

***Tradeworx, Inc.***

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This Brochure provides information about the qualifications and business practices of Tradeworx, Inc. (“Tradeworx”). If you have any questions about the contents of this Brochure, please contact Christopher Ray, Chief Compliance Officer, at 732-450-7464 or at [chris@tradeworx.com](mailto:chris@tradeworx.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.

Tradeworx is an investment adviser registered with the SEC. Registration as an investment adviser with the SEC does not imply a certain level of skill or training for Tradeworx or its personnel.

Additional information about Tradeworx, Inc. is also available on the SEC’s website at [www.adviserinfo@sec.gov](http://www.adviserinfo@sec.gov).

## *Item 2 — Material changes*

This is an amended Part 2A brochure created by Tradeworx Inc, and contains no material changes from the version filed in the previous year.

## *Item 3 — Table of Contents*

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#### ***Item 4 — Advisory Business***

Tradeworx, Inc. (“Tradeworx”) is a Securities and Exchange Commission (“SEC”)-registered investment adviser located in Red Bank, New Jersey. The firm was incorporated in the state of Delaware in 1999.

The largest owner of Tradeworx is Manoj Narang, with an ownership position of almost 25% as of January 2012. Mr. Narang is the Chief Executive Officer and Chairman of Tradeworx, and a founder of the firm.

Tradeworx is a quantitative investment management firm with expertise in automated trading tools, infrastructure, and strategies. The firm’s proprietary trading platform and other trading tools are used in the management of its clients’ assets. These tools can also be licensed for use by other trading firms.

Tradeworx buys and sells National Market System (“NMS”) securities and futures contracts. Managed-account portfolios have access to Ultra Select, a medium-term equity market-neutral statistical arbitrage strategy that can hold positions for days or weeks. Tradeworx also offers high-frequency trading strategies, which have very high turnover and no overnight positions.

The firm’s advisory clients at present are institutional investors, mainly hedge funds and other private funds.

In general, Tradeworx is granted full discretion in the management of its clients’ investment accounts. Tradeworx will, however, tailor its investment activities to the specific needs of its clients. For instance, clients may impose restrictions on trading in certain securities.

Tradeworx does not participate in wrap fee programs.

At December 31, 2012, Tradeworx’s regulatory assets under management was approximately \$255,000,000. Tradeworx will only accept clients on a discretionary basis.

#### ***Item 5 — Fees and Compensation***

Tradeworx’s clients are “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, and are also qualified under Section 3(c)7. The firm’s compensation consists of fees based on assets under management, as well as incentive, or performance, fees. One customer also pays fixed monthly fees.

Management fees are accrued monthly and may be charged monthly or quarterly in arrears. Management fees are based on the market value of the assets under management as of the first business day of each current calendar month. Fees are prorated for investments that are made subsequent to the start of a calendar month, or to account for withdrawals during the month. Additionally, all clients are subject to performance-based fees, as described in Item 6.

Clients are subject to additional fees or expenses in connection with Tradeworx's advisory services, such as custodian fees and brokerage and other transaction costs. See Item 12 for a discussion of brokerage practices.

Tradeworx and its supervised persons do not receive compensation for the sale of securities or other investment products.

#### ***Item 6 — Performance Based Fees and Side-By-Side Accounts***

As described in Item 5, Tradeworx's fee structure may include incentive (performance) and fixed fees. Performance fee arrangements are subject to Section 205(a)(1) and Rule 205-3 of the Investment Advisers Act, and clients must be "qualified clients" per the stipulation of the Rule. Performance-based fees are based on both realized and unrealized capital gains and losses. These fees can be as high as 50% of the gains in a client's portfolio. Fixed fees only apply currently to one customer, and amount to \$300,000 per month.

Performance fees are calculated at the end of each calendar month or quarter and are invoiced or deducted from clients' accounts. Tradeworx may offer clients an annual performance fee structure, but does not currently do so.

Tradeworx does not advise clients that are not charged a performance-based fee.

#### ***Item 7 — Types of Clients***

Tradeworx's advisory clients are financially sophisticated institutional investors, mainly hedge funds, and other pooled accounts and private funds. The minimum account size varies, but is generally not less than \$5 million.

Tradeworx did not have any individuals as clients as of December 31, 2011.

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

In general, investing in securities involves risk of loss that clients must be prepared to bear. High- and medium-frequency trading is considered to be significantly riskier than traditional buy-and-hold strategies, due to the relatively high turnover in clients' accounts during each trading day. Tradeworx's proprietary trading platform and other trading tools are used in the management of its clients' assets. The trading resulting from such strategies is appropriate only for highly sophisticated investors with an extremely short-term investment horizon.

Frequent trading can affect investment performance and, as stated previously, is only appropriate for highly sophisticated investors. High-frequency trading can result in increased

brokerage and other transaction costs and taxes. Additionally, Tradeworx employs leverage in the management of client portfolios, and the use of leverage can increase the risk in the accounts.

Within the universe of NMS and futures, Tradeworx does not recommend a particular type of security to its clients.

#### ***Item 9 — Disciplinary Information***

There have been no legal or disciplinary events involving either Tradeworx or its management persons that are material to Tradeworx's advisory business.

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

Manoj Narang and Christopher Ray are registered with Tradeworx's broker dealer affiliate Tradeworx Securities, LLC. (See below in this item)

Neither Tradeworx nor any of its management persons are registered or have an application pending to register as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Tradeworx has the following financial industry activities and/or affiliations:

Tradeworx owns 81% of Thesys Technologies, LLC ("Thesys"), which is the infrastructure affiliate of Tradeworx. Thesys was founded in 2009 to serve the high-performance technology needs of all market participants, including institutional investors, professional traders, brokerage firms, exchanges, and regulatory agencies. Thesys offers fast and comprehensive front-to-back trading solutions, designed to put investors and traders on a level playing field with the world's top-tier high-frequency trading firms. Thesys manages infrastructure and data costs for Tradeworx in return for a licensing fee. Arzhang Kamarei, Thesys' Managing Partner and co-founder, is also the President of Tradeworx. Thesys is located at 770 Broadway, New York, NY 10003.

Tradeworx is the sole owner of Tradeworx Securities, LLC ("Securities"), a FINRA-member broker-dealer. Securities shares office facilities with its parent in Red Bank, NJ. Securities is currently inactive but is anticipated to receive transaction-based compensation for licensing Tradeworx technology to clients. Securities does not transact trades for Tradeworx or any other affiliated entities. Manoj Narang, Tradeworx's founder, Chief Executive Officer, and Chairman, is a Vice President and General Securities Principal at Securities. Christopher Ray, Vice President and Chief Compliance Officer for Tradeworx, is the President and Chief Compliance Officer for Securities.

Tradeworx and Manoj Narang are non-managing members of T2AM, LLC (“T2AM”), an SEC-registered investment adviser located at 4223 Glencoe Ave., Marina Del Rey, CA 90292. T2AM provides marketing, investor relations, and back office services to Tradeworx, which may include the production of marketing material and direct interaction with Tradeworx’s clients and investors. T2AM manages a multi-manager pooled investment vehicle separately from the business and oversight of Tradeworx. There is little potential for conflict of interest. Rishi Narang, the brother of Manoj Narang, is the principal owner and managing member of T2AM. Although there is no control relationship between Tradeworx and T2AM in terms of management or owners, Tradeworx and Manoj Narang combined have a significant interest in the management and incentive fees charged by T2AM to certain of T2AM’s advisory clients.

Tradeworx and some of its directors and officers own 85% of Tradeworx LUSP LLC (“LUSP”), a National Futures Association registration-exempt commodity pool. LUSP conducts proprietary trading for Tradeworx and its directors and officers, including Manoj Narang, Richard Flores, Michael Beller, and Arzhang Kamarei. Rishi Narang owns 15% of LUSP. LUSP is also a private fund that is a Tradeworx client paying monthly management fees to Tradeworx.

Tradeworx licenses financial data and analytics products to market participants for trading and regulatory purposes.

None of Tradeworx’s activities or affiliations is likely to create a material conflict of interest in regard to the firms’ respective clients. There is a deliberate geographical and/or managerial separation between those entities with the most potential to have a conflict. Tradeworx does not recommend or select other investment advisers for any of its clients, nor does the firm recommend broker-dealers to its clients. Additionally, Tradeworx’s Securities affiliate does not transact trades for Tradeworx’s clients.

#### ***Item 11 — Code of Ethics, Conflicts of Interest***

Tradeworx has adopted a Code of Ethics (the “Code”) to ensure that the firm adequately fulfills its role as investment adviser to its clients. The Code provides guidance and instruction to Tradeworx and its personnel on their ethical obligations in fulfilling the duties of loyalty, fairness, and good faith towards its clients. The Code also contains provisions designed to prevent, among other things, improper trading by Tradeworx employees; to identify conflicts of interest; and, in the event of a conflict, to provide a means to resolution that at all times puts the interests of the client first.

The Code includes sections on employees’ personal securities trades; restrictions on private investing activities; and guidance on gifts and business entertainment, treatment of confidential information, privacy of client information, and reporting misconduct.

Neither Tradeworx nor any of its related persons recommends to clients, or buys and sells for clients, securities in which the firm or a related person has a material financial interest.

Neither Tradeworx nor any of its related persons recommends securities to clients. Trading is conducted via an automated strategy.

Tradeworx and its related persons may own an interest in or buy or sell for their own accounts the same securities that may be purchased or sold in client accounts. Tradeworx invests in large, well-capitalized stocks, and the size of such holdings by the firm, its related persons, or its clients would be small relative to the capitalization of the underlying securities, and would not disadvantage the firm's clients in any way.

## ***Item 12 — Brokerage Practices***

Tradeworx introduces its trades to Bank of America Merrill Lynch ("BAML"), which acts as the prime broker for the firm's clients. Tradeworx has determined that BAML generally provides prompt and reliable executions at favorable prices, with operational efficiency, and is relatively financially strong and stable. BAML also provides competitive commission rates in comparison with other brokers.

Tradeworx does not receive research or products or services other than execution from any broker-dealer or third party in connection with client securities transactions.

Tradeworx does not receive client referrals from broker-dealers and, therefore, does not select or recommend broker-dealers in connection with such referrals.

Tradeworx does not routinely recommend, request, or require that clients direct it to execute transactions through a specified broker-dealer. Clients are not permitted to direct brokerage.

If possible, Tradeworx typically aggregates the purchase or sale of securities for various client accounts. Client accounts are each held separately at BAML and allocations are made at the close of each trading day.

Broker dealers will be selected by the Firm on the basis of obtaining the best overall terms available considering the needs of the client and the Firm's investment strategy. The Firm's broker selection procedure accounts for a number of factors including but not limited to price, reputation, execution efficiency, and the competitiveness of commission rates. While the Firm considers many factors when selecting brokers, since the Firm employs a high frequency trading strategy, the Firm places particular importance on ensuring clients are charged competitive rates on execution commissions. To achieve this goal the Firm is currently engage in an exclusivity arrangement with a single broker, which ensures clients benefit from commission rates generally appropriate for a larger high frequency trading firm.



### ***Item 13 — Review of Accounts***

Trading activity in client accounts is monitored on a daily basis by Manoj Narang, Chief Executive Officer and Chairman, and Lewis Hyatt, Managing Director. Client accounts are reviewed at least quarterly by these supervisors and by the traders assigned to each account. The review consists of a consideration of the account's liquidity, profits and losses, trading errors, and other matters. Special attention is paid to unusual or outsized transactions, purchases of unfamiliar or unlisted securities, and transactions suggestive of concentration, fraud, or manipulative conduct.

Client accounts are reviewed more frequently than quarterly if in Tradeworx's opinion this is warranted.

Tradeworx provides clients with daily reports that describe the trading activity in the account and resultant gains or losses. The performance fees that are collected quarterly are part of this review.

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

There is no non-client person or entity that provides an economic benefit to Tradeworx for providing investment advice or other advisory services to Tradeworx clients.

Tradeworx compensates a non-supervised person for client referrals, under an introductory referral agreement. Under the agreement, the placement agent receives 10% of an introduced client's fees earned by Tradeworx.

### ***Item 15 — Custody***

Tradeworx has custody of some client funds, but only for the purposes of the automatic withdrawal of fees. Generally, clients' funds and securities are custodied at BAML. The custodian provides monthly statements to Tradeworx's clients, which should be carefully reviewed by the client. Clients should also be sure to compare the custodian's statements with reports received directly from Tradeworx, and to immediately report any discrepancies or errors.

#### ***Item 16 — Investment Discretion***

Tradeworx has discretionary authority to manage securities on behalf of its clients through the investment management agreements with such clients. Any limitations with respect to such discretionary authority are outlined in each client's investment management agreement.

#### ***Item 17 — Voting Client Fund Securities***

Tradeworx has discretionary trading authority over its clients' accounts, and has proxy voting authority. For clients participating in the Ultra Select investment methodology, if proxies are voted they are generally voted with the publicly held company's management. This can, however, be changed upon instruction from the Tradeworx client. The portion (if any) of a client's portfolio participating in Tradeworx's high-frequency trading strategy starts and ends each day with no securities positions, and proxy voting is not an option.

Clients may direct the voting by written request to Tradeworx. A copy of Tradeworx's Code of Ethics, which includes the firm's proxy voting policy, is available upon request.

#### ***Item 18 — Financial Information***

Tradeworx does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Tradeworx does not have any financial commitments that impair its ability to meet contractual and fiduciary commitments to its clients.

Tradeworx has not been the subject of a bankruptcy or insolvency proceeding.

#### ***Item 19 — Requirements for State-Registered Advisers***

Not applicable – Tradeworx is not registered with any state.