

**FORM ADV PART 2A: FIRM BROCHURE**

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**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF RARITAN VALLEY CAPITAL MANAGEMENT LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 908-367-5690. 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 RARITAN VALLEY CAPITAL MANAGEMENT LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV). REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.**

## ITEM 2 - MATERIAL CHANGES AND GENERAL INFORMATION

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Change**

The brochure was last updated on February 21, 2017. There have been no material changes since that date.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us at 908-367-5690.

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## ITEM 4 - ADVISORY BUSINESS

Raritan Valley Capital Management LLC (“RVCM”) is a Delaware limited liability company and was formed on September 24, 2014. RVCM is controlled and wholly-owned by QTrade Holdings LP (“QTrade Holdings”), a Delaware limited partnership which is principally owned by the Friedman Investment Trust (for which Barry Friedman and Brad Shalit act as co-trustees), through its ownership in JAHSB Investments LLC; Derrick Kaiser; and Llewellyn Jones.

RVCM currently provides discretionary investment management services to a single private fund (the “Client”) through a managed account relationship but may in the future offer its services to one or more other clients, including other private funds, registered investment companies and/or separately managed client accounts. The terms, nature and scope of such advisory services may be negotiated by RVCM and the applicable client, based on the client’s specific financial and investment objectives, risks and goals.

RVCM’s strategy utilizes algorithmic trading models primarily to trade the U.S. equities markets, while using equity index futures contracts to hedge the Client’s exposure. The specific investment objectives and strategies utilized by RVCM are described in the section “*Methods of Analysis, Investment Strategies and Risk of Loss,*” later in this Brochure.

As further described in Item 16, we have contracted with the Client to adhere to limited risk and/or operating guidelines.

RVCM does not participate in wrap fees.

As of December 31, 2017, RVCM had regulatory assets under management of \$335,000,000 managed on a discretionary basis.

## ITEM 5 - FEES AND COMPENSATION

The Client pays RVCN a performance-based fee and also pays RVCN a monthly management fee of an agreed upon dollar amount, which is meant to reimburse RVCN for identified expenses incurred, and a portion of shared resources of QTrade (as defined below) that are utilized by RVCN in rendering advisory services on behalf of the Client. Such management fees (including expense reimbursements for employees, certain corporate officers and overhead) are billed to the Client and paid monthly in advance. If a contract is terminated before the end of the billing period, the refundability of fees will be determined on a client-by-client basis, as guided by each Investment Management Agreement.

The amount of these fees and reimbursements was negotiated between the Client and RVCN and is set out in the investment management agreement (the "IMA") between the Client and RVCN. These fees and reimbursements may not reflect the fees or other costs that would be borne by other clients in the future. The types and amounts of fees payable in respect of any future client of RVCN will be set forth in the advisory agreement with such client and may be negotiated based on a variety of factors, including, but not limited to, the size, composition and complexity of the client's account, length and nature of RVCN's relationship with the client, special services agreed upon with the client or other factors deemed relevant by RVCN. As RVCN has only a single client, and this brochure is intended to be delivered solely to "qualified purchasers," as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "1940 Act"), RVCN is not required to publish a fee schedule in this brochure.

**Other Fees and Expenses.** The Client will incur other expenses in connection with RVCN's advisory services. RVCN's fees do not include transaction fees, brokerage commissions (*see Item 12 "Brokerage Practices" below*), custody fees and other related costs and expenses that will be incurred by the Client with respect to the transactions for its account.

RVCN may also allocate a portion of the Client's capital to exchange-traded funds. In addition to the fees and expenses discussed above, the Client will indirectly incur similar fees and expenses if RVCN invests its capital in such exchange-traded funds, as these funds, in turn, pay similar fees to their investment managers and other service providers.

**Prepayment of Expenses.** The Client has agreed to prepay a specified dollar amount to RVCN as of the first day of each month during the term of its IMA with RVCN to cover certain agreed-upon expenses. As agreed upon between the Client and RVCN, the refundability of fees will be guided by the IMA.

## ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As compensation for its advisory services to the Client, RVCM is entitled to receive a performance-based fee, as agreed between RVCM and the Client. This performance-based compensation is calculated by the Client and payable annually as of the end of each year.

The amount of the performance-based fee was negotiated between the Client and RVCM and is set out in the IMA between the Client and RVCM. This fee may not reflect the fees or other costs that would be borne by other clients in the future. The amount and payment terms associated with any such fee may be subject to negotiation between RVCM and the any future client, as described above. See *“Fees and Compensation.”*

## ITEM 7 - TYPES OF CLIENTS

RVCM currently provides investment advice exclusively to a private fund managed by a third-party asset manager. The Client is operated in reliance upon the exclusion from the definition of an “investment company” described in Section 3(c)(7) of the 1940 Act. In the future, RVCM may determine to offer investment advisory services to various types of clients, including, but not limited to, high-net worth individuals, trusts and estates, institutional investors, corporations, private funds operated by RVCM or other third parties, registered investment companies and other business entities.

We will determine the minimum investment for clients on a case by case basis.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

RVCM seeks to take advantage of opportunities primarily in the U.S. equities markets using its proprietary quantitative models, while seeking to hedge its market exposure using equity index futures contracts. RVCM's trading approach generally employs statistical arbitrage, providing liquidity to markets and seeking to maximize portfolio return while taking into account portfolio risk and transaction costs. RVCM will collect and perform research on historical data in an effort to establish optimal trading parameters. RVCM will seek to trade a broad universe of NMS-listed securities and expects that approximately 2,000-3,000 securities will pass its filters and requirements, based on a combination of liquidity, risk, correlation, industry, and other metrics.

RVCM's trading is expected to be primarily algorithmic, with the determinations to trade in and out of positions being automated in the ordinary course, taking into account real-time data. RVCM's trading positions are generally expected to be held for a period of several days, although more frequent turnover is possible. RVCM uses the following risk management procedures:

- Risk management is conducted on a real-time basis, as monitored by RVCM's trading desk personnel.
- As an additional layer of control, RVCM uses a quantitative approach to portfolio risk management, by way of a third-party risk management software tool, measuring and controlling multiple sources of risk, including market risk, factor risk and liquidity risk.
- The Client's adviser monitors the account and dictates the risk parameters as defined in the IMA. Because the client is managed through a managed account arrangement, its adviser has the authority to manage the level of risk in the account.

RVCM reconciles positions on a daily basis after each trading day's close, prior to each trading day's open, as well as periodically throughout the trading day.

**Methods of Analysis.** RVCM relies on a combination of quantitative analysis, internally generated alphas, and external market data obtained via subscription, in making investment decisions on behalf of the Client. RVCM's Portfolio Managers, Paul Kornfeld and Ilya Lisansky, manage the research and analysis functions on behalf of RVCM.

**Certain Risk Factors.** The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Investing in securities involves risk of loss that clients and investors should be prepared to bear. Potential clients should consider the following risks before engaging RVCM to manage their assets.

**Equity Securities.** RVCM trades in equity securities on behalf of its Client. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to specific situations for



each company, industry market conditions and general economic environments. RVCM acquires long and short positions in listed common and preferred equities of issuers domiciled in developed countries.

RVCM may invest in equity securities regardless of market capitalization, including micro- and small-cap companies. The securities of smaller companies may involve more risk and their prices may be subject to more volatility. RVCM may also invest in distressed equity securities, which are generally considered to be riskier, speculative and relatively illiquid.

**Exchange-Traded Funds (“ETFs”).** RVCM invests in ETFs, both long and short, on behalf of its clients. ETFs are funds that track a particular basket or index of securities traded on a public exchange. ETF investments are subject to the risks arising from the portfolio of underlying stocks, including market and issuer risks, but may also present certain unique risks. It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole even when stock prices in general are rising. In addition, the fees and expenses charged by such ETFs result in an additional level of fees and greater expense to clients than would be associated with direct investment.

**Commodities and Futures Trading.** RVCM invests in equity index futures products for hedging purposes on behalf of its clients. Equity index futures are generally settled only in cash based on the value of the underlying composite index. Futures prices may be highly volatile and can be influenced by a wide range of macro- and micro-economic variables. Futures trading also is subject to various regulatory limitations, including limitations on the maximum net long or net short positions that any trader (such as RVCM) may hold or control in particular futures contracts and limitations on daily price movements, which could limit RVCM’s ability to trade futures on behalf of its clients under certain circumstances. Because futures contracts are typically traded on “margin”—meaning that only a small portion of the total value of the futures contract must be posted with a broker to establish a futures position—a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially greater value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin.

**Effectiveness of Risk Reduction Techniques.** RVCM may employ various risk reduction strategies designed to minimize the risk of its trading positions taken on behalf of client accounts. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement and when possible will not always be effective in limiting losses. If RVCM analyzes market conditions incorrectly or employs a risk reduction strategy that does not correlate well with RVCM’s investments on behalf of its clients, such risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These risk reduction techniques may also increase the volatility of client accounts and/or result in a loss if the counterparty to the transaction does not perform as promised.

**Market Neutral Strategies.** The use of “market neutral” or “relative value” hedging or arbitrage strategies should in no respect be taken to imply that RVCM’s strategy is without risk. Substantial losses may be recognized on “hedge” or “arbitrage” positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every market neutral or relative value strategy involves exposure to some second order risk of the market, such as the price spread between different classes of stock for the same underlying issuer.

**General Risks of Arbitrage Transactions.** RVCM’s investments for its clients are based on statistical arbitrage strategies. The success of arbitrage strategies depends often on the ability to execute two or

more simultaneous transactions at desired prices. Should such transactions not be executed simultaneously at the desired prices, losses may be incurred on both sides of the transaction.

Additionally, separate costs are incurred on both sides of an arbitrage transaction, and substantial favorable price moves may be required before a profit can be realized. There can be no assurances that the hedging and arbitrage strategies used by RVCN will be successful. The market values of related financial instruments may not move in correlation with each other or in ways anticipated by RVCN, and intervening events may cause hedged positions not to perform as anticipated. A hedged position may perform less favorably in generally rising markets than an unhedged position.

**Leverage.** The low margin and collateral deposits required to trade equity index futures may permit an extremely high degree of leverage. In addition, RVCN utilizes broker-provided financing in its trading on behalf of clients. The degree of leverage that RVCN utilizes may not be limited to any predetermined level, but will be subject to applicable legal, regulatory or broker-imposed leverage limitations, to the extent applicable. As a result of trading with a high degree of leverage, a relatively small price movement in a financial instrument's price may result in immediate and substantial losses to clients and could result in the mandatory liquidation of certain positions if margin requirements are not satisfied. If a client is in a leveraged position, any losses would be more pronounced than if leverage were not used and, under particularly adverse circumstances, could exceed the client's capital under RVCN's management.

**Turnover.** Capital of RVCN's clients is invested based on short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions and fees. These commissions and fees will reduce the applicable client's profits.

**Short Sales.** A short sale involves the sale of a financial instrument that a client does not own in the expectation of purchasing the same financial instrument (or a financial instrument exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, RVCN, on behalf of the client, must borrow the financial instrument, and the client is obligated to return the financial instrument to the lender, which is accomplished by a later purchase of the financial instrument by the client's account. When a client makes a short sale of a financial instrument on a U.S. exchange, it must leave the proceeds thereof with a broker and it must also deposit with a broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. A short sale involves the risk of a theoretically unlimited increase in the market price of the financial instrument and a corresponding loss to the client. The extent to which RVCN engages in short sales on behalf of clients depends upon its investment strategy and perception of market direction. RVCN does not necessarily have a policy limiting the amount of capital it may deposit to collateralize clients' obligations to replace borrowed financial instruments sold short.

**Reliance on Fundamental Analysis.** RVCN may base its trading decisions, in whole or in part, on fundamental analysis. Fundamental trading methodologies consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, a fundamental trading program may not be able to detect and/or accurately predict price trends. There can be no guarantee that RVCN's fundamental analysis and trading methodologies will enable RVCN to accurately value the securities and other instruments in which any

client account advised by RVCN invests or that any anticipated price trends will materialize with respect to such investments.

**Reliance on Quantitative Analysis.** RVCN's investment strategies rely upon quantitative models and systems. Such models and systems entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that RVCN will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose clients to the risk of significant losses. In addition, the analytical techniques used by RVCN cannot provide any assurance that clients will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by RVCN change in ways not anticipated by RVCN. The effectiveness of quantitative models and systems may diminish over time and attempts to apply existing quantitative models and systems to new or different markets, strategies or financial products may prove ineffective.

To the extent that information regarding RVCN's positions or trades becomes or is required to be made publicly available, there is a material risk that other market participants may seek to reverse engineer RVCN's quantitative investment strategies from such public information. The use of RVCN's investment strategies by other persons, whether as a result of reverse engineering, "front-running" or other actions, may have a material adverse effect on the performance of RVCN's strategies.

**Reliance on Qualitative Analysis.** RVCN's investment strategies may additionally rely upon qualitative analysis. RVCN subjectively evaluates non-quantifiable factors, including quality of management, industry cycles, labor relations and strength of research and development not readily subject to measurement, and seeks to predict changes to value based on that data. To the extent that such factors provide mixed or conflicting signals, a qualitative analysis may not be able to detect and/or accurately predict price trends. There can be no guarantee that RVCN's subjective judgment will enable RVCN to accurately value securities and other instruments or anticipate price trends.

**Cybersecurity Risk.** The information and technology systems of RVCN and of key service providers to the Client may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although RVCN has implemented various measures designed to seek to manage risks relating to these types of events (including cybersecurity and disaster recovery plans), if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for RVCN or a service provider to make a significant investment to fix or replace them and to seek to remedy the effect of such issues.

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**Investment in securities and other financial instruments involves certain significant investment risks, including loss of an investor's entire investment. The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with RVCN's investment programs or an investment in any account advised by RVCN. Prospective clients and investors must consult their own advisers before deciding whether to make such an investment.**

## ITEM 9 - DISCIPLINARY INFORMATION

RVCM is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of RVCM or the integrity of RVCM's management.

RVCM and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

RVCM has no history of material disciplinary action. The Firm and its employees have not been involved in legal or disciplinary events.

RVCM has no criminal or civil actions in a domestic, foreign or military court of competent jurisdiction.

RVCM has no administrative proceedings before the U.S. Securities and Exchange Commission or any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

The Firm has no self-regulatory organization proceedings.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

RVCM is a wholly-owned subsidiary of QTrade Holdings, which has various subsidiaries and affiliates, including QTrade Capital Partners LLC (“QTrade”), a New Jersey limited liability company, and XYZ Financial Markets LLC (“XYZ”), a New Jersey limited liability company. QTrade, an affiliate of QTrade Holdings, operates as a proprietary trading firm that implements high turnover statistical arbitrage strategies in various financial instruments. XYZ provides market making services relating to bitcoin for a single client in a managed account style where XYZ does not custody assets nor risk any of its own assets.

RVCM’s Portfolio Managers, Paul Kornfeld and Ilya Lisansky, are generally responsible for overseeing, developing and implementing the trading strategies used by RVCM on behalf of its clients, independently from the trading strategies developed and implemented for QTrade’s proprietary trading operations. However, personnel of QTrade assist RVCM’s Portfolio Managers in programming the trading algorithms utilized by RVCM and also provide administrative and back-office services (such as trading desk operations, information technology, risk management and accounting services) to both firms. In addition, Barry Friedman, the Chief Executive Officer of QTrade Holdings and a significant owner of the proprietary account managed by QTrade, is involved in RVCM’s business operations, compliance and corporate direction, though is not involved in day-to-day algorithm research and development. Jeffrey Sassoon serves as the Chief Operating Officer, Chief Financial Officer and Chief Compliance Officer of both QTrade Holdings and RVCM but is also not involved in RVCM’s day-to-day algorithm research and development.

RVCM at all times retains independent investment discretion over its clients’ assets, including determination of the investments to be made on behalf of its clients and the timing and price of transactions in their respective portfolios.

The sharing of personnel and resources between RVCM and QTrade creates certain potential conflicts of interest, as it could enable each firm to use investment information generated by personnel of the other firm to the disadvantage of the other firm or, if applicable, its clients (for example, by acting on an investment opportunity identified by the other firm, and thereby adversely impacting the price or availability of the opportunity for the other firm). Further, because of the overlap in beneficial ownership between RVCM and QTrade, and the fact that the partners of QTrade Holdings have capital invested in the proprietary account (and not in the Client’s account), principals of the firms could have an incentive to direct investment opportunities to QTrade (rather than RVCM) based upon the relative income generated by the opportunity (and, indirectly, received by such principals), rather than considering the appropriateness of the opportunities for the firms (or, in the case of RVCM, its clients).

RVCM and QTrade seek to address these potential conflicts of interest in several ways. First, RVCM employs independent Portfolio Managers whose bonuses are derived solely from RVCM’s performance (and not the performance of QTrade) and who have no involvement in the formulation of QTrade’s investment strategies, reducing their incentive to share trading information with QTrade to the detriment of the Client. Second, both firms employ separate algorithmic trading systems, including independent servers, independent market data feeds, independent 15c3-5 risk gateways, and independent order entry ports to the exchanges, thereby decreasing the likelihood of one firm influencing the trading activity of the other. Additionally, the chance of unintentional interaction is decreased due to the firms’ differing investment holding horizons as well as the fact that both are

primarily providing liquidity. Finally, the markets in which RVCM trades are generally liquid, public markets, and therefore it is not anticipated that the firms will regularly be in competition with one another for limited investment opportunities.

In addition, RVCM has taken a number of steps to mitigate these potential conflicts, including:

- 1) Code of Ethics - as further described in Item 11, RVCM has adopted a Code of Ethics that covers all partners and employees ("Covered Persons"). Among other items, the Code of Ethics includes requirements that monitor the personal trading and information sharing of all Covered Employees.
- 2) Software in place – software is utilized to monitor trading activity that might require further review.

**Other Clients.** Although RVCM and its affiliates may manage investments on behalf of a number of accounts, investment decisions and allocations will not necessarily be made in parallel among all such accounts. Accounts managed by QTrade or its principals or affiliates make investments and utilize investment strategies that may not be made or utilized by RVCM on behalf of all (or any) of its clients and may take positions that are opposite those of all or some clients.

Accordingly, the accounts managed by QTrade and its principals and affiliates may produce results that are materially different from those experienced by a particular RVCM client, and the records of any investment management activities in which QTrade and its principals and affiliates may engage on behalf of such other accounts will not be available to any RVCM client. In addition, because QTrade performs advisory services for a proprietary account, RVCM may give advice or take action in the performance of its duties with respect to the Client which differs from the advice given or action taken by QTrade with respect to its proprietary account. Further, QTrade's proprietary account may, from time to time, hold the same securities as the Client. To the extent that such accounts trade in the same securities, such trades may be made at different times and are not expected to be aggregated. When trades are not aggregated between accounts, prices and transaction costs borne by such accounts may differ.

**Other Activities of RVCM and Related Persons.** As described above, certain key personnel of QTrade and QTrade Holdings are also involved in the operations of RVCM. Although these individuals are expected to commit an appropriate amount of their business efforts to RVCM, they are not required to devote all of their time to the affairs of RVCM or of a particular client.

RVCM, QTrade, and their respective principals and affiliates may engage in, invest in, participate in or otherwise enter into, other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment or trading accounts, entities or vehicles, and clients will have no right in or to any such activities or the income or profits derived therefrom.

QTrade, and the principals and affiliates of RVCM, QTrade and QTrade Holdings, may invest and trade for their own accounts, including in securities which are the same as or different or opposite from those traded or held by the Client. As a result, conflicts of interest may arise between the Client with respect to matters such as the allocation of investment opportunities, purchases and sales of securities in connection with particular trading situations and allocation of personnel, resources and expenses. The

records of trading by QTrade and the principals and affiliates of QTrade and RVCM generally will not be made available to clients, except to the extent required by law. However, trading by principals and personnel of RVCM and personnel of QTrade and QTrade Holdings providing services to RVCM are subject to RVCM's Code of Ethics and personal trading policy, as described below in "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.*"

## ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

**Code of Ethics Generally.** A Code of Ethics is meant to ensure that RVCM meets its fiduciary duty to clients. RVCM has adopted a Code of Ethics describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All RVCM employees and personnel of QTrade and QTrade Holdings providing services to RVCM or the Client are subject to the Code of Ethics and must acknowledge the terms of the Code of Ethics at least annually. Clients or prospective clients may request a copy of RVCM's Code of Ethics by contacting us.

**Participation or Interest in Client Transactions and Transactions Between Client Accounts.** Since RVCM only manages a single account, it does not effect any cross trades or similar transactions between client accounts. As a matter of policy, RVCM does not knowingly cause a client to effect transactions in which such client purchases securities or other instruments from, or sells securities or other instruments to, RVCM or its principals or affiliates (*i.e.*, principal trades), or in which one of RVCM's affiliates acts as broker for both RVCM's client and the other party to the transaction (*i.e.*, agency cross transactions).

RVCM may, in appropriate circumstances, when deemed consistent with a client's investment objectives, cause such client to purchase or sell securities in which QTrade, RVCM and/or their principals or affiliates, directly or indirectly, have a position or interest. See *"Other Financial Industry Activities and Affiliations – Other Activities of RVCM and Related Persons."*

**Personal Trading.** Subject to satisfying certain restrictions and applicable laws, persons subject to the Code of Ethics are permitted to trade for their own accounts. Such transactions may, from time to time, include transactions in securities which are recommended to and/or purchased for clients, as described above in *"Other Financial Industry Activities and Affiliations."* The Code of Ethics is designed to assure that the personal transactions, activities and interests of the employees of RVCM will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts.

The Code of Ethics requires pre-clearance of certain transactions and requires that the interests of the Clients be placed ahead of those persons engaging in personal trading. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by the Client in a security held by an employee. Employee trading is regularly monitored under the Code of Ethics, in an effort to prevent conflicts of interest between RVCM and its clients.



## ITEM 12 – BROKERAGE PRACTICE

RVCM does not currently select the brokers to be utilized by the Client, and instead will execute trades on behalf of the Client through the brokers agreed upon with the Client, which brokers may be recommended by RVCM. Brokerage arrangements and responsibility for the selection of brokers (as between RVCM and the Client) generally will be determined pursuant to the Client's IMA.

Where RVCM recommends brokers to the Client, RVCM may not adhere to any rigid formulae in making the recommendation but will weigh a combination of criteria consistent with its obligation to seek "best execution" for the Client. In selecting brokers to execute transactions, RVCM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Brokers will be recommended generally on the basis of best execution, which may be determined by considering, in addition to price and commission rates, other factors including research capabilities, success of prior research recommendations, ability to execute trades, nature and frequency of sales coverage, depth of services provided, including back office and processing capabilities, financial stability and responsibility, reputation, commission rates, responsiveness to RVCM and the value of research and brokerage products and services provided by such brokers. The determinative factor is not the lowest possible commission cost alone.

**Research and Other Soft Dollar Benefits/Brokerage for Client Referrals.** RVCM currently does not have any soft dollar arrangements with brokers, whereby it receives research or other products or services other than execution in connection with client securities transactions. In addition, RVCM does not consider, in recommending or selecting brokers, whether RVCM or any related person of RVCM receives client referrals from such broker or a third-party.

Consistent with obtaining best execution for clients, RVCM may in the future engage in such soft dollar arrangements, provided that such arrangements are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment RVCM's own internal research and investment strategy capabilities.

**Directed Brokerage.** In certain cases, RVCM may permit its clients to direct RVCM to use a particular broker for trading on the client's behalf. In such cases, RVCM may be unable to achieve most favorable execution of the client's transactions, which could result in the client paying higher commissions on its trades.

**Aggregation and Allocation of Client Orders/Investments.** As RVCM has only a single advisory client, it does not engage in the allocation of client orders. Should RVCM accept additional clients in the future, it intends to establish procedures for the aggregation of client orders at such time.

**Trade Error Policy.** Because RVCM's trading is directed by its algorithmic trading systems, it does not anticipate committing traditional errors in the execution of trades. However, it is possible that issues with the coding and implementation of RVCM's trading algorithms could result in mistrades for the Client's account. All staff are aware of the trade error policy in RVCM's Compliance Manual; trade errors are handled on a case-by-case basis, in compliance with the Investment Management Agreement with the Client.

## ITEM 13 - REVIEW OF ACCOUNTS

**Account Reviews.** The Client has engaged a third-party fund administrator to provide day-to-day administrative and bookkeeping services to the Client. RVCN conducts daily trade reviews and reconciliations of the positions held by the Client compared to the records of the Client's brokers. These reviews are conducted by RVCN's Portfolio Managers, Paul Kornfeld and Ilya Lisansky, and its Chief Executive Officer, Barry Friedman. Procedures for the review of other client accounts will be determined at the time of engagement.

**Client Reporting.** RVCN furnishes written daily trade reports to the Client's third-party administrator. Reporting obligations with respect to other client accounts will be determined at the time of engagement.

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

RVCM currently has no arrangements whereby it receives an economic benefit from any person who is not a client for providing investment advice or other advisory services to clients. RVCM does not directly or indirectly compensate any third-parties for client referrals.

## ITEM 15 - CUSTODY

RVCM does not have custody of the funds or securities of the Client. Should RVCM accept custody of client assets in the future, it intends to establish procedures for compliance with Rule 206(4)-2 of the Advisers Act at such time.

## ITEM 16 - INVESTMENT DISCRETION

RVCM exercises discretionary authority over the Client's account under the terms of the Client's IMA with RVCM. This agreement grants a power of attorney in favor of RVCM to select the identity and amount of any investments to be bought or sold for the Client. However, such discretion is to be exercised in a manner consistent with the stated investment objectives and restrictions included in the IMA.

## ITEM 17 - VOTING CLIENT SECURITIES

RVCM holds the authority to vote proxies on behalf of the Client. However, it is RVCM's policy not to vote such proxies, as it is RVCM's view that the outcome of such corporate decisions related to the securities in which the Client invests typically does not materially impact RVCM's investment strategies. RVCM may decide to vote a proxy on behalf of the Client based on a cost benefit analysis. Although RVCM does not generally vote, the Client may exercise its right to vote. RVCM believes that the trading frequency and correspondingly relatively shorter holding periods, frequently changing position sizes and changing position directionality of many of the investment strategies employed by RVCM significantly reduces the importance and usefulness of the proxies RVCM receives on behalf of the Client. The Client may request a copy of RVCM's proxy voting policies and procedures and information about how RVCM voted any proxies on behalf of the Client by contacting Jeffrey Sassoon at (908) 367-5690.

## ITEM 18 - FINANCIAL INFORMATION

RVCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients and has not been the subject of a bankruptcy proceeding.

## ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

RVCM is not a state-registered adviser.

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