

# Hedgeable, Inc.

## Form ADV Part 2A Firm Brochure



This brochure provides information about the qualifications and business practices of Hedgeable, Inc. If you have any questions about the contents of this brochure, please contact us at (800) 785-7914 or by email at: [support@hedgeable.com](mailto:support@hedgeable.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Hedgeable, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Hedgeable, Inc.'s CRD number is: 150300

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

There are no material changes in this brochure from Hedgeable, Inc.'s last annual update filing on March 11, 2013. Material changes relate to Hedgeable, Inc.'s policies, practices or conflicts of interests only.

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## Item 4: Advisory Business

### A. Description of Services

Hedgeable, Inc. (hereinafter “Hedgeable”) is a Registered Investment Advisor based in New York, NY. Hedgeable is organized as a C-Corp under the laws of the state of Delaware. We have been providing advisory services since 2009. Michael R. Kane and Matthew R. Kane are the primary common shareholders of Hedgeable. Currently, we offer the following investment advisory services:

- Wrap Fee Managed Account Programs
- Sub-Advisory Engagements
- Dual Contract Engagements

The following paragraphs describe our services and fees. Please refer to the description of each investment advisor service listed below:

#### ***Wrap Fee Managed Account Programs***

We offer four Wrap Fee Managed Account Programs- Retirement Free, Retirement Plus, High-Net Worth, and 401(k) Plans.

##### ***Retirement Free Program***

In the Retirement Free Program, we construct a highly diversified ETF portfolio customized to your profile. Depending on your profile, this portfolio could include U.S. Equity, International Equity, Emerging Equity, Commodities, Real Estate, Fixed Income, and Inflation protection. The portfolio will be re-balanced periodically back to its starting risk-adjusted weights, in accordance with Modern Portfolio Theory. Investors can view live cutting edge analytics on any account that is managed by logging into the Hedgeable.com platform. There is a \$5,000 minimum investment required to access the Free Program.

The following accounts may be opened in the program:

- Individual- Taxable
- Traditional IRA, Roth IRA, IRA Rollover, SIMPLE IRA, SEP IRA
- Custodial (UGMA/UTMA)
- Revocable Trust
- Joint- Rights of Survivorship, Joint- Tenants in Common, Joint- Community Property, Joint- Tenants by Entirety
- Corporation
- General Partnership
- Limited Partnership (including Family Limited Partnership)
- Limited Liability Company
- Sole Proprietorship

- Investment Club
- Business Trust
- Unincorporated Organization

Accounts are custodied at FOLIO Investments, Inc. and charged an **unwrapped** fee because there is no Hedgeable Management Fee in this program. Clients pay a fee to the custodian for trade costs and asset custody (please see **Item 4B** for more details). Fees are not negotiable. The custodian does not allow clients to prepay fees.

#### **Hedgeable Management Fee**

<b>Total Client Assets</b>	<b>Fee</b>
\$5,000 and up	<b>0.0%</b>

#### ***Retirement Plus Program***

In the Retirement Plus Program we construct a highly diversified ETF portfolio customized to your profile. Depending on your profile, this portfolio could include U.S. Equity, International Equity, Emerging Equity, Commodities, Real Estate, Fixed Income, and Inflation protection. As opposed to the Free Program, any account held in this program is actively risk managed by us with our proprietary risk management technology. Investors can view live cutting edge analytics on any account that is managed by logging into the Hedgeable.com platform. There is a \$50,000 minimum investment required to access the Retirement Plus Program.

The following accounts may be opened in the program:

- Individual-Taxable
- Traditional IRA, Roth IRA, IRA Rollover, SIMPLE IRA, SEP IRA
- Custodial (UGMA/UTMA)
- Revocable Trust
- Joint- Rights of Survivorship, Joint- Tenants in Common, Joint- Community Property, Joint- Tenants by Entirety
- Corporation
- General Partnership
- Limited Partnership (including Family Limited Partnership)
- Limited Liability Company
- Sole Proprietorship
- Investment Club
- Business Trust
- Unincorporated Organization

When creating an account application, clients can place restrictions on what securities they would not like to hold in their account. Through Hedgeable's

interactive online platform, which is available 24/7/365, clients can change their investment profile.

Accounts are custodied at FOLIOfn Investments, Inc. and charged a wrap fee. This wrap fee includes all portfolio management costs, trading costs, custodial costs, and operational costs. There are no sales charges or commissions ever paid. All portfolio management services offered in the program are managed internally. Therefore, no portion of the annual fee is paid to outside portfolio managers. Please find a fee schedule below. Fees are charged based on the average total size of all accounts on a monthly basis. Fees are charged on the client level, meaning the sum of all accounts managed under a unique Social Security Number is considered when calculating fees. Fees are not negotiable. Hedgeable does not allow clients to prepay fees.

#### **Annual Wrapped Fees**

<b>Total Client Assets</b>	<b>Fee</b>
\$50,000 - \$99,999	<b>0.80%</b>
\$100,000 - \$249,999	<b>0.75%</b>
\$250,000 - \$499,999	<b>0.70%</b>
\$500,000 - \$999,999	<b>0.65%</b>
\$1,000,000 and up	<b>0.60%</b>

#### ***High-Net Worth Program***

The Hedgeable High-Net Worth Program is a revolutionary way for high-net worth investors to access the institutional ETF/Stock strategies managed by Hedgeable (see **Item 8A**). In the Program, investors can access a diverse mix of strategies, designed for investors with various investing goals. Investors can view live cutting edge analytics on any account that is managed by logging into the Hedgeable.com platform. There is a \$500,000 minimum investment required to access the High-Net Worth Program.

The following accounts may be opened in the program:

- Individual-Taxable
- Traditional IRA, Roth IRA, IRA Rollover, SIMPLE IRA, SEP IRA
- Custodial (UGMA/UTMA)
- Revocable Trust
- Joint- Rights of Survivorship, Joint- Tenants in Common, Joint- Community Property, Joint- Tenants by Entirety
- Corporation

- General Partnership
- Limited Partnership (including Family Limited Partnership)
- Limited Liability Company
- Sole Proprietorship
- Investment Club
- Business Trust
- Unincorporated Organization

When clients signup for the program, they are asked to participate in a consultation with Hedgeable's CIO. During this consultation, the client's investment strategy will be decided. When creating an account application, clients can place restrictions on what securities they would not like to hold in their account. Through Hedgeable's interactive online platform, which is available 24/7/365, clients can change their investment profile.

Accounts are custodied at FOLIOfn Investments, Inc. and charged a wrapped fee. This wrapped fee includes all portfolio management costs, trading costs, custodial costs, and operational costs. There are no sales charges or commissions ever paid. All portfolio management services in the program are managed internally. Therefore, no portion of the annual fee is paid to outside portfolio managers. Please find a fee schedule below. Fees are charged based on the average total size of all accounts on a monthly basis. Fees are charged on the client level, meaning the sum of all accounts managed under a unique Social Security Number is considered when calculating fees. Fees are not negotiable. Hedgeable does not allow clients to prepay fees.

#### **Annual Wrapped Fees**

<b>Total Client Assets</b>	<b>Fee</b>
\$500,000 - \$999,999	<b>0.70%</b>
\$1,000,000 - \$4,999,999	<b>0.65%</b>
\$5,000,000 - \$9,999,999	<b>0.60%</b>
\$10,000,000 - \$19,999,999	<b>0.55%</b>
\$20,000,000 and up	<b>0.50%</b>

#### ***Hedgeable 401(k) Plan Program***

The Hedgeable 401(k) Program is an innovative way for qualified plan participants in small and medium sized businesses to access institutional quality investing options. In the Program, participants can access a diverse mix of strategies (see **Item 8A**), designed to fit all investing goals. All strategies managed by Hedgeable contain only



highly liquid Stocks and/or ETFs, and all à la carte options are selected for their size and liquidity.

Participants are charged a flat management fee by Hedgeable regardless of strategies chosen, passive versus active management, or account size. For participants that do not want to use one of Hedgeable's strategies, seventeen à la carte options are offered as supplements. These ETFs represent a broad mix of asset classes, including Cash, Bonds, U.S Stocks, Foreign Stocks, Real Estate, & Commodities. Please view a list of the à la carte options below:

- SPDR Barclays 1-3 Month T-Bill ETF (BIL)
- iShares Aggregate Bond ETF (AGG)
- iShares 1-3 Yr Treasury ETF (SHY)
- iShares 7-10 Yr Treasury ETF (IEF)
- iShares 20+ Yr Treasury ETF (TLT)
- iShares iBoxx Corporate Bond ETF (LQD)
- iShares National Muni Bond ETF (MUB)
- SPDR Barclays High-Yield Bond ETF (JNK)
- Vanguard Total U.S. Stock ETF (VTI)
- SPDR S&P 500 ETF (SPY)
- Vanguard All World Ex-US ETF (VEU)
- Vanguard Small-Cap ETF (VB)
- Vanguard Emerging Mkts ETF (VWO)
- Vanguard Pacific ETF (VPL)
- Vanguard REIT ETF (VNQ)
- Powershares DB Commodity ETF (DBC)
- SPDR Gold ETF (GLD)

The total annual wrapped fee for the 401(k) Plan Program is 0.60% Per Annum, of Total Plan Assets. This fee includes Hedgeable's management fee and trading costs/plan custody. Third-Party Administration fees will also apply to the plan, which will vary depending on services provided. Minimum total plan assets are \$1,000,000, which may be waived at Hedgeable's discretion. The custodian is FOLIOfn Investments, Inc. and the default TPA and Record Keeper is ABG Carolina, which can be changed at the Sponsor's request.

### ***Sub-Advisory Engagements***

Our firm may act as a sub-adviser to other registered investment advisers (the "Principal Adviser") who wish to engage us to manage the holdings in their clients' portfolios. Both our firm and the Principal Adviser may be granted dual trading authority. We may have discretionary authority over a portion of the assets to buy and sell securities based on the client's individual needs. Typically, the Principal Adviser will have discretionary trading authority over the client's account and will be responsible for supervising the management of the account. Accordingly, the Principal Adviser will monitor the account activity conducted on behalf of the account by our firm. Fees will be deducted from the account(s) held at an unaffiliated, qualified custodian. Our firm and the Principal Adviser will share in the fee

collected. All agreed upon terms shall be provided in the sub-advisory agreement between our firm and the Principal Advisor.

### ***Dual Contract Engagements***

In a Dual Contract Account, the client executes two investment agreements. The first is a client agreement with the client's preferred Designated Broker, or the Principal Advisor; the second (a "Hedgeable Investment Advisory Agreement") is with Hedgeable as Investment Manager. Accounts are managed individually and tied to a model investment strategy, except for custom-designed portfolios for a particular client. The Investment Advisory Agreement contains a client suitability assessment, which ensures that our investment strategies are appropriate for a new client's financial situation and investment objectives. Typically, the client will be charged a management/advisory fee by the client's preferred Designated Broker/Primary Advisor, and by Hedgeable. All agreed upon terms shall be provided in the investment management agreement between our firm and the client.

### **B. Types of Investments**

We may recommend Equities, Exchange Traded Funds (ETFs), Mutual Funds, U.S. Government Securities and Option Contracts on securities. We generally will only use Equities or Exchange Traded Funds (ETFs). However, we may advise on any type of investment that we deem appropriate based on stated goals and objectives. We may also provide advice on any type of investment held at the inception of our advisory relationship.

### **C. Client Customization and Restrictions**

In the Wrap Fee Programs and in Dual Contract Engagements, clients can place restrictions on what securities they would not like to hold in their account, when creating an account application. Through Hedgeable's interactive online platform, which is available 24/7/365, clients can change their investment profile at any time.

In Sub-Advisory relationships, Hedgeable offers customized strategies for clients, with a minimum investment needed of \$50 Million.

### **D. Wrap Fee Participation**

There is no difference in how Hedgeable manages wrap fee accounts, versus other accounts. In a wrapped account, clients pay a percentage of the total wrapped fee (see **Item 4B** for fee structure) to the custodian and wrap fee broker, FOLIOfn Investments, Inc. The remainder is remitted to Hedgeable.

The fee charged for Custodial Services and Trade Execution is 0.25% for assets from \$0-\$249,999, 0.20% for assets from \$250,000-\$999,999, 0.10% for assets from \$1,000,000-\$9,999,999, and 0.05% for assets of \$10,000,000 and more, with a minimum yearly fee of \$100 per account. Clients with less than \$40,000 will pay more than 0.25% due to this \$100 yearly minimum. The wrap fee may cost the client more than if the services were purchased

separately. Hedgeable chooses to offer wrap fee programs because of the convenience, transparency, and consistency to the client. If the services were purchased separately, the client would pay varying fees each month based on the number of trades executed. The wrap program fee includes up to 600 trades per account per month.

## **E. Assets Under Management**

As of December 31, 2013, we managed \$2,555,639 in client assets of which \$2,555,639 was managed on a discretionary basis, and \$0 managed on a non-discretionary basis.

## **Item 5: Fees and Compensation**

### **A. Compensation for Advisory Services**

Please refer to **Item 4A: Description of Services** in this brochure for information on our advisory fees and fee deduction arrangements for each service we offer.

### **B. Billing and Frequency of Billing**

Hedgeable's fee is deducted directly from clients' assets monthly in arrears in all Wrap Fee Managed Accounts and in most Sub-Advisory and Dual Contract Engagements, unless there has been a pre-arranged written agreement between Hedgeable and the counter-party to bill clients for fees incurred or to deduct fees from clients' assets monthly on a schedule that is not monthly in arrears.

### **C. Additional Fees and Expenses**

Hedgeable's Wrap Fee Managed Account Program fees are inclusive of all management fees, custodian fees, and transaction fees, except for a yearly fee charged by the custodian for IRA accounts (\$25), and any Wiring or Miscellaneous Fees charged by the custodian (\$20 for wires out and \$20 for checks out). Expense ratios charged by third-party ETF companies (only applicable for clients who allocate to ETFs) are not included in the wrap fee. Expense ratios charged by third party Mutual Fund companies (only applicable for clients who allocate to Mutual Funds) are not included in the wrap fee. ETF and Mutual Fund expenses are deducted from the securities on the exchange, not from a client's account.

No sales commission or special compensation is received by our firm for the recommendation of these companies. All fees paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Any material conflicts of interest are disclosed in this disclosure brochure. If at any time, additional material conflicts of interest develop, we will provide written notification of the material conflicts of interest or an updated

disclosure brochure.

Clients in Sub-Advisory and Dual Contract Engagements may pay fees and expenses charged by the Custodian for trade execution. This fee is not included in the Management Fee charged by Hedgeable and is disclosed separately from our Management Fee. Please see **Item 12: Brokerage Practices** of this brochure for more information about how we select Custodians and Broker/Dealers.

#### **D. Pre-Payment of Fees**

Hedgeable does not require nor solicit pre-payment of any Management Fees. All fees are paid based on service provided.

#### **E. Compensation for the Sale of Securities**

No persons at Hedgeable nor any supervised persons or representatives of Hedgeable accepts compensation or commissions for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of Mutual Funds.

### **Item 6: Performance Based Fees & Side by Side Management**

Hedgeable does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7: Types of Clients**

We offer investment advisory services to Individuals, High-Net Worth Individuals, Institutions, Private Funds, Registered Investment Advisors, CFPs, & Wealth Managers.

#### ***Wrap Fee Programs***

##### ***Retirement Free***

The minimum investment needed to access the program is \$5,000, calculated by summing accounts managed under a unique Social Security Number or Tax ID Number. Hedgeable generally provides the program to the following Types of Clients:

- Individuals

##### ***Retirement Plus***

The minimum investment needed to access the program is \$50,000, calculated by summing accounts managed under a unique Social Security Number or Tax ID Number. Hedgeable generally provides the program to the following Types of Clients:

- Individuals

### ***High-Net Worth***

The minimum investment needed to access the program is \$500,000, calculated by summing accounts managed under a unique Social Security Number or Tax ID Number. Hedgeable generally provides the program to the following Types of Clients:

- Individuals
- High-Net-Worth Individuals
- Trusts, Estates, or Charitable Organizations

### ***401(k) Plan Program***

The minimum investment to open the 401(k) Plan Program to employees is \$1 Million across the entire plan. Hedgeable generally provides the service to the following Types of Clients:

- Small to Medium Sized Businesses

### **Sub-Advisory Engagements**

The minimum investment to engage in a sub-advisory relationship is variable, but generally starts at \$1 Million across all accounts. Hedgeable generally provides the service to the following Types of Clients:

- Independent Registered Investment Advisors (RIAs)
- Investment Companies (Mutual Fund, ETF)
- Wealth Managers
- Certified Financial Planners (CFPs)
- Wrap Fee Program Sponsors
- Consultants

### **Dual Contract Engagements**

The minimum investment to engage in a dual contract is variable, but generally starts at \$1 Million across all accounts. Hedgeable generally provides the service to the following Types of Clients:

- Wirehouse Registered Representatives (IARs)
- Wealth Managers
- Certified Financial Planners (CFPs)
- Consultants
- Certified Public Accountants (CFPs)

Please note, any investment minimum listed above can be waived or changed by Hedgeable at any time at our sole discretion.

## Item 8: Methods of Analysis and Risk of Loss

### A. Our Methods of Analysis and Investment Strategies

Hedgeable manages different investment strategies which employ a variety of investment methods relying on technical and fundamental analysis, and leveraging the many proprietary pieces of investment technology that we have built. **Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.** Please find detailed descriptions of each strategy below:

- **Diversified ETF-** In the Retirement Free Program, we construct a highly diversified ETF portfolio customized to your personal profile. Depending on your profile, this portfolio could include U.S. Equity, International Equity, Emerging Equity, Commodities, Real Estate, Fixed Income, and Inflation protection. The portfolio will be re-balanced periodically back to its starting model weights, in accordance with Modern Portfolio Theory. There is no active risk management in this program. Historical performance shown is based on a composite of potential client holdings.
- **Diversified Risk Managed ETF-** In the Retirement Plus Program we construct an ETF portfolio customized to your personal profile. Depending on your profile, this portfolio could include U.S. Equity, International Equity, Emerging Equity, Commodities, Real Estate, Fixed Income, and Inflation protection. As opposed to the Free Program, any account held in this program is actively risk managed by Hedgeable with our proprietary technology. Historical performance shown is based on a composite of potential client holdings.
- **High-Net Worth Allocation-** In the High-Net Worth Program we invest your account(s) in our liquid multi-strategy absolute return style portfolio customized to your risk level. All accounts in this program are hedged, yet they are 100% liquid, and only hold ETFs and/or Stocks. No leverage or derivatives are used. Historical performance shown is based on a composite of potential client holdings.
- **Dynamic Conservative ETF-** Dynamically managed diversified ETF strategy corresponding to an investor that intends to retire in the next 5 years, or is currently retired. Core strategic holdings consist of Diversified Fixed Income and U.S. Equity ETFs. Using our Dynamic Advisor technology system, we attempt to significantly reduce drawdowns versus a Buy and Hold portfolio, while achieving attractive long-term performance through all market cycles.
- **Dynamic Moderate ETF-** Dynamically managed diversified ETF strategy corresponding to an investor that intends to retire in the next 5-15 years. Core strategic holdings consist of Diversified Fixed Income, U.S. Equity, International Equity, and Inflation protection. Using our Dynamic Advisor technology system, we attempt to significantly reduce drawdowns versus a Buy and Hold portfolio, while achieving attractive long-term performance through all market cycles.
- **Dynamic Moderate-Aggressive ETF-** Dynamically managed diversified ETF strategy corresponding to an investor that intends to retire in the next 15-25 years. Core strategic holdings consist of Diversified Fixed Income, U.S. Equity, International Equity, Emerging Equity, and Inflation protection. Using our Dynamic Advisor

technology system, we attempt to significantly reduce drawdowns versus a Buy and Hold portfolio, while achieving attractive long-term performance through all market cycles.

- **Dynamic Aggressive ETF-** Dynamically managed diversified ETF strategy corresponding to an investor that intends to retire in 25+ years. Core strategic holdings consist of U.S. Equity, International Equity, Emerging Equity, Commodities, Real Estate, and Inflation protection. Using our Dynamic Advisor technology system, we attempt to significantly reduce drawdowns versus a Buy and Hold portfolio, while achieving attractive long-term performance through all market cycles.
- **Dynamic U.S. Equity ETF-** Dynamically managed Total U.S. Equity ETF strategy. Core strategic holdings consist of ETFs that represent the largest and most tracked U.S. indices. Using our Dynamic Advisor technology system, we attempt to significantly reduce drawdowns versus a Buy and Hold portfolio, while achieving attractive long-term performance through all market cycles.
- **Dynamic Technology Stock-** Dynamically managed Large-Cap Technology stock strategy. Core strategic holdings consist of a diversified mix of stocks across industries such as Apple, Microsoft, Google, Facebook, Cisco, and Netflix. Using our Dynamic Advisor technology system, we attempt to significantly reduce drawdowns versus a Buy and Hold portfolio, while achieving attractive long-term performance through all market cycles.
- **Ivy League Endowment ETF-** Diversified ETF strategy constructed with the asset classes most commonly held by Ivy League College Endowments.
- **Fixed Income ETF-** Diversified long-term Fixed Income ETF allocation. The allocation is hedged during turbulent bond market periods.
- **Fixed Income Non-Taxable ETF-** Diversified long-term Municipal Bond ETF strategy. The strategy is hedged during turbulent bond market periods.
- **Value Stock-** Strategy containing mid and large-cap stocks that have passed Hedgeable's proprietary ten factor stock screen, indicating they are trading at deeply discounted levels. The screen is performed yearly. The strategy is hedged during turbulent stock market periods.
- **High-Income Stock-** Passively managed strategy containing stocks that pay large periodic dividends. The strategy targets a 7% annualized dividend yield, nearly four times that of the average S&P 500 stock. The strategy is hedged during turbulent stock market periods.
- **High-Income Diversified-** Diversified long-term income producing UMA allocation, containing the High Income Stock, Target Date Retirement 2010-2015 ETF, and Fixed Income ETF strategies. The allocation is hedged during turbulent market periods.
- **High-Income Diversified Non-Taxable-** Diversified long-term income producing UMA allocation, containing the High Income Stock and Fixed Income Non-Taxable ETF strategies. The allocation is hedged during turbulent market periods.
- **Global Macro ETF Overlay-** Actively managed ETF strategy that may contain both long and inverse Fixed Income, Currency, and Commodity securities. The allocation targets a bond like risk level.
- **Tactical Multi-Cap Stock-** Diversified tactical U.S. stock UMA allocation, containing the Tactical Large-Cap Stock and Tactical Small-Cap Stock strategies. The allocation attempts to provide long-term alpha against the Russell 3000 Index.
- **Tactical Global Equity-** Diversified long-term Global Equity UMA allocation, containing the Tactical Large-Cap Stock, Tactical International Equity ETF, Tactical Emerging Market Stock, and a Long/Short Equity ETF overlay. The allocation attempts to provide alpha against the Hedgeable Foreign Stock Blend Index over the long-term.

- **Long/Short Equity ETF Overlay-** Actively managed ETF strategy that may contain both long and inverse U.S. Equity, International Equity, and Emerging Market Equity ETF securities. The strategy targets a bond like risk level.
- **Tactical All-Asset ETF-** Tactically managed ETF strategy that attempts to provide Alpha against the 60/40 Blended Index over the long-term. Using the Hedgeable Alpha Allocator technology, holdings are tactically shifted among a diversified pool of Fixed Income, U.S. Equity, International Equity, Currency, & Commodity ETF securities. The strategy can be 100% invested in a single asset class at any one time.
- **Tactical Commodity ETF-** Tactically managed Commodity ETF strategy that attempts to provide Alpha against the Dow Jones-UBS Commodity Index over the long-term. Using the Hedgeable Alpha Allocator technology, holdings are tactically shifted among a pool of Commodity ETFs that meet Hedgeable's investability guidelines.
- **Tactical International Equity ETF-** Tactically managed International Equity ETF strategy that attempts to provide alpha against Hedgeable's Foreign Stock Blended Index over the long-term. Using the Hedgeable Alpha Allocator technology, holdings are tactically shifted among a pool consisting of 35 Country specific ETFs.
- **Tactical Emerging Market Stock-** Tactically managed Emerging Market Stock strategy that attempts to provide Alpha against the MSCI Emerging Markets Index over the long-term. Using the Hedgeable Alpha Allocator technology, holdings are tactically shifted among a pool consisting of 50 Emerging Market stocks trading on the BNY-Mellon ADR Index.
- **Tactical Large-Cap Stock-** Tactically managed Large-Cap Stock strategy that attempts to provide Alpha against the S&P 500 Index over the long-term. Using the Hedgeable Alpha Allocator technology, holdings are tactically shifted among a pool consisting of 50 Large-Cap stocks.
- **Tactical Small-Cap Stock-** Tactically managed Small-Cap Stock strategy that attempts to provide Alpha against the Russell 2000 Index over the long-term. Using the Hedgeable Alpha Allocator technology, holdings are tactically shifted among a pool consisting of 200 Small-Cap stocks.
- **Equity Hedge-** Actively managed Equity UMA allocation that contains the Tactical Large-Cap Stock, Tactical Small-Cap Stock, Dynamic U.S. Equity ETF, and Dynamic Technology Stock strategies, along with a Long/Short Equity ETF overlay. The allocation targets long-term positive absolute returns against the U.S. Stock Market, with lower drawdowns and standard deviation.
- **Multi-Strategy Hedge-** Actively managed UMA allocation that contains the Dynamic Technology Stock, Tactical Commodity ETF, and Fixed Income Non-Taxable ETF strategies, along with a Global Macro ETF overlay. The allocation targets long-term positive absolute returns against the IQ Hedge Multi-Strategy Index.
- **Low Volatility ETF-** Actively managed UMA allocation that contains the Tactical All-Asset ETF, Dynamic Moderate ETF, and Fixed Income Non-Taxable ETF strategies, along with a Global Macro ETF overlay. The allocation targets a low amount of daily volatility and positive long-term absolute returns versus the U.S. Bond Market.
- **Hedgeable All-Strategy Conservative-** Hedgeable All-Strategy Conservative is an absolute return allocation made up of a rotating mix of Hedgeable strategies across Equity, Income, Diversified, and Alternative asset classes. Strategy holdings change at the discretion of Hedgeable's CIO, depending on global asset class strength. It is the most conservative of the Hedgeable All-Strategy allocations.
- **Hedgeable All-Strategy Moderate-** Hedgeable All-Strategy Moderate is an absolute return allocation made up of a rotating mix of Hedgeable strategies across Equity, Income, Diversified, and Alternative asset classes. Strategy holdings change at the



discretion of Hedgeable's CIO, depending on global asset class strength. It takes on a moderate amount of risk.

- **Hedgeable All-Strategy Aggressive-** Hedgeable All-Strategy Aggressive is an absolute return allocation made up of a rotating mix of Hedgeable strategies across Equity and Alternative asset classes. Strategy holdings change at the discretion of Hedgeable's CIO, depending on global asset class strength. It has the largest risk profile of the Hedgeable All-Strategy allocations.

## **B. Material Risks**

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **Stock Market Risk**

The value of the stocks and other securities owned in a Strategy will fluctuate depending on the performance of the companies that issued them, general market and economic conditions, and investor confidence. The market also may fail to recognize the intrinsic worth of an investment or Hedgeable may misgauge that worth.

### **Strategy Turnover**

The Strategies do not have any limitations regarding portfolio turnover and may have turnover rates in excess of 100%. A portfolio turnover rate of 100% is equivalent to a portfolio buying and selling all of the securities in its portfolio once during the course of a year. The turnover rates of the Strategies may be higher than other Strategies with the same investment objectives. Higher strategy turnover rates may increase the brokerage costs and may adversely affect its performance.

### **Company Risk**

The stocks in the Strategies may not perform as expected. Common factors that can negatively affect a particular stock's price include poor earnings reports by the issuer, a restatement of earnings by the issuer, loss of major customers or management team members, major litigation against the issuer, or changes in government regulations affecting the issuer or its industry.

### **Opportunity & Strategy Risk**

There is the risk of missing out on an investment opportunity because the assets necessary to take advantage of that opportunity are held in other investments. The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.

### **Industry and Sector Risk**

Companies that have similar lines of business are grouped together in broad categories called industries. Certain industries are grouped together in broader categories called sectors. Hedgeable may overweight specific industries within various sectors in a Strategy. The fact that Hedgeable may overweight a Strategy's holdings in a specific industry or industries may cause a Strategy's performance to be more susceptible to the economic, business, or other developments that affect those industries or sectors. This overweighting means a Strategy may be less diverse and more volatile than its benchmark.

### **Cyclical Analysis**

Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

### **Use of Leverage**

Leverage may be used in investment and trading, generally through purchasing inherently leveraged instruments such as exchange-traded funds. The prices of leveraged instruments can be highly volatile, and investments in leveraged instruments may, under certain circumstances, result in losses that exceed the amounts invested.

### **Institutional Risk**

Securities and futures exchanges typically can suspend or limit trading in any instrument traded on the exchange resulting in substantial losses.

### ***Key Man Risk***

The success of some strategies depends to a great extent on the investment skills of the investment manager and its principals. Performance could be adversely affected if, because of illness or other factors, their services were not available for any significant period of time.

## **C. Recommendations of Particular Types of Securities**

### ***ETFs***

Hedgeable will primarily use Exchange traded funds ("ETFs") which are professionally managed pooled vehicles that invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. ETFs' managers trade fund investments in accordance with fund investment objectives. While ETFs generally provide diversification, risks can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or

speculative companies, use leverage (i.e. borrow money) to a significant degree, or concentrate in a particular type of security (i.e. equities) rather than balancing the fund with different types of securities. ETFs can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset values. This lag usually resolves itself in a short period of time (usually less than one day), however, there is no guarantee this relationship will always occur. The market price of ETFs and HOLDRs traded on the secondary market is subject to the forces of supply and demand and thus independent of the ETFs NAV. This can result in the market price trading at a premium or discount to the NAV which will affect an investment's value.

### ***Fixed-Income***

Investments in fixed-income securities are subject to interest rate risk and credit risk, including changes in debt ratings.

*Interest Rate Risk:* When interest rates change, the value of a Strategy's fixed-income investments will be affected. Debt securities tend to move inversely with changes in interest rates. For example, when interest rates rise, debt security prices generally fall.

*Credit Risk:* The value of the debt securities held by a Strategy fluctuates with the credit quality of the issuers of those securities. A Strategy could lose money if the issuer of a security is unable to meet its financial obligations or goes bankrupt. Failure of an issuer to make timely payments of principal and interest or a decline or perception of decline in the credit quality of a debt security can cause the price of the debt security to fall.

*Changes in Debt Ratings:* If a rating agency gives a debt security a lower rating, the value of the security will decline because investors will demand a higher rate of return.

*High-Yield Bond Funds:* The investor should note that the funds and sub-accounts that invest in lower-rated debt securities involve additional risks because of the lower credit quality of the securities in the Strategy. The investor should be aware of the possible higher level of volatility and increased risk of default.

*Tax-Free Municipal Bond Funds:* The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

*Bank Loan/Senior Debt Funds:* Funds that contain bank loans and senior loans are impacted by risks associated with fixed income in general, including interest rate risk and default risk. Because they often invest in non-investment grade issues, the risk of default is high. These securities are also relatively illiquid. Funds that invest in bank loans or senior debt are often highly leveraged, which will produce a higher than normal level of volatility.

### **Temporary Defensive Investments**

In times of unstable or adverse market or economic conditions, Hedgeable may purchase up to 100% of a Strategy's assets in temporary defensive instruments in an effort to enhance liquidity or preserve capital. Temporary defensive investments generally include cash, cash equivalents such as commercial paper, money market instruments, foreign time deposits, short-term debt securities, U.S. government securities, option contracts, ETFs, inverse ETFs, or repurchase agreements. A Strategy could also hold these types of securities pending the investment of proceeds from the sale of securities held in a Strategy. A Strategy may be invested in temporary defensive investments for undetermined periods of time, depending on market or economic conditions. To the extent Hedgeable invests defensively in these securities, it might not achieve a Strategy's investment objective.

### **Small and Mid-Size Company Risk**

Hedgeable may purchase securities in small or mid-size companies for a Strategy. While small and mid-size companies may offer greater potential for capital appreciation than larger and more established companies, they may also involve greater risk of loss and price fluctuation. The trading markets for securities of small-cap issuers may be less liquid and more volatile than securities of larger companies. This means that Hedgeable could have greater difficulty buying or selling a security for the Strategy of a small-cap issuer at an acceptable price, especially in periods of market volatility.

### **Foreign Investment Risk**

Foreign securities refer to securities of issuers, wherever organized, that, in Hedgeable's judgment, have their principal business activities outside of the United States. Investments in foreign securities involve different risks than U.S. investments, including fluctuations in currency exchange rates, potentially unstable political and economic structures, less efficient trade settlement practices, reduced availability of public information, and lack of uniform financial reporting and regulatory practices similar to those that apply to U.S. issuers. Foreign stock markets may also be less liquid than U.S. stock markets.

### **ADRs**

American Depositary Receipts and American Depositary Shares (collectively, "ADRs"). ADRs are receipts representing shares of a foreign corporation held by a U.S. bank that entitle the

holder to all dividends and capital gains on the underlying foreign shares. ADRs are typically denominated in U.S. dollars and trade in the U.S. securities markets. ADRs are subject to many of the same risks as direct investments in foreign securities, including the risk that material information about the issuer may not be disclosed in the United States and the risk that currency fluctuations may adversely affect the value of the ADR.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither Hedgeable nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Hedgeable nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither Hedgeable nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

Hedgeable does not receive any compensation to select certain advisors or portfolio managers.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Ethical Behavior, Conflicts of Interest, Inside Information, Outside Employment and Directorships, Acceptance of Gifts and Entertainment, Confidentiality of Company and Client Information, Privacy, Employment Practices, Workplace Practices, Conduct of Audits and Financial Disclosures, Anti-Money

Laundering, Compliance and Reporting Procedures, Reporting Violations, and Waivers of the Code. All prospective and current clients have a right to see our Code of Ethics. To request a copy of our Code of Ethics please email management at [info@hedgeable.com](mailto:info@hedgeable.com).

## **B. Recommendations Involving Material Financial Interests**

Hedgeable does not recommend that clients buy or sell any security in which a related person to Hedgeable has a material financial interest.

## **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Hedgeable may buy or sell securities for themselves that they also recommend to clients. Hedgeable will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Hedgeable may buy or sell securities for themselves at or around the same time as clients. Hedgeable will not trade non-mutual fund or non-ETF securities 5 days prior to or 5 days after trading the same security for clients

# **Item 12: Brokerage Practices**

## **A. Selecting Broker-Dealers**

We maintain relationships with several broker-dealers. In our Wrap Fee Managed Account Programs, all accounts are opened with FolioFm Institutional. With other services offered, while clients are free to choose any broker-dealer, we recommend that they establish an account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to, administrative services that help our firm manage client account(s). We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm.

### **1. Research and Other Soft Dollar Benefits**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **2. Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **3. Directed Brokerage**

We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm.

## **B. Aggregating Purchases and Sales of Securities**

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage. We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. We do this to ensure to the extent possible that our clients receive the optimal execution and consistent results across our client base. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate with your accounts in aggregated orders; however, they will not be given preferential treatment as per our trade rotation policy.

Our policies and procedures define different type of trade errors. Trade errors must be reported immediately to the CCO, documented and resolved on a case-by-case basis.

## **Item 13: Review of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed daily by the Hedgeable Investment Management Team, which is led by CIO Michael Kane. In addition, Hedgeable uses many internal analytics and risk management systems to help monitor accounts.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market movements, economic or political events, or by changes in the client's risk tolerance or goals.

### **C. Content and Frequency of Regular Reports Provided to Clients**

Hedgeable provides an online platform to Wrap Fee clients which can be accessed 24/7/365 to receive up to date account analytics, reports, and positions. Clients also will receive monthly statements from the custodian, with official reports and account activity.

## Item 14: Client Referrals and Other Compensation

### A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

Hedgeable does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Hedgeable clients.

### B. Compensation to Non-Advisory Personnel for Client Referrals

Hedgeable from time-to-time enters into joint marketing agreements with websites and other marketing organizations for which Hedgeable pays a referral fee. This fee is equal to 1 Month's revenue Hedgeable receives from referred client, and is subject to a 30 Day locking period, whereby referred client must maintain a funded account.

Hedgeable also offers a referral program for current clients in its Wrap Fee Managed Account Programs. Please review the table below for referral fees that Hedgeable pays to current clients for referrals:

Referral Investment	Cash Reward
\$50,000 - \$99,999	\$25
\$100,000 - \$249,999	\$50
\$250,000 - \$499,999	\$100
\$500,000 - \$999,999	\$250
\$1,000,000 - \$4,999,999	\$1,000
\$5,000,000 - \$9,999,999	\$2,500
\$10,000,000 - \$19,999,999	\$5,000
\$20,000,000 or More	\$10,000

Referred clients must invest in the Retirement Plus, or High-Net Worth Program for the referrer to be eligible to collect the fee. Referred clients must keep an account open for a minimum of 6 months for the referrer to be eligible to collect the fee.

## Item 15: Custody

We do not have physical custody of any client funds and/or securities. We may directly debit client account(s) for the payment of our advisory fees. Funds and securities will be held with a



bank, broker-dealer, or other independent, qualified custodian. Clients receive account statements from the independent, qualified custodian(s) holding their funds and securities monthly. The account statements from custodian(s) will indicate the amount of our advisory fees deducted from the account(s) each billing period. Clients should carefully review account statements for accuracy.

Many clients will be given access to the Hedgeable.com technology platform to receive live reporting on accounts. We strongly urge urging clients to compare the account statements they receive from the qualified custodian with the reporting received on the Hedgeable.com site.

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Matthew R. Kane, Chief Compliance Officer, at (800) 785-7914 (ext 101).

## **Item 16: Investment Discretion**

Before we can buy or sell securities on your behalf, a client must first sign a discretionary management agreement and/or a power of attorney.

Clients may grant our firm discretion over the selection and amount of securities to be purchased or sold without obtaining consent or approval prior to each transaction. We generally do not accept management of accounts where clients may specify conditions or investment parameters. Please refer to **Item 4. Advisory Business** in this brochure for more information on our discretionary management services.

We may choose to provide our strategies on a non-discretionary basis to financial advisors when they deem them appropriate for their clients.

## **Item 17: Voting Client Securities**

### **A. Authority to Vote Client Proxies**

Hedgeable has been delegated the authority to vote proxies for the Wrap Fee Managed Accounts. In other advisory accounts we may or may not vote proxies on behalf of advisory accounts or offer advice regarding corporate actions and the exercise of proxy voting rights. This will be clearly stated in any Investment Management Agreement signed with the client or with a third-party Advisor.

We have adopted proxy voting policies and procedures (the "Proxy Voting Policies") to make every effort to ensure that we vote proxies in the best interest of clients and the value of the investment. The Proxy Voting Policies address how we will vote proxies with regard to specific matters, such as voting rights, mergers or acquisitions, the election of board members and other issues. The Proxy Voting Policies also direct Hedgeable to consider certain factors with regard to specific proxy proposals to assist the firm in voting securities properly. Under the Proxy Voting Policies, we are also permitted to delegate the

responsibility to a non-affiliated third party vendor to review proxy proposals and make voting recommendations on our behalf. We may also vote a proxy contrary to the Proxy Voting Policies if we determine that such action would be in our clients' best interest.

## **B. Receiving Proxies**

If Hedgeable does not have the authority to vote proxies on the account, in most cases, clients receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly by mail, unless the client has consented to electronic delivery, in which case, we would forward any electronic solicitation to vote proxies.

# **Item 18: Financial Information**

## **A. Balance Sheet**

Hedgeable does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

## **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Hedgeable nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

## **C. Bankruptcy Petitions in Previous Ten Years**

Neither Hedgeable nor its management have been the subject of a bankruptcy petition in the last ten years.

# Hedgeable, Inc.

## Form ADV Part 2B Brochure Supplement



This brochure supplement provides information about Michael Kane, Hedgeable Inc.'s CEO/CIO, that supplements the Hedgeable, Inc. brochure. You should have received a copy of that brochure. Please contact Matthew Kane, Hedgeable Inc.'s COO, at [matt@hedgeable.com](mailto:matt@hedgeable.com), if you did not receive Hedgeable, Inc.'s brochure or if you have any questions about the contents of this supplement.

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*Registration does not imply a certain level of skill or training.*

Version Date: 03/10/2014

## **Item 2: Educational Background and Business Experience**

*Name:* Michael R Kane

*Year Born:* 1984

*Formal education after high school:*

The Pennsylvania State University- University Park, PA- B.S., Finance- 2005

*Business background for the preceding five years:*

Hedgeable, Inc., Co-Founder and CEO/CIO – 2009 to Present

## **Item 3: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the integrity of Michael R Kane.

## **Item 4: Other Business Activities**

Michael R Kane is not involved in other investment-related businesses or occupations or other business activities requiring disclosure.

## **Item 5: Additional Compensation**

Michael R Kane does not receive any economic benefit, directly or indirectly, from any third party for advisory services rendered to Hedgeable clients.

## **Item 6: Supervision**

Michael R Kane is the President and CEO of Hedgeable, and as such is not subject to additional supervision.