

# **GQ ASSET MANAGEMENT, LLC**

## **FORM ADV PART 2A DISCLOSURE STATEMENT DECEMBER 22, 2017**

This brochure provides information about the qualifications and business practices of GQ Asset Management, LLC and its registered investment adviser representatives. If you have any questions about the contents of this brochure, please contact us at (646) 546-5648 or [arthur.berd@genquant.com](mailto:arthur.berd@genquant.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about GQ Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number known as a CRD number. GQ Asset Management, LLC's CRD number is 281387.

## **Item 2: Material Changes**

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This version of Part 2A of Form ADV (“Firm Brochure”) and Part 2B of Form ADV (“Supplement Brochure”), dated **December 22, 2017**, is an Other-than-Annual update of our brochure document. It contains information about our business practices as well as a description of potential conflicts of interest relating to our advisory business which could affect your account with us. We are providing you with this material in accordance with Rule 204-3 of the Investment Advisers Act of 1940, which requires a registered investment adviser to provide a written disclosure statement upon entering into an advisory relationship.

### **Summary of Material Changes**

This section provides updates of any material changes that occurred since the most recent delivery of our Firm Brochure. The indirect ownership of GQ Asset Management, LLC is now represented by the following interests in General Quantitative, LLC, the direct owner of the Adviser; Berd, LLC 16.67%, Arthur M. Irrevocable Trust 16.67%, Telluride Capital Ventures II, LLC 33.33% and Rothschild Capital Partners, LLC 33.33%.

### **Full Brochure Available**

We will provide you with a new version of the Firm Brochure as necessary when updates or new information are added, at any time, without charge. Request a complete copy of our Firm Brochure, by contacting us by telephone at (646) 546-5648 or by email at [arthur.berd@genquant.com](mailto:arthur.berd@genquant.com)

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## **Item 4: Advisory Business**

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### **A. Firm Description**

GQ Asset Management, LLC ("GQAM" or the "Firm") is an investment management firm that is registered with the SEC. GQAM is a limited liability company, which was formed in 2013. GQAM's current business activities consist of providing discretionary investment managed services to individuals through separately managed accounts.

**Owners:** General Quantitative, LLC is the owner and Arthur M. Berd is the Chief Executive Officer of the Firm.

### **B. Types of Advisory Services**

The objective of GQAM is to provide fee-only investment management services for individuals, high net worth individuals, pooled investment vehicles, trusts, estates, charitable organizations, corporations, and/or small businesses. GQAM provides discretionary portfolio management services aimed at growing assets over the long term. The Firm will be granted discretion and authority to manage the account. The Firm may invest in any securities that are suitable for the client based upon a review of their objectives and risk tolerance.

GQAM requires that a written Investment Management Agreement ("IMA") be signed by the client prior to the provision of services. The IMA outlines the services rendered by GQAM and the fees that the client will be charged. Clients shall open a discretionary asset management account with the broker, through which GQAM shall monitor the assets of the account, and purchase and/or sell securities within the account, according to the terms and conditions of the IA Agreement. The IMA may not be assigned without prior consent.

As a discretionary adviser, GQAM is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include the determination of securities to be purchased or sold and the amount of securities to be purchased or sold. Once the portfolio is constructed, GQAM will provide continuous monitoring and re-balancing of the portfolio as changes in market conditions and as client circumstances may require.

### **C. Tailored Relationships**

The asset management services offered by GQAM are based on the individual needs of our clients and the suitability of products and services. We make a thorough assessment of our client's goals, objectives, investment horizon, and risk tolerance.

GQAM provides asset management services which are designed to offer suitable participants with portfolio construction and managed accounts with defined investment strategies to meet your investment goals and objectives. Parameters such as time horizon, tax situation, liquidity needs, legal constraints, risk tolerance and unique circumstances are determined and considered. Clients may choose different investment and risk objectives and impose varying restrictions on certain securities or types of investments, as relates to each of their investment accounts, such as principal investment, retirement or college savings accounts.

All positions are actively monitored with a focus on managing volatility risk, sector risk and overall portfolio risk. GQAM reserves the right to advise the client on any other types of investment that it deems appropriate based on the client's stated goals and objectives.

Clients are advised to promptly notify GQAM if there are any material changes in the financial situation, investment objectives, or in the event they wish to alter any guidelines upon investment management services.

#### **D. Wrap Fee Programs**

Wrap Fee Programs are arrangements between broker-dealers, investment advisers, banks and other financial institutions and affiliated and unaffiliated investment advisers through which the clients of such firms receive discretionary investment advisory, execution, clearing and custodial services in a "bundled" form. In exchange for these "bundled" services, the clients pay an all-inclusive (or "wrap") fee determined as a percentage of the assets held in the wrap account. GQAM does not participate in and is not a sponsor of wrap fee programs.

#### **E. Assets under Management**

When calculating regulatory assets under management, an Investment Adviser must include the value of any client account over which it exercises continuous and regular supervisory or management services. As of November 30, 2017, GQAM managed a total of approximately \$ 38,500,000 in assets on a discretionary basis and \$ 31,900,000 on a non-discretionary basis.

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

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#### **A. Description and Billing**

GQAM receives a management fee based on the assets under management for each client and a performance fee for certain clients. The performance fee is discussed below in Item 6. Clients will pay GQAM a monthly management fee, payable in arrears on the first business day of each calendar month, based on the ending net asset value of the account for the previous month-end (the "Management Fee"). Net Asset Value includes all cash and all other assets of the account (valued at liquidation value) under management after taking into account all brokerage commissions and fees, and other expenses of the account.

All open positions shall be valued at their then market value, which means the settlement price as determined by the exchange on which the transaction is effected, or the most recent appropriate quotation as supplied by the clearing broker or banks through which the transaction is effected. If there are no trades on the date of the calculation due to operation of the daily price fluctuation limits or due to a closing of the exchange on which the transaction is executed, the contract will be valued at fair value as of the close of the then most recent trading day. Interest, if any, shall accrue monthly.

GQAM can instruct the client's qualified custodian to debit GQAM's fees from the client's account by providing the qualified custodian with written notice of the amount of fee to be deducted. All fees will be deducted directly from the account will be paid to GQAM from the amount on deposit in the account. The client will provide written authorization permitting the fees to be paid directly from the account. GQAM will also provide the client with a written invoice itemizing the fee, including any formulae used to calculate the fee, the time period covered by the fee, and methods of analysis for the amount of assets under management on which the fee was based.

GQAM reserves the right to waive or discount fees based on the needs and circumstances of clients. All of the below-referenced fees are negotiable. Account minimums may be revised from time to time to reflect the market liquidity and availability of appropriate trading instruments.

Active Asset Allocation using ETFs will have a Management Fee of 1.00% per annum subject to a \$20,000 account minimum.

Active Asset Allocation strategy using proprietary stock selection and tail risk management overlay will have a Management Fee of 1.00% per annum subject to a \$500,000 account minimum.

Diversified Long-Short Equities strategy will have a Management Fee of 2.00% per annum subject to a \$200,000 account minimum.

Dynamic Macro trading strategy will have a Management Fee of 2.00% per annum subject to a \$200,000 account minimum.

## **B. Other Fees and Payments**

There may be additional fees or charges that result from the maintenance of or trading within your account. A client account may be assessed transaction charges for individual stocks, bonds, and certain transaction fee mutual funds as stated below. Each client's account will be subject to brokerage fees charged by the account's broker-dealer. Client accounts will also be charged on a pro-rata pass-through basis for market data costs assessed by the broker or by exchange. Please see *Item 12* for more information regarding GQAM's brokerage practices. Additional fees are imposed by third parties in connection with investments made through your account, including but not limited to, no-load mutual fund 12(b)-1 distribution fees, certain deferred sales charges on previously purchased mutual funds, and IRA and Qualified Retirement Plan fees. All fees paid by GQAM for investment advisory services are separate and apart and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus, which we recommend the client to review. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Clients should review the fees charged by the mutual fund and the fees we charge to understand the total amount of fees paid.

## **C. Refund Policy**

Clients may terminate their advisory agreement without penalty by providing thirty (30) day's written notice to the other party. In the event of account termination,

management fees will be prorated to the date of termination and any unearned portion of prepaid fees will be refunded in accordance with the advisory agreement.

Unless a client has received the Firm's disclosure brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees.

#### **D. Other Compensation**

GQAM currently does not receive any compensation other than the Management Fee or Performance Fee.

### **Item 6: Performance-Based Fees and Side-by-Side Management**

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#### **A. Performance-Based Fees**

Performance-based fees ("Performance Fees") are based on a share of the capital gains or capital appreciation of the assets of a client. Fees based on performance means GQAM participates directly in the account's results. The Performance Fee may indirectly create an incentive for the Firm to make investments on behalf of the client that are riskier or more speculative than would be the case in the absence of such a fee. GQAM will generally seek a client consent for an investment in any strategy, with disclosure of all appropriate fees, while retaining the discretion to make trading decisions within the strategy portfolio in accordance with particular strategy methodology.

The Active Asset Allocation strategy uses proprietary stock selection portfolios and tail risk management overlay. This strategy will have Performance Fee of 10%, subject to a high water mark.

The Diversified Long-Short Equities strategy will have a 20% Performance Fee, subject to a high water mark.

The Dynamic Macro Trading strategy will have a Performance Fee of 20%, subject to a high water mark.

#### **B. Side-by-Side Management**

"Side-by-Side Management" refers to a situation in which the same investment adviser manages accounts that are billed based only on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. GQAM may provide concurrent advisory services to client accounts that are not charged a performance-based fee and client accounts that are charged such a fee. Thus the potential for GQAM to receive greater fees from performance-based accounts itself creates a potential conflict of interest. For example, a potential conflict includes the incentive to allocate potentially more favorable investment opportunities to the accounts subject to the performance fees because GQAM shares in the potential superior performance of such investment opportunities. To minimize these conflicts of interest, GQAM chooses to manage all accounts, both the

performance-based accounts and the asset-based accounts, using the same models for all accounts within a trading strategy. Additionally, to mitigate any conflict of interests, GQAM has developed policies and procedures prohibiting allocation of trades based on favorable or unfavorable market fluctuations.

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

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GQAM provides discretionary asset management services to different types of clients. We generally provide advice to individuals, high net worth individuals, pooled investment vehicles, trusts, estates, charitable organizations, corporations, and/or small businesses.

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

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### **A. Methods of Analysis**

GQAM employs systematic quantitative analysis including both fundamental and technical (statistical) methods as our primary methods for analyzing securities and designing and risk managing portfolios to achieve the investment objectives and goals of our clients.

***Systematic fundamental analysis*** consists of analyzing publicly available financial statements of companies, calculating financial ratios, and reviewing cyclical trends of industries as well as company specific patterns of out- or under-performance in conjunction with broader macroeconomic indicators to assess the prospective attractiveness of the common stock investment in companies. Systematic fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. Within the systematic approach to fundamental analysis, the primary objective is to conduct a company stock relative valuation and predict its probable price evolution in comparison with industry or marketwide averages. As a norm, systematic fundamental analysis does not attempt to predict subjective factors such as the ability of company's management to improve its business performance, make internal business decisions or capture new business opportunities. Systematic fundamental analysis also does not attempt to anticipate broader market movements. This presents a potential risk as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating stock. These risks are taken into account within the quantitative portfolio construction process and portfolio risk management process, as suitable for each particular investment strategy.

***Technical (statistical) analysis*** involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that past statistics and patterns may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market



prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Portfolio risk management** is based on using primarily statistical predictions about the volatility and correlations of individual instruments and asset classes in general, with a goal of allocating the capital across securities in a manner that achieves an optimal balance of predicted future returns and anticipated overall risks. Portfolio risk management relies on certain predictability of risk patterns and may fail to anticipate significant changes in the risk regimes and patterns of behavior of financial markets, resulting in future realized losses exceeding the anticipated levels of risks. Such changes in market conditions could result from variety of non-quantifiable factors, including major geopolitical events, changes in financial system health induced by failure of one or many large market participants, or unexpected changes in real economy due to influence of global market demand and supply factors, to name a few. While portfolio risk management attempts to immunize and balance the strategy portfolios with respect to forecasted quantifiable risks, it may not achieve such immunization or balance with respect to non-quantifiable risks leading to inadequate performance of our risk models and portfolio construction methodologies.

## **B. Investment Strategies**

**Active Asset Allocation Strategies:** the strategies involving allocation of capital across multiple asset classes including exposures to government bonds, credit, equities, commodities or emerging markets, with an objective of forming well-balanced and diversified long-term portfolio with a target risk profile suitable for a particular client. The strategy is typically long-biased but may occasionally include certain short exposures to asset class indexes as may be necessary for risk management. The strategy may allow moderate amount of leverage to achieve the desired risk targets, and will include regular rebalancing of capital allocations and risk control parameters. It may include positions in instruments such as ETFs, individual stocks, bonds or futures, as well as possible use of options for both protection and yield enhancement purposes.

**Diversified Long/Short Strategies:** the strategies involving a systematic selection of diversified portfolios of long and short securities, designed to produce attractive risk-adjusted returns due to the long portfolio on average outperforming the short side, while maintaining a balanced and nearly market-neutral risk exposure. A certain limited amount of leverage may be used to achieve the desired risk targets. The strategies will include regular rebalancing of the entire portfolio or its parts to maintain the desired diversification and excess return characteristics. The equity long/short strategies are typically implemented using stocks and ETFs, and the credit long/short strategies are typically implemented using bonds and CDS.

**Dynamic/Systematic Macro Trading:** the strategies with active trading in both long and short positions in ETFs, futures, FX and other securities whose performance is expected to depend primarily on broader macroeconomic and financial market conditions or asset-class-wide or industry-wide equity or credit returns. Implemented in systematic manner and driven by variety of technical and fundamental indicators,

these strategies are typically not constrained to maintain market neutrality and may occasionally be net long or net short in any given market or across all positions. They depend on active position size management in order to maintain the required risk targets.

**Algorithmic Trading:** the strategies with active trading in stocks, ETFs, futures, FX and other listed securities whose performance is expected to depend primarily on technical characteristics such as short term trends, reversals and capital markets activity. Implemented in algorithmic, computerized manner and driven by variety of technical indicators, these strategies are typically short term in nature and have a high turnover. They depend on active position size management as well as diversification across securities in order to maintain the required risk targets.

**Derivatives Trading:** strategies involving trading in options on equities, ETFs, bonds, futures and FX, whose objective is to systematically capture excess return by buying or selling such options and hedging with the underlying instruments in order to mitigate directional market risks. These strategies strive to make positive returns due to our views on future volatility, correlation and other statistical characteristics of the traded instruments contrasted with the implied volatilities and correlations as priced in by derivatives markets, and may include both directional positions and relative value (long vs short) positions reflecting the optimal implementation of such views.

**Protective (Hedging) Strategies:** strategies designed explicitly for purpose of reducing the risk of overall market exposure or for reducing extreme risk exposures of other investment strategies. These strategies are not typically expected to produce positive returns by themselves, but are expected to improve the return/risk characteristics of the overall portfolio when included together with their reference strategies or market exposures.

### C. Material Risks of Methods of Analysis and Investment Strategies

***Investing in securities involves risk of loss that clients need to be prepared to bear.***

Every method of analysis has its own inherent risks. To perform an accurate market analysis GQAM must have access to current/new market information. GQAM has no control over the dissemination rate of market information; therefore, unbeknownst to GQAM, certain analyses may be compiled with outdated market information, severely limiting the value of GQAM's analysis. Furthermore, an accurate market analysis can only produce a forecast a range of possible market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by GQAM) will be profitable or equal any specific performance level(s). GQAM does not represent, warrant, or imply that the services or methods of analysis employed by

GQAM can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines

Notwithstanding the method of analysis or investment strategy employed by our firm, the assets within your portfolio are subject to risk of devaluation or loss. GQAM wants you to be aware that there are many different events that can affect the value of your assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar will be worth more today than a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Options Transactions:** Purchasing options involves the risk that the underlying investment does not change in price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying investment in excess of the premium payment received.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized

product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

While this information provides a synopsis of the events that may affect your investments, this listing is not exhaustive. We want you to understand that there are inherent risks associated with investing and depending on the risk occurrence; you may suffer LOSS OF ALL OR PART OF YOUR PRINCIPAL INVESTMENT.

#### **D. Recommendation of Specific Types of Securities**

The advice of GQAM does not focus primarily on specific types of securities. The Firm's strategies include an array of securities and investment vehicles. GQAM may decide to express a particular view on markets using a variety of different instruments that have similar expected behavior, such as equity index ETF versus an equity index future, and may select a particular instrument based on its suitability given client account limitations, including its size and authorization to trade types of instruments, as well as our estimates of liquidity and transaction costs associated with each instrument.

### **Item 9: Disciplinary Information**

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The Firm is required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. GQAM and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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

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GQAM's affiliate, GQ Analytics, LLC, is owned by General Quantitative, LLC. GQ Analytics, LLC has started engaging in consulting activities in quantitative research and data analysis. Mr. Berd performs quantitative research and data analysis for GQ Analytics, LLC. General Quantitative, LLC also owns GQ Active Asset Allocation GP, LLC, which serves as the general partner of the GQ Active Asset Allocation Fund, LP.

GQAM is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. Furthermore, none of GQAM's management or supervised persons is registered as representatives of, or has applications pending to register as representatives of a broker-dealer.

GQAM is not registered as a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor and does not have an application pending to register as such. Furthermore, none of GQAM's management or supervised persons is registered as, or has applications pending to register as associated persons of the foregoing

entities.

GQAM does not have any arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships other than those already disclosed herein.

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

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

All employees of GQAM must act in an ethical and professional manner. GQAM's Code of Ethics, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust.

The Firm follows and adheres to the Charter Financial Analysts Code of Ethics. It is included here in summary: The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® [CFA®] designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

The Firm desires to comply with all applicable laws and regulations governing its practice, and the management of GQAM has determined to set forth guidelines for professional standards, under which all associated persons of GQAM are to conduct themselves. GQAM has set high standards, the intention of which is to protect client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith and fair dealing with clients, as well as the procedures for approval and reporting established in the Code of Ethics. All associated persons are expected to adhere strictly to these guidelines. In addition, GQAM maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by GQAM or any person associated with the Firm. We will provide a copy of our Code of

Ethics to any client or prospective client upon request.

## **B. Participation of Interest in Client Transactions**

GQAM does not recommend or effect transactions in securities which any related person may have material financial interest.

## **C. Proprietary/Simultaneous Trading**

At times, GQAM or its affiliated persons may buy or sell securities for our own accounts that we have also recommended to clients. GQAM will always document any transactions that could be construed as conflicts of interest. From time to time, representatives of GQAM may buy or sell securities for themselves at or around the same time as clients. GQAM will not intentionally favor a proprietary account over a client account. In any instance where similar securities are being bought or sold, we will uphold our fiduciary duty by ensuring that transactions made on behalf of our client are more beneficial for their interest than for our own. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, we will monitor our proprietary and personal trading reports for adherence to our Code of Ethics.

# **Item 12: Brokerage Practices**

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## **A. Selection and Recommendation**

GQAM will select and recommend a broker-dealer or custodian that has the best execution available for all of its clients. GQAM intends to maintain brokerage and custodial arrangements with Interactive Brokers, LLC ("Interactive Brokers") a FINRA registered broker-dealer and member of the SIPC. GQAM is independently owned and operated and is not affiliated with Interactive Brokers. Interactive Brokers will hold client assets in a brokerage account and buy and sell securities when GQAM instructs them to.

GQAM will always seek "best execution" for each trade, which is a combination of price, quality of execution and other factors. In making brokerage determinations, GQAM will consider a number of judgmental factors, including without limitation: 1) clearance and settlement capabilities; 2) quality of confirmations and account statements; 3) the ability of the broker to settle the trade promptly and accurately; 4) the financial standing, reputation and integrity of the broker-dealer; 5) the broker-dealer's access to markets, research capabilities, market knowledge, and any "value added" characteristics; 6) GQAM's past experience with the broker-dealer; 7) GQAM's past experience with similar trades; and 8) any other factors. Recognizing the value of these factors, clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. GQAM recognizes that "best execution" is not synonymous with lowest brokerage commission.

If the Firm receives research or other products from a broker dealer, this may create a conflict of interest and could give the Firm incentive to recommend a broker dealer based upon the Firm's interests rather than the client's. GQAM has determined that having Interactive Brokers execute trades is consistent with our duty to seek "best

execution” of client trades.

## **B. Soft Dollar Benefits**

As of November 30, 2017, GQAM has not generated “soft dollars” or received “soft dollar” benefits.

## **C. Brokerage for Client Referrals**

When selecting or recommending broker-dealers to clients, the Firm does not consider whether it receives client referrals from a broker-dealer or third party. GQAM does not receive cash benefit, including commissions, from any non- client in connection with giving advice to clients.

## **D. Directed Brokerage**

GQAM recommends that clients utilize Interactive Brokers, LLC. This arrangement is designed to maximize efficiency and to be cost effective to our clients. By recommending that clients use our specific broker-dealer, we seek to achieve most favorable execution of client transactions. GQAM reserves the right to change the recommended custodian at any time it deems said broker-dealer is not the broker-dealer most favorable to its clients.

GQAM permits clients to direct brokerage. However, when clients are permitted to direct brokerage, the Firm may not be able to effect transactions in the most cost effective manner. Furthermore, we may be limited in our ability to aggregate transactions and clients may in turn, incur greater costs associated with brokerage transactions. As a result of such directed brokerage, clients may pay higher brokerage commissions than might otherwise be paid if GQAM was granted discretion to select a broker to handle the account. In addition, clients might lose the benefits of potentially better executions available through bunched transactions of the recommended broker-dealer.

## **E. Order Aggregation**

The transactions for each client account generally will be effected independently, unless GQAM decides to purchase or sell the same securities for several clients at approximately the same time. GQAM may (but is not obligated to) combine or aggregate such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among GQAM’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. This practice is reasonably likely to result in administrative convenience or an overall economic benefit to GQAM. Clients also benefit relatively with better purchase or sale execution prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors.

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

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### **A. Periodic Reviews**

GQAM reviews its client's account activity on a continual basis, and not less than quarterly, to determine their conformity with investment objectives and guidelines. The reviews consist of determining whether the account's investment goals and objectives are aligned with our investment strategies. If reallocation of investments is necessary, the Firm will sell underperforming investments or buy new investments that are more appropriate for the account's investment goals and objectives. The reviews are conducted by Arthur M. Berd.

### **B. Intermittent Review Factors**

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in your financial status (such as retirement, termination of employment, relocation, or inheritance).

Clients are advised to notify GQAM promptly if there are any material changes in their financial situation and/or investment objectives.

### **C. Client Reports**

Clients will receive quarterly statements that reflect all transactions in your account directly from the broker. In addition, clients will also receive quarterly reports from GQAM detailing activity in their accounts.

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

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### **A. Economic Benefits from Others**

The Firm does not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its clients.

### **B. Compensation to unaffiliated Third Parties**

Neither GQAM nor any of its related persons currently pays any compensation directly or indirectly to any person who is not a supervised person for client referrals.

## **Item 15: Custody**

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### **A. Custodian of Assets**

Physical custody of our client's funds and securities are held by a GQAM preferred qualified custodian, Interactive Brokers, LLC. GQAM does not take physical custody of client assets and/or securities under any circumstances. Client funds and securities are held by the qualified custodian. Please refer to Item 12 for information regarding GQAM's brokerage practices.

While GQAM does not have physical custody of client funds or securities, payments of



fees may be paid by the custodian from the custodial brokerage account that holds client funds pursuant to the client's account application. In certain jurisdictions, the ability of a Firm to withdraw its advisory fees from the client's account may be deemed custody.

As such, GQAM has indirect custody of funds or securities by virtue the ability to have its advisory fees debited by the custodian on a monthly basis. Prior to permitting direct debit of fees, the client provides written authorization permitting fees be made direct from the custodian. As part of the billing process, the custodian is advised of the amount of the fee to be deducted from that account. On at least a quarterly basis, the custodian is required to send the client a statement showing all transactions within the account during the reporting period. The custodian does not calculate the amount of the fee to be deducted and does not verify the accuracy of GQAM's advisory calculation. Therefore, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact GQAM directly if they believe that there may be an error in their statement. Please refer to *Item 12* for our information regarding our Brokerage Practices. Clients should review and compare statements and reports that they receive from the custodian versus statements and reports received from the Firm.

## **B. Account Statements**

Statements will be mailed or made available electronically by the broker-dealer or custodian. Upon receipt, clients should carefully review the statements carefully against the statement received from the Firm, comparing asset values, holdings, and fees in the account statement issued the previous quarter versus statements or reports provided by the Firm.

## **Item 16: Investment Discretion**

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GQAM manages both discretionary and non-discretionary accounts for its clients.

When managing discretionary accounts, GQAM has discretion over the selection and amount of securities to be bought or sold in Client accounts without obtaining prior consent or approval from the Client for each transaction. Clients grant this authority upon execution of the Firm's Investment Management Agreement. This authority is for the purpose of making and implementing investment decisions, without the client's prior consultation. All investment decisions are made in accordance with the client's stated investment objectives.

GQAM's discretionary authority does not give authority to take or have possession of any assets in the client's account or to direct delivery of any securities or payment of any funds held in the account to the Firm. Furthermore, the authority granted by agreement does not allow the Firm to direct the disposition of such securities or funds to anyone except the client.

When managing non-discretionary accounts, GQAM reviews the Client accounts and offers recommendations for the selection and amount of securities to be bought or sold in accordance with the Client's stated investment objectives. However the Client has the

sole account management and trading authority over the account and Client's actions may deviate from the received recommendations.

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

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Clients retain the right to vote all proxies which are solicited for securities held in their accounts. GQAM will not take nor be required to take any action or render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the client's account may be invested in occasionally. Furthermore, GQAM will not take any action or render any advice with respect to any securities held in any client's accounts that are named in or subject to class action lawsuits. GQAM will however, forward to you any information received by our Firm regarding class action legal matters involving any security held in your account.

Clients will receive their proxies or other solicitations directly from their custodian. Although the Firm does not vote proxies, GQAM may answer general questions that the client may have regarding the proxy voting materials that they receive. However, the final decision of how to vote the proxy rests with the client.

## **Item 18: Financial Information**

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### **A. Balance Sheet Requirement**

A balance sheet is not required to be attached because GQAM is not the qualified custodian for client funds or securities, and does not require prepayment of fees of more than \$500 per client, six (6) months or more in advance.

GQAM is in compliance with its home state's minimum capital net worth requirements. The Firm will comply with the balance sheet report filing which may be required by applicable state rules.

### **B. Financial Condition**

GQAM does not have any financial impairment that would preclude the Firm from meeting contractual commitments to clients.

### **C. Bankruptcy Petition**

The Firm has not been the subject of a bankruptcy petition at any time during the last 10 years.

## **Intellectual Property and Confidentiality**

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GQAM considers its unique methodologies and strategies, as reflected in client portfolio selection, construction and rebalancing, to be its intellectual property. GQAM is compensated for applying this intellectual property for the benefit of the clients by receiving management and performance fees.

The contents of GQAM investment strategies as reflected in client account composition at any point in time, are considered confidential information and are prohibited from sharing with other investment managers or broader public without prior written consent of GQAM.

In particular, clients are prohibited from replicating elsewhere the content of accounts which they hold with GQAM without a prior written consent of GQAM and without a compensation to GQAM that would be in line with the fees that it would receive should such funds were managed by it. Clients agree that if such unauthorized replication should take place, GQAM will have the right to assess damages from the breach of confidentiality, including at least the recovery of management and performance fees for all assets that have been managed in a manner essentially similar to GQAM strategies.

## **GQ Asset Management, LLC Privacy Policy**

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GQ Asset Management, LLC does not disclose nonpublic personal information about its clients or former clients to any persons other than as described below. GQAM collects information about its clients (such a name, address, social security number, assets and income) from discussions with clients, from documents that clients may deliver to GQAM (such as account applications) and in the course of providing services. In order to service its client accounts and effect client transactions, GQAM may provide client personal information to its affiliates and to firms that assist it in servicing client accounts and which have a need for such information. GQAM does not otherwise provide information about its clients to outside firms, organizations or individuals except as required by law. Any party that receives this information will use it only for the services and as allowed by applicable law or regulations, and is not permitted to share or use this information for any other purpose.