 the Chief Compliance Officer 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