

BROCHURE  
Form ADV Part 2A

AllocateRite, Inc.

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March 8, 2017

This brochure provides information about the qualifications and business practices of AllocateRite, Inc. If you have any questions about the contents of this brochure, please contact us at (212) 888-7797 and/or [john.rebuth@allocaterite.com](mailto:john.rebuth@allocaterite.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

## **ITEM 2 - MATERIAL CHANGES**

This brochure dated as of March 8, 2017 has been prepared according to the requirements and rules promulgated by the SEC and provides you with a summary of AllocateRite, Inc.'s ("AllocateRite," "the Company" or the "Registrant") advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item 2 is used to provide AllocateRite's clients with a summary of new information.

You may request the most recent version of this brochure by contacting John Rebuth at (212) 888-7797. We will provide you with other interim disclosures about material changes as necessary.

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## ITEM 4 - ADVISORY BUSINESS

### A. Description of Advisory Firm

AllocateRite is an investment advisory firm that, through the use of a computer-generated algorithmic model, provides investment advisory services to third-party investment managers and advisers (“Investment Advisers”) who, in turn, may in their discretion utilize such advice in advising their own clients and investors (the “Investment Adviser’s Clients”). AllocateRite is managed by its Board of Directors, and certain decisions must be made by a majority of the Board of Directors, which initially is composed of Abbas Shah and Balkrishna Shagrithaya. The Chief Executive Officer is Balkrishna Shagrithaya, the Chief Technology Officer is Abbas Shah and the Chief Compliance Officer is John Rebuth.

### B. Types of Advisory Services Offered

AllocateRite provides advisory services to registered investment advisers and other qualified investment managers using a proprietary “dynamic beta” algorithmic model that selects exchange-traded funds (“ETFs”) and other securities across various asset classes based on relative value analysis, technological analysis and fundamental analysis and uses real time risk monitoring and dynamic allocation to allocate assets in a portfolio and rebalance monthly between asset classes and within sectors. The investment model makes all investment recommendations for the Investment Advisers’ consideration on a monthly basis. AllocateRite delivers its monthly portfolio allocations and buy-sell signals to its Investment Adviser clients via electronic secure file transfer protocol, application program interface or other secure arrangements. Upon generation and delivery of such signal, either (i) the Investment Adviser may use the information delivered by the signal in their discretion in advising their own clients or (ii) at the request of the Investment Adviser, AllocateRite will implement the strategy based on the buy-sell signal and issue automated trade execution orders to the Investment Adviser’s Clients’ designated broker directly. Generally, monthly trade signals are executed for the Investment Adviser’s client accounts by rebalancing automatically through the Investment Adviser’s execution platform. AllocateRite has no direct contact with the clients of the Investment Advisers and does not provide any services directly for the clients of the Investment Advisers other than trade execution as described in clause (ii) above. In addition, Allocate Rite provides risk monitoring and intra-month rebalancing. The algorithmic model includes risk analysis that evaluates various market-impacting risk factors that may materially and adversely impact a portfolio at such time. This risk-monitoring mechanism, when triggered, may recommend an intra-month portfolio rebalancing in addition to the monthly reallocation signal.

In both instances described above, brokerage and custody services are provided by third parties or the Investment Advisers themselves. Neither AllocateRite nor its affiliates have custody of client funds, nor does it provide brokerage services.

### C. Services Tailored to Individual Needs of Investment Advisers

AllocateRite’s advisory services are tailored to the management of each Investment Adviser’s account to the extent that each Investment Adviser provides AllocateRite with information regarding securities positions, assets and cash balances of the Investment Adviser and its clients,

which information AllocateRite enters into its investment model. AllocateRite's investment model then makes all investment recommendations for the Investment Adviser's consideration, and such Investment Adviser interacts directly with its own clients. AllocateRite does not model around an Investment Adviser or Investment Adviser's Client's restrictions, and does not take steps to tailor its advice based on an Investment Adviser or Investment Adviser Client's risk profile. With regards to Investment Advisers that use AllocateRite's advisory services pursuant to clause (i) in Section B above, such Investment Advisers may adjust their own portfolio and that of their clients at their own discretion and are not bound to take AllocateRite's advice. In addition, while AllocateRite may have full discretion to implement the agreed-upon strategy, make trading decisions and execute trades based on the buy-sell signal, AllocateRite does not otherwise take steps to give discretionary advice outside of the monthly signal regarding an individual Investment Adviser's portfolio or that of the Investment Adviser's Clients.

#### D. Wrap Fee Programs

Wrap fees are comprehensive fees charged to a client for providing a bundle of services, such as investment advice, investment research and brokerage services. AllocateRite does not participate in wrap fee programs.

#### E. Investment Adviser Assets

As of February 1, 2017, AllocateRite provided advice with respect to approximately \$25 million of client assets.

### **ITEM 5 - FEES AND COMPENSATION**

#### A. Fees

AllocateRite charges a services fee to each client equal to an annual rate based on the total assets advised for such client calculated as of the last day of each payment period. No performance fees or carried interest are paid to AllocateRite.

#### B. How Fees are Charged

Services fees are generally payable quarterly in arrears.

#### C. Other Fees and Expenses

AllocateRite is subject to customary expenses, including fees, costs and expenses related to the expenses of any counsel and accountants (including audit fees), any insurance, indemnity or litigation expenses, and any taxes, fees or other governmental charges levied against AllocateRite or its affiliates.

AllocateRite does not act as a broker-dealer on behalf of clients. Therefore, AllocateRite does not generally incur brokerage costs. A discussion of AllocateRite's brokerage practices may be found at Item 12 of this brochure.

#### D. Payment of Fees Upon Termination

AllocateRite establishes the fees charged for servicing Investment Adviser accounts in the written agreements between AllocateRite and the Investment Adviser. Services fees are generally paid to AllocateRite in arrears of any advisory services performed by AllocateRite. Should AllocateRite's services be terminated before the services fee is paid in full, the services fee will be computed as though the termination date is the last day of the quarter (or other applicable payment period) and the services fee will be paid on a prorated basis. Fees and minimums may be negotiable at the sole discretion of AllocateRite.

E. Compensation for Sales of Securities

AllocateRite does not accept compensation for the sale of securities or other investment products.

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

No performance-based fees or carried interest are paid to AllocateRite.

**ITEM 7 - TYPES OF CLIENTS**

AllocateRite generally provides investment advice to registered investment advisers and other qualified investment managers who use AllocateRite's services to advise their own clients, related investment vehicles and accounts. AllocateRite does not impose any minimum investment amounts or minimum account sizes for Investment Advisers using its advisory services.

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

A. Methods of Analysis and Investment Strategies

AllocateRite provides advisory services to registered investment advisers and other qualified investment managers using a proprietary algorithmic model that selects ETFs and other securities across various asset classes based on relative value analysis, technological analysis and fundamental analysis and uses real time risk monitoring and dynamic allocation to allocate assets in a portfolio. Any account included in the composite is vetted in terms of the portfolio's constituents prior to any rebalancing. This process is integrated within the AllocateRite client service portal. Certain ETFs are pre-approved by AllocateRite for inclusion in the portfolios. Investment Advisers may select other ETFs that have not been pre-approved, however these must be vetted by AllocateRite. The vetting process generally entails formal statistical back testing and risk evaluation. AllocateRite does not include any portfolios in the composite that are subject to third party restrictions or that contain non-vetted securities. In addition, Allocate Rite provides risk monitoring and intra-month rebalancing. The algorithmic model includes risk analysis that evaluates various market-impacting risk factors that may materially and adversely impact a portfolio at such time. This risk-monitoring mechanism, when triggered, may recommend an intra-month portfolio rebalancing in addition to the monthly reallocation signal.

All research provided is documented and retained pursuant to the recordkeeping policy (see Item 13 below for information regarding Investment Adviser reports and recordkeeping). All research recommendations will be considered a “material” transaction for Investment Adviser portfolios.

AllocateRite’s provides Investment Advisers with financial advice that is based on Modern Portfolio Theory (“MPT”). MPT attempts to maximize a portfolio’s expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by selecting the proportions of various asset classes rather than selecting individual securities.

Investing with AllocateRite involves a risk of loss that Investment Advisers should be prepared to bear, including up to the entire amount of their investment or commitment. For a discussion of material risks, see Item 8.B immediately below.

## **B. Material Risks**

Investing with sub-advisors like AllocateRite involves a wide range of risks. Investment Advisers are provided with more detailed information regarding material risks to which advisory services provided to them by AllocateRite are subject before using AllocateRite’s services. Such material risks include, but are not limited to, those set forth below.

### **Material Risks Related to Investment Strategy and Method of Analysis**

AllocateRite’s strategies are designed to produce the appropriate potential return for the given level of risk; however, AllocateRite cannot guarantee that an investment objective or planning goal will be achieved. Moreover, AllocateRite’s strategy is a holistic strategy, and it does not take into account the specific risk tolerance of a specific client but rather believes its strategy is suitable to all of its clients who are seeking return characteristics. To this end, AllocateRite’s algorithmic model is designed with MPT in mind and the resulting investment advice is geared towards producing a holistically strong portfolio. Therefore, the investment model may recommend certain buy-sell actions (but in no event advising to retain a short position on a portfolio) which yield the best results if made in concert with other recommended actions. However, AllocateRite does not retain custody or control over the Investment Adviser’s assets and an Investment Adviser must individually decide whether to act on AllocateRite’s advice, in full or in part. It is possible that an Investment Adviser may decide to act on AllocateRite’s advice only in part and thereby alter the results anticipated by the investment model. There is no guarantee that AllocateRite’s investment advice will necessarily produce the intended results in this or similar scenarios.

### **Portfolio and Securities Risks**

When investing in securities, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. For example, there is the risk that a company will perform poorly or have its value reduced based on factors specific to the company or its industry. This is also referred to as unsystematic risk and can be reduced or mitigated through diversification.

Advisory Risk –There is no guarantee that AllocateRite’s investment advice about particular securities or asset classes will necessarily produce the intended results. AllocateRite’s investment



advice may prove to be incorrect, and an Investment Adviser might not achieve his or her investment objectives. AllocateRite may also make future changes to the investing algorithms and advisory services that it provides. The algorithm may not fully identify long-term changes in the marketplace or otherwise may not address changes in market conditions when generating buy-sell signals.

In addition, it is possible that Investment Advisers or AllocateRite may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to AllocateRite's software based financial advisory service.

Cybersecurity Risk – In the ordinary course of business, AllocateRite collects and stores sensitive data, including intellectual property, proprietary business information and that of Investment Advisers, suppliers and business partners, and personally identifiable information of AllocateRite employees, in data centers and on networks. The secure processing, maintenance and transmission of this information is critical to AllocateRite's operations and business strategy. Despite AllocateRite's security measures, its information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise AllocateRite's networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt operations and the services provided to Investment Advisers.

Market Risk – The price of any security or the value of an entire asset class can decline for a variety of reasons outside of AllocateRite's control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. If an Investment Manager has a high allocation in a particular asset class it may negatively affect overall performance to the extent that the asset class underperforms relative to other market assets. Conversely, a low allocation to a particular asset class that outperforms other asset classes in a particular period will cause that Investment Manager to underperform relative to the overall market.

Equity (Stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases or decreases in value as market confidence in and perceptions of the company who issued the stock change. If an investor held common stock, or common stock equivalents, of any given company, they would generally be exposed to greater risk than if they held preferred stock and/or debt obligations of the company. Common stocks are often holdings within mutual funds and ETFs.

ETF/ETN and Mutual Fund Risks – The risk of owning ETFs/ETNs and mutual funds reflect the risks of their underlying securities (e.g., alternative investments, stocks, bonds, etc.). ETFs/ETNs and mutual funds also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. Also, some mutual funds may be too large to adjust quickly in response to market fluctuations, meaning that investors may miss out on gains or be exposed to losses for a longer time than if they were in a more nimble portfolio.

Fixed Income Risks – Various forms of fixed income instruments, such as bonds, money market or bond funds, or certain ETFs/ETNs containing these holdings, may be affected by various forms of risk, including:

- Credit Risk – The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF/ETN share values that hold these issues. Bondholders are creditors of an issuer and have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.
- Duration Risk – Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.
- Interest Rate Risk – The risk that the value of the fixed income holding will decrease because of an increase in interest rates.
- Liquidity Risk – The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income are generally liquid (i.e., bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.
- Index Investing – Index investing may have the potential to be affected by “active risk” (or “tracking error risk”), which might be defined as a deviation from a stated benchmark. If a core portfolio attempts to closely replicate a stated benchmark, the source of the tracking error or deviation may come from a satellite portfolio or position, or from a “sample” or “optimized” index fund or ETF that may not as closely align the stated benchmark. In these instances, a portfolio manager may choose to reduce the weighting of a satellite holding, utilize very active satellites, or use a “replicate index” position as part of its core holdings to minimize the effects of the tracking error in relation to the overall portfolio.
- QDI Ratios – While many ETFs/ETNs and index mutual funds are known for their potential tax-efficiency and higher “qualified dividend income” (“QDI”) percentages, there are asset classes within these investment vehicles or holding periods within that may not benefit. Shorter holding periods, as well as commodities and currencies (that may be part of an ETF/ETN or mutual fund portfolio), may be considered “non-qualified” under certain tax code provisions. A holding’s QDI should be considered when tax-efficiency is an important aspect of the client’s portfolio.

## **Potential Conflicts of Interest**

Although AllocateRite seeks to minimize conflicts of interest, there will be occasions when AllocateRite and its affiliates may encounter potential conflicts of interest. Such conflicts may include, but are not limited to, the following:

- AllocateRite personnel generally devote time to multiple Investment Advisers. Managing multiple accounts could create potential conflicts of interest, such as those between investment strategies, or allocations of investment opportunities. Managing multiple accounts also can raise concerns that some accounts would receive more attention or otherwise be favored over others. However, as described in Items 4.C. and 8.A., AllocateRite delivers all investment opportunities and buy-sell signals to all its Investment Adviser clients simultaneously via electronic secure file transfer protocol, application program interface or other secure arrangements, which minimizes conflicts of interest that would typically arise from the management of several different investor accounts.
- Soft dollar arrangements are arrangements by which AllocateRite obtains research and other products and services that provide lawful and appropriate assistance to AllocateRite in carrying out its investment decision-making responsibilities. AllocateRite does not plan to enter into any soft dollar arrangements. However, in the event that AllocateRite does enter into any soft dollar arrangements, AllocateRite may receive products and services that have both research and non-research uses only if it makes a good faith allocation of the value of the non-research products and services it receives and pays for such non-research items in hard dollars. Any use of client brokerage to cover non-research items will fall outside of the safe harbor and raises a number of conflict of interest issues between AllocateRite and its Investment Adviser clients, and specific disclosure must be provided to the Investment Advisers regarding these arrangements and the attendant conflicts of interest. Please see Item 12.A.1 for additional details.

#### C. Recommendations of Particular Securities

AllocateRite's investment model algorithm makes all investment recommendations for the Investment Adviser's consideration. AllocateRite intends that research recommendations provided by the investment model will be consistent with the Company's documented investment strategy and investment guidelines. All research provided will be documented and retained pursuant to AllocateRite's recordkeeping policy. All research recommendations will be considered a "material" transaction for Investment Adviser portfolios. The risks described in Item 8.B apply with respect to each of these investment types.

### **ITEM 9 - DISCIPLINARY INFORMATION**

AllocateRite is not aware of any legal or disciplinary events that would be material to a client's or prospective client's evaluation of its advisory business or the integrity of its management.

### **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### A. Broker-Dealers

AllocateRite is not registered and does not have an application pending to register as a broker-dealer or a registered representative of a broker-dealer. Generally, monthly trade signals are executed for the Investment Adviser's client accounts by rebalancing automatically through the Investment Adviser's execution platform. AllocateRite may, under certain agreed-upon arrangements, provide trade execution services on behalf of the Investment Adviser. Although it is not currently anticipated that AllocateRite will provide independent trade execution services, in such event, AllocateRite will aim to execute securities transactions in such a manner that the Investment Adviser's total cost or proceeds in each transaction is the most favorable under the circumstances. In seeking best execution, AllocateRite will consider the full range of a selected broker's services, which may include value execution capability, commission rate, financial responsibility and responsiveness, among others.

#### B. Futures and Commodity Trading

AllocateRite is not registered and does not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

#### C. Recommendation or Selection of Other Investment Advisers

AllocateRite does not recommend or select other investment advisers for its Investment Advisers, nor does it receive compensation directly or indirectly from any such advisers.

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

#### A. Code of Ethics

AllocateRite is a fiduciary to its Investment Advisers. This means that AllocateRite and its employees must put the interests of the Investment Advisers first. To that end, AllocateRite employees are required to:

- Place the interests of the Investment Advisers above any personal interests;
- Seek to identify conflicts of interest and observe established resolution procedures as described in AllocateRite's Code of Ethics and Compliance Manual;
- Conduct personal securities transactions in a manner consistent with AllocateRite's Code of Ethics, including pre-clearance (if applicable) and reporting of transactions;
- Report any violations of AllocateRite's Code of Ethics, AllocateRite's Compliance Manual or any other legal or ethical violation, to its Chief Compliance Officer; and
- Comply with AllocateRite's Code of Ethics, its Compliance Manual, and applicable provisions of the federal securities laws as well as any other laws applicable to AllocateRite.

See Items 11.C and 11.D below for further details regarding AllocateRite's Code of Ethics.

Copies of AllocateRite's Code of Ethics are available to any client or prospective client upon request. AllocateRite will distribute a copy of the Code of Ethics to each employee of AllocateRite (i) upon commencement of his or her employment or engagement with AllocateRite, (ii) at least annually thereafter and (iii) upon amendment. Upon distribution, each employee is required to acknowledge in writing the receipt of the Code of Ethics and any amendments. The Code of Ethics will be provided to each employee of AllocateRite on an annual basis.

AllocateRite's policies and procedures for addressing conflicts of interest generally are also described in more detail at Item 8.B above.

#### B. Participation or Interest in Investment Adviser Transactions

AllocateRite provides ongoing monthly and, in certain circumstances intra-monthly, advisory services to Investment Advisers. The investment model makes all investment recommendations for the Investment Adviser's consideration. Any account included in the composite is vetted in terms of the portfolio's constituents prior to any rebalancing. This process is integrated within the AllocateRite client service portal. Certain ETFs are pre-approved by AllocateRite for inclusion in the portfolios. Investment Advisers may select other ETFs that have not been pre-approved, however these must be vetted by AllocateRite. The vetting process generally entails formal statistical back testing and risk evaluation. AllocateRite does not include any portfolios into the composite that are subject to third party restrictions or that contain non-vetted securities and does not model around specific Investment Adviser restrictions. Research recommendations provided by the model will be consistent with AllocateRite's documented investment strategy and investment guidelines. In addition, Allocate Rite provides risk monitoring and intra-month rebalancing. The algorithmic model includes risk analysis that evaluates various market-impacting risk factors that may materially and adversely impact a portfolio at such time. This risk-monitoring mechanism, when triggered, may recommend an intra-month portfolio rebalancing in addition to the monthly reallocation signal.

All research provided will be documented and retained pursuant to the Recordkeeping Policy. All research recommendations will be considered a "material" transaction for Investment Adviser portfolios. At regular intervals, the Chief Compliance Officer, with the assistance of the portfolio architect, if necessary, will compare the performance of the research recommendations provided to the individual Investment Adviser accounts with the agreed objectives and guidelines in order to provide general verification of correct execution of trades. AllocateRite does not model around specific Investment Adviser restrictions. Such review is carried out for AllocateRite's own internal purposes and in no event does AllocateRite review Investment Adviser portfolios with the intent to provide advisory information or reports for such Investment Adviser or other third party consumption. The Chief Compliance Officer will report any unexplained significant discrepancies to senior management to determine appropriate action. The Chief Compliance Officer will document his portfolio review and maintain such documentation in accordance with AllocateRite's recordkeeping policy.

In very limited circumstances, AllocateRite, on behalf of an Investment Adviser, may be authorized to effect a request of agency cross transactions by AllocateRite or any of its affiliates that is registered as a broker-dealer. In an "agency cross transaction," AllocateRite or a partner

thereof acts as broker for both sides of a transaction in which a client of AllocateRite is on one side and another person is on the other side. AllocateRite may also be authorized to cross any transaction for the purchase or sale of securities between two or more Investment Advisers, including AllocateRite, provided that (i) such purchase or sale is conducted at a fair price, (ii) pre-approval by the Investment Adviser is obtained and (iii) AllocateRite receives no additional compensation in connection with such cross trading activities. AllocateRite does not anticipate using agency cross transactions except in very limited circumstances to correct for trading errors and any agency cross transaction would be directed by the individual Investment Adviser.

### C. Personal Trading

Conflicts of interest may arise between an Investment Adviser and AllocateRite when AllocateRite or a related person invests in the same securities that it recommends to Investment Advisers, or has another interest in a transaction that is, or may be, in conflict with the interest of any of the Investment Advisers. AllocateRite employees may have personal conflicts of interest, such as (i) a material interest in a transaction to be entered into with or for an Investment Adviser, (ii) a relationship that gives or may give rise to a conflict of interest in relation to a transaction or (iii) another interest in a transaction that is, or may be, in conflict with the interest of any Investment Advisers.

To address these conflicts, AllocateRite's Code of Ethics (discussed in Item 11.A above) requires, among other items, that each AllocateRite employee submit to the Chief Compliance Officer a report of his or her current holdings of covered securities, including securities holdings of any account which such employee manages or exercises (or shares) investment discretion, as well as holdings of his or her domestic partner and any immediate family members. The employee must update this report.

All AllocateRite employees and their immediate family members must obtain the approval of the Chief Compliance Officer before directly or indirectly acquiring beneficial ownership in any security in an initial public offering or a private transaction (e.g., private placements and limited offerings). Positions in such securities are only permitted without prior written approval if such securities (i) were acquired prior to the commencement of employment with AllocateRite or its affiliates, (ii) were received as a gift or a payment or (iii) were received as a distribution or payment in kind. The Chief Compliance Officer may place additional restrictions on an employee's personal trading activities. The Chief Compliance Officer monitors employees' personal securities trading for unusual or excessive trading patterns.

Employees are generally not permitted to buy or sell any security (or cause another person to do so) if the employee is in possession of "material" non-public information relating to the issuer or the transaction. Employees also may not disclose this information to a third party to use in securities transactions. In general, "material" information means information that would reasonably affect, or have a significant impact on, an investor's decision to buy or sell a security, or information that would have been viewed by a reasonable investor as having significantly altered the "total mix" of information available.

## **ITEM 12 - BROKERAGE PRACTICES**

### **A. Selection of Broker-Dealers**

AllocateRite is not registered and does not have an application pending to register as a broker-dealer or a registered representative of a broker-dealer. Generally, monthly trade signals are executed for the Investment Adviser's client accounts by rebalancing automatically through the Investment Adviser's execution platform. AllocateRite may, under certain agreed-upon arrangements, provide trade execution services on behalf of the Investment Adviser. Although it is not currently anticipated that AllocateRite will provide independent trade execution services, in such event, in seeking best execution, AllocateRite will consider the full range of the selected broker's services, including the value execution capability, commission rate, financial responsibility, responsiveness, etc. In all circumstances, the Investment Adviser will ultimately decide which broker-dealer will execute its transactions.

As discussed above in "Participation or Interest in Investment Adviser Transactions," AllocateRite on behalf of the Investment Adviser is authorized to effect a request of transactions in which AllocateRite or an affiliate thereof acts as broker for both sides of a transaction. AllocateRite may, in very limited circumstances, be authorized to cross any transaction for the purchase or sale of securities between two or more Investment Advisers, including AllocateRite, provided it is conducted at a fair price, pre-approval by the Investment Adviser is obtained, and AllocateRite receives no additional compensation in connection with such cross trading activities. AllocateRite does not anticipate using agency cross transactions except in very limited circumstances to correct for trading errors, and any agency cross transaction would be directed by the individual Investment Adviser.

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

AllocateRite does not plan to enter into any soft dollar arrangements. However, in the event that AllocateRite does enter into any soft dollar arrangements, AllocateRite may receive products and services that have both research and non-research uses only if it makes a good faith allocation of the value of the non-research products and services it receives and pays for such non-research items in hard dollars. Any use of client brokerage to cover non-research items will fall outside of the safe harbor and raises a number of conflict of interest issues between AllocateRite and its Investment Adviser clients, and specific disclosure must be provided to the Investment Advisers regarding these arrangements and the attendant conflicts of interest. AllocateRite will only make use of soft dollar arrangements when to do so would be in the best interest of the Investment Advisers.

#### **2. Brokerage for Investment Adviser Referrals**

AllocateRite does not consider whether it or a related person receives client referrals from a broker-dealer or a third party when recommending broker-dealers. AllocateRite allows each Investment Adviser to choose its own broker-dealer.

### 3. Directed Brokerage

Directed brokerage occurs when a client directs an adviser to execute transactions through a specified broker-dealer. This practice may cause clients to pay more money because the adviser cannot aggregate purchases or sales of securities with a broker-dealer and obtain a more favorable rate. Directed brokerage also occurs when an adviser routinely recommends, requests or requires clients to execute transactions through a specified broker-dealer. Not all investment advisers require their clients to direct brokerage in this manner. AllocateRite generally allows each Investment Adviser to choose its own broker-dealer.

#### B. Aggregation of Orders of Securities for Investment Adviser Accounts

In connection with any portfolio rebalancing performed by AllocateRite, AllocateRite provides the opportunity for Investment Advisers, at their own discretion, to aggregate orders of securities for their accounts, either as individual block trades by an Investment Adviser or a “super” block trade across all consenting Investment Advisers. In the event that an Investment Adviser directs AllocateRite to aggregate orders, AllocateRite will then organize the execution of such trades with a designated third party intermediary or intermediaries. These trades, to the extent practical, will be allocated among its Investment Advisers on a basis that over a period of time is fair and equitable to each Investment Adviser relative to other Investment Advisers and benchmark objectives, taking into account all relevant facts and circumstances, including (without limitation): (i) the objectives of each Investment Adviser, (ii) differences with respect to Investment Adviser desired tracking of the investment versus the benchmark; (iii) differences in risk profile at the time the opportunity becomes available; if any (iv) the potential transaction, settlement and custody costs of allocating an opportunity among various Investment Advisers; (v) potential conflicts of interest, including whether an Investment Adviser has an existing relationship with the ETF provider in question, or the issuer of such security within their portfolio; (vi) the nature of the security or the transaction, including potential minimum and maximum investment thresholds and the source of the opportunity; (vii) the designated counterparty, or counterparties if any, executing the rebalancing transactions; and (viii) current and anticipated market conditions.

## ITEM 13 - REVIEW OF ACCOUNTS

#### A. Periodic Review of Investment Adviser Accounts

The portfolio investment recommendations of AllocateRite are regularly reviewed by AllocateRite investment professionals. These professionals monitor operations, overall performance, financial performance and strategic direction of each portfolio investment owned by an Investment Adviser.

At regular intervals, the Chief Compliance Officer, with the assistance of the portfolio architect, if necessary, will compare the performance of the research recommendations provided to the individual Investment Adviser accounts with the agreed objectives and guidelines in order to provide general verification of correct execution of trades. AllocateRite does not model around specific Investment Adviser restrictions. Such review is carried out for AllocateRite’s own internal purposes and in no event does AllocateRite review Investment Adviser portfolios with



the intent to provide advisory information or reports for such Investment Adviser or other third party consumption. The Chief Compliance Officer will report any unexplained significant discrepancies to senior management to determine appropriate action. The Chief Compliance Officer will document his portfolio review and maintain such documentation in accordance with AllocateRite's recordkeeping policy.

**B. Factors that Trigger a Review of Investment Adviser Accounts**

AllocateRite and the portfolio architect review the portfolio investments of the Investment Advisers on a regular basis, as discussed in Item 13.A above. There are no specific triggers to launch a portfolio review.

**C. Reports to Investment Advisers Regarding Their Accounts**

AllocateRite ensures the existence and accuracy of client assets through the access of independent custodian relationships and reconciliation of asset amounts held in AllocateRite's performance reporting systems to independent records monthly. Independent custodians will always be used, AllocateRite will ensure the assets exist and are appropriately assigned to the proper accounts.

**ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

**A. Investment Adviser Referrals**

AllocateRite does not accept economic benefits from any person who is not a client in exchange for investment advice or other advisory services given by AllocateRite.

**B. Compensation for Investment Adviser Referrals**

AllocateRite will only pay solicitation fees for Investment Adviser solicitation or referrals when there is a written agreement in place with a placement agent and such placement agent provides documentation to AllocateRite indicating that it provided a copy of AllocateRite's brochure as well as proper fee disclosure to the Investor. The Chief Compliance Officer, or his/her designee, will (i) review and, as appropriate, give prior approval to all solicitation arrangements; (ii) provide appropriate instructions to placement agents and obtain from them (or from Investors) confirmation that they are providing required disclosure to Investors; and (iii) obtain periodic confirmation from placement agents that they are not statutorily disqualified and are in compliance with all applicable state licensing, registration and examination requirements

**ITEM 15 - CUSTODY**

Brokerage and custody services are provided by third parties or the Investment Advisers themselves; neither AllocateRite nor its affiliates have custody of client funds nor does it provide brokerage services. AllocateRite has no ability to control the custody and/or the ownership of the account assets.

## **ITEM 16 - INVESTMENT DISCRETION**

AllocateRite provides investment advisory services to Investment Advisers via an online platform. Investment Adviser clients of AllocateRite provide information regarding the securities positions, assets and cash balances for themselves and for their own clients. AllocateRite uses an algorithmic model to analyze this information and provides recommendations to Investment Advisers. On a monthly basis, AllocateRite delivers portfolio allocations and buy-sell signals to its Investment Adviser clients via electronic secure file transfer protocol, application program interface or other secure arrangements. Upon generation and delivery of such signal, either (i) the Investment Adviser may use the information delivered by the signal in their discretion in advising their own clients or (ii) at the request of the Investment Adviser, AllocateRite will implement the strategy based on the buy-sell signal and issue automated trade execution orders to the Investment Adviser's Clients' designated broker directly. Generally, monthly trade signals are executed for the Investment Adviser's client accounts by rebalancing automatically through the Investment Adviser's execution platform. AllocateRite has no direct contact with the clients of the Investment Advisers and does not provide any services directly for the clients of the Investment Advisers other than trade execution as described in clause (ii) above.

## **ITEM 17 - VOTING CLIENT SECURITIES**

### **A. Authority to Vote Investment Adviser Securities**

It is generally unlikely that AllocateRite will need to perform proxy voting on behalf of Investment Advisers, as AllocateRite does not hold custody of securities. AllocateRite would only vote securities on behalf of an Investment Adviser if such Investment Adviser requested in advance that AllocateRite do so. However, in the event that an Investment Adviser elects in advance to have AllocateRite vote its securities, AllocateRite has adopted the following policies and procedures to govern such voting authority.

When exercising its voting authority over Investment Adviser securities, AllocateRite considers the performance, activities and events related to each investment, evaluate other issues that could have an impact on the value of the security and vote with a view toward maximizing overall value. AllocateRite will review each proposal submitted for a vote on a case-by-case basis to determine whether it is in the best interest of the Investment Advisers. Depending on the Investment Adviser's particular circumstances, AllocateRite may vote one Investment Adviser's securities differently than it votes those of another Investment Adviser, or may vote differently on various proposals, even though the securities or proposals are similar (or identical). In some instances, AllocateRite may determine that it is in the Investment Adviser's best interest for AllocateRite to abstain from voting, and will do so accordingly.

AllocateRite may, at its discretion, (A) disclose the conflict of interest to the AllocateRite's management and defer to such Management Committee's voting recommendation; (B) defer to the voting recommendation of an independent third party provider of proxy voting services; and/or (C) take such other action in good faith (in consultation with AllocateRite's counsel) which would serve the best interest of the Investment Adviser. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the

resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

The Chief Operating Officer will notify the Investment Adviser regarding how AllocateRite has voted any of the Investment Adviser's securities.

**B. No Authority to Vote Investment Adviser Securities**

Because AllocateRite may have the authority to vote client securities, Item 17.B of Form ADV Part 2A (addressing considerations if an adviser does not have authority to vote client securities), has been omitted. However, it is generally unlikely that AllocateRite will need to perform proxy voting on behalf of Investment Advisers, as AllocateRite does not hold custody of securities. AllocateRite would only vote securities on behalf of an Investment Adviser if such Investment Adviser requested in advance that AllocateRite do so.

**ITEM 18 - FINANCIAL INFORMATION**

**A. Balance Sheet**

Not applicable.

**B. Financial Conditions Likely to Impair Contractual Commitments**

AllocateRite is unaware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its clients.

**C. Bankruptcy Petitions**

AllocateRite has not been the subject of a bankruptcy petition at any time during the past ten years.