

Part 2A of Form ADV: Firm Brochure



Newfound Research LLC

380 Washington Street, 2nd Floor Wellesley
Hills, MA 02481

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Websites

www.thinknewfound.com

www.thinknewfoundfunds.com

blog.thinknewfound.com

www.theweirdportfolio.com

www.qubeportfolios.com

Contact

Joseph Stowell

Phone

(617) 531-9773

Email

jstowell-focus1@thinknewfound.com

This Brochure provides information about the qualifications and business practices of Newfound Research LLC. If you have any questions about the contents of this Brochure, please contact us at (617) 531-9773 or jstowell-focus1@thinknewfound.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Newfound Research LLC is a registered investment adviser. Additional information about Newfound Research LLC and its registered representatives is available on the SEC's website at www.adviserinfo.sec.gov. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Item 2- Material Changes

This Form ADV Part 2A brochure has been prepared by Newfound Research LLC (“Newfound”) according to the requirements and rules promulgated by the SEC.

This Brochure, dated March 27, 2020, provides you with a summary of Newfound’s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. We have made some changes since the last annual update of our brochure (dated March 20, 2019), that may be considered material.

On October 29, 2019 the brochure was revised to include the following notable change:

Item 1:

- A change to Newfound’s Principal Office address to 380 Washington Street, 2nd Floor, Wellesley Hills, MA 02481.

As part of our annual review, the brochure was revised to include a number of changes since our last annual update, March 20, 2019. Some of the notable changes include:

Item 1:

- Change the Chief Compliance Officer details to Joseph Stowell, jstowell-focus1@thinknewfound.com

Item 8:

- Update description of new strategy
- Include addition disclosures regarding risks

Item 11

- Added details Newfound’s Code of Ethics policy that requires a 60-day holding period on personal transactions

We will provide an updated version of this brochure as required in the event of changes or new information. We will provide a copy of our current brochure upon request, at any time, without charge. Currently, our brochure may be requested by contacting our Chief Compliance Officer at 617-531-9773 or jstowell-focus1@thinknewfound.com.

Item 3- Table of Contents

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Item 4- Advisory Business

Background

Newfound Research LLC (“Newfound”) is an asset management firm that creates and manages rule-based, quantitative investment strategies.

Newfound serves as the adviser to three mutual funds and sub-adviser and model manager for other investment strategies and indices. Newfound’s clients include open end mutual funds, registered investment advisers, broker-dealers and other asset management firms and financial intermediaries.

All research and development for Newfound’s investment strategies is conducted internally by Newfound’s investment team. This team invests substantial time and resources developing, testing and managing investment strategies.

Newfound’s business involves Newfound advising mutual funds and managing a suite of investment strategies, which are made available through Newfound’s clients to financial advisors (and their clients). Newfound also develops and manages customized investment strategies for third-party investment firms in connection with sub-advisory and similar relationships.

Newfound was founded in August 2008 as a Delaware limited liability company in connection with the licensing of data to a third-party, which became its first client. Newfound’s owners are Corey Hoffstein (through his wholly owned company, Newfound Holdings LLC) and Tom Rosedale (through his wholly owned company, Sand Hill Cove Management LLC), each of whom owns 50% of the company. Mr. Hoffstein is Newfound’s Chief Investment Officer and Chief Technology Officer and Mr. Rosedale is Newfound’s Chief Executive Officer and Chief Compliance Officer.

Investment Strategy Offerings (Direct Offerings)

For each investment strategy created by Newfound, an outcome or desired behavior is identified. For example, Newfound’s Risk Managed U.S. Sectors strategy invests in up to ten U.S. sector ETFs, and has a goal of absolute performance in a bear market and relative performance in a bull market (“protect and participate”). To achieve this goal, Newfound’s momentum models generate absolute exposure recommendations (buy-sell signals) on U.S. sector ETFs, avoiding sectors that Newfound’s models have identified as exhibiting negative momentum, and reallocating to sectors exhibiting positive momentum, or building a defensive cash position.

Newfound’s investment strategy offerings include:

- The Newfound Risk Managed U.S. Sectors strategy,
- The Newfound Risk Managed Global Sectors strategy,
- The Newfound Multi-Asset Income strategy,
- The Newfound U.S. Factor Defensive Equity strategy,
- The Newfound Risk Managed Small-Cap Sectors strategy,
- The Newfound Target Excess Yield suite,

- The Newfound Systematic Value strategy,
- The Newfound QuBe Multi-Asset portfolios, and
- The Newfound Multi-Sector Multi-Style Bond strategy
- The Newfound/ReSolve Robust Equity Momentum strategy

See Item 8 for a description of these investment strategies.

These investment strategies are offered to clients as separately managed accounts (“SMAs”), licensed model portfolios (indices), and, for certain of these investment strategies, as open-end mutual funds.

- Separately Managed Accounts (SMAs)

Newfound offers discretionary investment advisory services to separate account investors. Investors select an investment strategy typically after consultation with his or her primary financial advisor. Newfound does not have custody of client assets. Newfound does not currently have any SMA clients.

- Model Portfolio (Index) Licensing and Model Delivery to a Model Manager Platform

For model portfolio (index) licensing, Newfound provides its investment strategies or indices to registered investment advisers, broker-dealers and via model delivery to model manager platforms (collectively, “third-party platforms” or “third-party SMA platforms”) (the registered investment advisers, broker-dealers and third-party SMA platforms are each referred to herein as a “Sponsor”). Model portfolio (index) licensing and model delivery for model manager platform arrangements involve Newfound developing and managing investment strategies and indices and updating the Sponsors as to changes in the model portfolios (indices). The Sponsors are then responsible to trade their client accounts to adjust the holdings to be in line with Newfound’s recommended portfolio, if they choose to follow Newfound’s recommendations. The Sponsor is responsible for making all investment decisions and handling all suitability determinations, trading, reporting and custody matters.

The model portfolios (indices) and the recommendations implicit in the model portfolios (indices) generally are not tailored to the specific needs or circumstances of the Sponsor’s clients. Newfound does not have an advisory relationship with the end-investor under model (index) licensing arrangements.

Newfound, from time to time, will provide customized versions of its investment strategies to its clients.

- Registered Mutual Funds

Newfound offers three of its investment strategies via registered, open-end mutual funds. Newfound serves as the adviser to the following funds:

Fund Names	Symbols	
Newfound Risk Managed U.S. Sectors	NFDAX; NFDIX	

Newfound Risk Managed Global Sectors	NFGAX; NFGIX	
Newfound Multi-Asset Income	NFMAX; NFMIX	

Newfound manages all registered funds in accordance with the investment objectives, policies and restrictions set forth in each respective prospectus. The mutual funds may differ from parallel separate accounts and model (index) licensing in a number of ways, including: (i) the mutual funds engage in securities lending; (ii) the ETF universe may differ; (iii) fees and expenses differ; and (iv) the Newfound Risk Managed U.S. Sectors fund and the Newfound Risk Managed Global Sectors fund are permitted to invest in 5- and 10-year U.S. Treasury futures contracts when Newfound’s proprietary models indicate that such a position may offer a positive expected return and/or meaningful diversification benefits for the portfolio.

Collaborative Investment Strategy Solutions

Newfound also offers “collaborative” investment strategy solutions via relationships with third-party firms. These solutions are investment strategies or tactical overlays created by Newfound in collaboration with a third-party firm, where the third-party firm takes responsibility for the marketing and distribution of the investment strategy and has ultimate control over the management and operation of the investment strategy. With the “collaborative” investment strategies, Newfound does not have investment or voting authority or discretion.

Newfound provides support to these firms with marketing and will participate in webinars, speaking engagements and other activities relating to these investment strategies, if requested by such parties.

These third-party firms act as “sponsors” of these collaborative investment strategies. These collaborative investment strategies sometimes carry or include the “Newfound” name or the sponsor may otherwise utilize Newfound’s name in connection with its marketing of the investment strategy.

Assets under Management (Advisement)/Wrap Fee Programs

As of December 31, 2019, Newfound was actively managing \$114,825,000 of clients’ assets on a discretionary basis. Additionally, through model (index) licensing and 3rd party TAMPS the Firm provides advice on \$732,028,431 of clients’ assets on a non-discretionary basis.

Newfound does not participate in any wrap fee programs.

Item 5- Fees and Compensation

Direct Strategies

For Newfound’s “direct” investment strategies (i) offered on an SMA basis, (ii) licensed to clients as model portfolios (indices) and (iii) made available on third-party platforms (TAMPS) as SMAs, Newfound’s base fee is 50 basis points (other than for the Target Excess Yield strategy suite, for which the base fee is 30 basis points). Fees, in certain circumstances,

are negotiable.

Unless otherwise requested by a client, fees for Newfound's investment strategies that are licensed to clients as model portfolios (indices) or made available on third-party platforms (TAMPS) as SMAs are generally paid to Newfound in arrears, accrue daily and paid monthly or quarterly. For model (index) licensing and third-party platform arrangements, Newfound has, in certain circumstances, instituted "break points" if assets achieve a certain level, flat fees and discounted fee rates in special circumstances. Fees from these arrangements are typically paid quarterly to Newfound by its client and typically based on reports provided by the client to Newfound.

Fees for SMAs managed by Newfound are invoiced, billed and paid quarterly, in advance, based on the value of the account as of the first day of the calendar quarter, and are deducted from client accounts. SMA clients may request that fees be billed in arrears. Newfound considers these requests and other fee-related requests on a case-by-case basis. These fees accrue daily and are pro-rated if client assets are not invested for the entire calendar quarter. If an investment advisory agreement is terminated prior to the last day of the quarter, then Newfound will refund to the client any unearned fees that were paid in advance. For SMAs managed by Newfound that commence after the first day of a calendar quarter, fees are pro-rated based on the number of days remaining in the quarter. Fees paid or payable to Newfound do not cover fees payable to or in connection with owning exchange-traded products, any execution-related expenses, brokerage commissions, transaction costs or margin interest, if any, securities exchange fees, custodian fees or other fees required by law or charged by the broker-dealer with custody of the separate accounts.

For Newfound's QuBe Multi-Asset model portfolios (indices), Newfound does not charge an overlay fee. However, certain Newfound advised mutual funds are included in these portfolios, in which case Newfound will receive a fee for those assets invested in the Newfound advised mutual funds, in accordance with the prospectus for the fund.

For mutual funds advised by Newfound, fees are deducted and paid monthly in arrears and amounts will vary, depending on the mutual fund (fees, expenses and minimum investment amounts for a specific open-end mutual fund can be found in the respective mutual fund's prospectus). The advisory fee paid to Newfound is:

1. 0.79% for the Newfound Risk Managed U.S. Sectors fund
2. 0.79 % for the Newfound Risk Managed Global Sectors fund
3. 0.69% for the Newfound Multi-Asset Income fund

SP Investment Associates Managed LLC, a limited liability company formed in Delaware with its primary offices based in Massachusetts ("SP"), may be deemed to control the Risk Managed Global Sectors Fund. Newfound has an agreement with SP whereby SP agreed to invest at least \$25,000,000 in the Newfound Risk Managed Global Sectors Fund. SP agreed that its shares of the Newfound Risk Managed Global Sectors Fund would not be redeemed prior to June 30, 2017 unless certain conditions were met (which did not occur). As such, SP, which currently owns greater than 50% of the shares of the Newfound Risk Managed Global Sectors Fund, may redeem some or all of its shares in the Newfound Risk Managed Global Sectors Fund at any time. SP agreed to provide consulting services to Newfound and

assistance in gaining platform access with certain firms for Newfound's advised mutual funds and other investment products. In consideration for the mutual covenants of the parties, Newfound agreed to pay SP 10 basis points per year (in monthly installments) based on the amount of the assets invested in the Newfound Risk Managed Global Sectors Fund. Such payments are made by Newfound out of Newfound's legitimate profits.

Collaborative Strategies

For “collaborative” investment strategies that are offered by Newfound’s partners, fees paid by investors are often established by Newfound’s partners. Fees paid to Newfound by its partners in connection with these “collaborative” investment strategies include:

- Fixed basis points; and
- Fixed percentages of fees paid by the investors.

Factors that are considered in determining Newfound’s fees for “collaborative” investment strategies include:

- The type of investment strategy delivered to the partner;
- The type and amount of the Newfound’s intellectual property used in the investment strategy;
- The scope of exclusivity, if any;
- The scope of the license relating to the amount and type of data and how it can be used by the partner;
- The type of investment product (such as a mutual fund or a separately managed account), and the amount of fees payable by an investor in the investment products;
- The proportion of the overall investment strategy that Newfound’s contribution represents (where there are inputs into the investment strategy other than those provided by Newfound);
- The extent to which Newfound and its employees will be involved in the marketing and support of the investment strategy; and
- Whether a partner has an existing asset base for the investment strategy.

No supervised person is paid compensation for the sale of securities or other investment products relating to Newfound’s “collaborative” investment strategies.

Item 6- Performance-Based Fees and Side-By-Side Management

Performance-Based Fees:

Newfound does not collect performance-based fees.

Side-by-Side Management:

Newfound simultaneously manages the portfolios of registered mutual funds and separate accounts, and provides to certain clients model portfolios (indices) for its investment strategies, according to the same or similar investment strategy (i.e., side-by-side management). The simultaneous management of these different investment products creates certain conflicts of interest, as the fees for the management of certain types of products are higher than others. Nevertheless, when managing the assets of such accounts, Newfound seeks to treat all such accounts fairly and equitably over time. Although Newfound seeks to treat all portfolios within an investment strategy fairly and equitably over time, such portfolios will not necessarily be managed the same at all times. For example, the advised mutual funds may differ from parallel separate accounts and model (index) licensing in a number of ways, including: (i) the mutual funds engage in securities lending, which could enhance returns; (ii) the ETF universe may differ; (iii) fees and expenses differ; (iv) the rebalancing methodology may differ; and (v) the principal investment strategies of the Newfound Risk Managed U.S. Sectors fund and the Newfound Risk Managed Global Sectors fund were modified to permit these funds to invest in 5- and 10-year U.S. Treasury futures contracts when Newfound's proprietary models indicate that such a position may offer a positive expected return and/or meaningful diversification benefits for the portfolio. Newfound will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios, and a client's performance will not necessarily be reflective of the performance of a separate account managed using a similar strategy, due to a variety of factors including differences in cash flows and the timing of trading. As a result, although Newfound manages multiple portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from portfolio to portfolio.

Newfound endeavors to communicate model portfolio (index) changes as promptly as possible to investment advisory firms licensing model portfolios (indices) and third-party SMA platforms.

In the case where Newfound provides a model portfolio to an investment advisory firm or a third-party SMA platform, Newfound may have already commenced trading before the investment advisory firm or third-party SMA platform has received or had the opportunity to evaluate or act on Newfound's recommendations. In this circumstance, trades ultimately placed by the investment advisory firm or third-party SMA platform for its clients may be subject to price movements, particularly with large orders or where the securities are thinly traded, that may result in the investment advisory firm or third-party SMA platform's clients receiving prices that are more or less favorable than the prices obtained by Newfound for its

client accounts. On the other hand, the investment advisory firm or third-party SMA platform may initiate trading based on Newfound's recommendations before or at the same time Newfound is also trading for its own client accounts. Particularly with large orders or where the securities are thinly traded, this could result in Newfound's clients receiving prices that are less favorable than prices that might otherwise have been obtained absent the investment advisory firm or third-party SMA platform's trading activity. Newfound takes reasonable steps to minimize the market impact of the recommendations provided to the investment advisory firm or third-party SMA platform on accounts for which Newfound exercises investment discretion. However, because Newfound does not control the investment advisory firm or the third-party SMA platform's execution of transactions for the third-party SMA platform's client accounts, Newfound cannot control the market impact of such transactions to the same extent that it would for its discretionary client accounts.

Item 7- Types of Clients

Newfound's clients include open end mutual funds, registered investment advisers, broker-dealers and other asset management firms and financial intermediaries. Newfound also manages assets for its own account.

Additionally, Newfound has historically collaborated with third-party firms which serve as investment strategy sponsors, typically mutual fund advisors or sub-advisors, registered investment advisers and asset management firms, to research, develop, design, build and manage customized multi-asset portfolios based on Newfound's intellectual property, including Newfound's momentum models.

For SMAs, Newfound generally requires a minimum account size of \$100,000. Account minimums may be waived at Newfound's discretion. Minimums per account in the case of model licensing arrangements and third-party platform SMAs are generally determined by the third-party firm (i.e., Newfound's client), although Newfound typically recommends account sizes of at least \$50,000.

For the mutual funds, minimums per share class are disclosed and described in the mutual fund prospectus.

Item 8- Methods of Analysis, Investment Strategies and Risk of Loss

All Newfound investment strategies are rule-based, quantitative and powered by data and signals from Newfound's momentum models or other intellectual property developed by Newfound. The rules mostly differ for each investment strategy established by Newfound, and address the objective of the investment strategy, type and universe of securities to buy or sell, the frequency and timing of rebalancing, the percentage or amount of a security to hold, the specific securities to buy or sell, and other such considerations. Newfound's technology is utilized in investment strategy construction, and to provide data for allocation recommendations for Newfound's clients.

The direct investment strategies offered by Newfound include:

Newfound Risk Managed U.S. Sectors

Newfound Risk Managed U.S. Sectors aims to provide access to domestic equities through a systematic investment process that prioritizes risk management. The investment strategy invests in U.S. sector ETFs. Each of these ETFs invests in U.S. equities of companies operating in a specific sector. The investment strategy has the ability to add a position in cash equivalents to protect capital in declining market environments. This strategy is also offered as a mutual fund (NFDAX; NFDIX). The mutual fund is permitted to invest in 5- and 10-year U.S. Treasury futures contracts when Newfound's proprietary models indicate that such a position may offer a positive expected return and/or meaningful diversification benefits for the portfolio.

Newfound Risk Managed Global Sectors

Newfound Risk Managed Global Sectors aims to provide access to global equities through a systematic investment process that prioritizes risk management. The investment strategy invests in global sector ETFs. Each of these ETFs invests in global equities (U.S., Foreign Developed and Emerging Markets) of companies operating in a specific sector. The investment strategy has the ability to add a position in cash equivalents to protect capital in declining market environments. This strategy is also offered as a mutual fund (NFGAX; NFGIX). The mutual fund is permitted to invest in 5- and 10-year U.S. Treasury futures contracts when Newfound's proprietary models indicate that such a position may offer a positive expected return and/or meaningful diversification benefits for the portfolio.

Newfound Multi-Asset Income

Newfound Multi-Asset Income aims to provide access to traditional and alternative income generating asset classes and strategies through a systematic investment process that prioritizes risk management. The investment strategy operates under the guiding philosophy that long-term income generation depends on both yield and capital protection. The investment strategy invests in global, high-income asset classes through ETFs including both equity (MLPs, REITs, preferreds, dividend equities) and fixed income (bank loans, high yield, emerging markets bonds) exposures. This strategy is also offered as a mutual fund (NFMAX; NFMIX).

Newfound U.S. Factor Defensive Equity

The Newfound U.S. Factor Defensive Equity strategy provides access to factor-based U.S. equity exposure through a systematic investment process that prioritizes risk management. The strategy applies a disciplined, rule-based process to diversify across five unique equity factors (low-volatility, momentum, small-cap, value, and quality) and one bond factor (term). When Newfound's models indicate an increased risk of capital loss, the portfolio can build up to a 100% allocation to short-term Treasuries.

Newfound Risk Managed Small-Cap Sectors

Newfound Risk Managed Small-Cap Sectors aims to provide access to U.S. small-cap equities through a systematic process that prioritizes risk management. The investment strategy invests in small-cap sector ETFs. Each of these ETFs invests in U.S. small-cap equities of

companies operating in a specific sector. The investment strategy has the ability to add a position in cash equivalents to protect capital in declining market environments.

Newfound 1% Target Excess Yield

Newfound 1% Target Excess Yield aims to provide a yield that is 1% in excess of that offered by short-term, (1-3 year) U.S. Treasuries with the lowest volatility possible. The portfolio has the ability to lower its yield target if achieving the originally targeted yield would require taking excessive risks. The investment strategy has the ability to invest in global fixed income ETFs including U.S. Treasuries, mortgage backed securities (MBS), investment grade corporates, high yield corporates, EM bonds and international treasuries.

Newfound 2% Target Excess Yield

Newfound 2% Target Excess Yield aims to provide a yield that is 2% in excess of that offered by short-term, (1-3 year) U.S. Treasuries with the lowest volatility possible. The portfolio has the ability to lower its yield target if achieving the originally targeted yield would require taking excessive risks. The investment strategy has the ability to invest in global fixed income ETFs including U.S. Treasuries, mortgage backed securities (MBS), investment grade corporates, high yield corporates, EM bonds and international treasuries.

Newfound 3% Target Excess Yield

Newfound 3% Target Excess Yield aims to provide a yield that is 3% in excess of that offered by short-term, (1-3 year) U.S. Treasuries with the lowest volatility possible. The portfolio has the ability to lower its yield target if achieving the originally targeted yield would require taking excessive risks. The investment strategy has the ability to invest in global fixed income ETFs including U.S. Treasuries, mortgage backed securities (MBS), investment grade corporates, high yield corporates, EM bonds and international treasuries.

Newfound 4% Target Excess Yield

Newfound 4% Target Excess Yield aims to provide a yield that is 4% in excess of that offered by short-term, (1-3 year) U.S. Treasuries with the lowest volatility possible. The portfolio has the ability to lower its yield target if achieving the originally targeted yield would require taking excessive risks. The investment strategy has the ability to invest in global fixed income ETFs including U.S. Treasuries, mortgage backed securities (MBS), investment grade corporates, high yield corporates, EM bonds and international treasuries.

Newfound Systematic Value

The Newfound Systematic Value strategy seeks to provide access to the value style of investing through a systematic, rules-based framework. This investment strategy invests in individual stocks and typically holds between 50 and 150 securities.

QuBe Multi-Asset Portfolios

Newfound's QuBe Multi-Asset portfolios are designed to help investors achieve long-term investment goals through a research-driven, quantitatively managed process. The design of the investment strategy suite incorporates capital market assumptions from leading institutions into a simulation-based optimization process to generate a strategic portfolio. The design of the portfolio leverages insights from modern portfolio theory and behavioral finance. The portfolio optimization process incorporates investor preferences for exposure to traditional asset classes. The QuBe Multi-Asset portfolio suite embraces a multi-manager approach, utilizing ETFs and mutual funds from a variety of providers in an effort to identify optimal exposures at the lowest costs. The suite is offered in conservative through aggressive risk profiles, as well as an income-focused model. This strategy suite is provided by Newfound with a zero manager overlay fee; however, where a Newfound advised mutual fund is included in a portfolio, Newfound will receive an adviser fee as set forth in accordance with the applicable prospectus.

Newfound Multi-Sector Multi-Style Bond

The Newfound Multi-Sector Multi-Style Bond strategy aims to outperform the Bloomberg Barclays US Aggregate Bond Index on a risk-adjusted basis through the systematic application of quantitative investing styles such as value, momentum, carry, defensive, and trend. The strategy has the ability to invest in global fixed income ETFs including U.S. Treasuries, mortgage backed securities (MBS), investment grade corporates, high yield corporates, EM bonds, and international treasuries. The strategy may be customized on a per-client basis to emphasize certain quantitative styles over others.

Newfound/ReSolve Robust Equity Momentum

The Newfound/ReSolve Robust Equity Momentum strategy uses a quantitative, rules-based methodology to provide exposure to broad U.S., international, and emerging equity indices to the extent that equity indices are exhibiting positive momentum relative to U.S. Treasury indices. That portion of the portfolio which is not invested in equity indices is invested in indices linked to U.S. Treasury securities. Exposures to underlying indices are expressed through U.S. listed Exchange Traded Funds.

Method of Analysis/Investment Strategies

Quantitative IntegrityTM

Newfound believes that a dynamic, quantitatively-driven process facilitates long-term consistency and success in both investment performance and risk-management. The foundation of Newfound's process is its philosophy of "*quantitative integrity*"TM, Newfound's belief that success is achieved through a balance of quantitative analytics and qualitative insight. Newfound's goal is to deliver investment strategies and tools to its clients to enable investors to meet their unique needs and risk preferences.

Quantitative Models

Most of Newfound's investment strategies rely on Newfound's quantitative models, some of which include utilizing momentum and other factors to generate views on securities and apply them in a rule-based, disciplined and systematic process. Systematic research is a critical part of Newfound's business and Newfound's investment strategy design. Newfound designs, develops and manages quantitative technologies and analytics, and then utilizes data from these technologies to power its rule-based investment strategies.

Risks:

Any investment in securities involves a risk of loss. Anyone choosing to adopt or track Newfound's recommendations, model portfolios (indices) or investment strategies should be prepared to bear any loss that might occur. More specific risks associated with Newfound's model portfolios (indices), investment strategies and technology are outlined below.

Model Risk: All quantitative analysis carries a risk that the mathematical model used might be based on one or more incorrect assumptions. For example, Newfound's momentum model is based on the premise that price and volatility are significant factors in determining if momentum exists or is being exhibited. Rapidly changing and unforeseen market dynamics could also lead to a decrease in short term effectiveness of Newfound's models. No assurance can be given that the investments will be successful under all or any market conditions.

Data Risk: Newfound's system relies on the cleanliness and accuracy of the underlying data (such as stock or ETF prices) that are utilized in Newfound's momentum models to generate exposure recommendation signals. If this data is inaccurate, then the data output will be similarly tainted.

Cybersecurity/Hacking Risk: Despite the precautions and security measures Newfound employs, there is a risk that unauthorized outside interference with Newfound's technology, programming or distribution method could impair its functioning.

Quantitative Risk: Unforeseen market dynamics could lead to a decrease in the effectiveness of Newfound's momentum models.

Macroeconomic Risk: Unusual events, such as those resulting from shifts in geo-political, systematic, economic, or social conditions may result in abrupt changes to a security's price, which could upset the model's ability to make accurate exposure recommendations.

Operational Risk: Newfound has developed systems and procedures to control and manage operational risk, including with respect to cybersecurity matters. Operational risks may cause Newfound to suffer financial loss; the disruption of its business; liability to clients or third parties; regulatory intervention; or reputational damage. Newfound relies heavily on its intellectual property, including its momentum models. In addition, several of Newfound's investment strategies with its "partner" firms rely on inputs from the "partner" firm, and any failure of such other managers to deliver their contributions towards the investment strategies could affect the performance of the investment strategy.

Trading Decisions Based on Quantitative and Other Analysis: Newfound's investment recommendations are based on quantitative signals, other analyses and the established rules for the particular investment strategy. Any factor that would lessen the prospect of major trends occurring in the future may reduce the prospect that a particular trading method or strategy will be profitable in the future. No assurance can be given that Newfound's investment strategies will be successful under all or any market conditions.

Investment Strategy Risk: Newfound's investment strategies are unlikely to be successful unless the assumptions underlying the models used to implement investment strategies, and the established rules of Newfound's investment strategies are and remain realistic and relevant in the future. If such assumptions are inaccurate, or become inaccurate and are not promptly adjusted, it is unlikely that reliable signals will be generated. If, and to the extent, that the models and investment strategies do not reflect correct assumptions, Newfound will continue to test, evaluate and create new models.

Crowding/Convergence: There is significant competition among quantitatively focused managers, and Newfound's ability to deliver returns that behave and perform as expected is dependent on its ability to employ models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that Newfound is not able to develop sufficiently differentiated models, the investors' investment objectives may not be met, irrespective of whether the investment strategies are successful in an absolute sense.

Risk of Programming and Modeling Errors: Although Newfound seeks to hire skilled individuals in its investment strategies group, and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product, raises the chances that the finished model may contain an error; one or more of which errors could adversely affect the performance of an investment strategy.

Custom Strategies/Backtesting Risks: Newfound provides custom investment strategies to its "partners" with "collaborative" investment strategies, which are by definition new, and therefore initially lack a live track record. Newfound also creates new "direct" investment strategies, which also initially lack a live track record. Backtested strategies are subject to several risks which are described in Newfound's 2012 whitepaper, *"Backtesting with Integrity"*, which is available from Newfound upon request.

Investment Management Risk: Newfound's reliance on its strategy and judgments about the attractiveness, value and potential appreciation of particular securities and the tactical allocation among Newfound's investment strategies may prove to be incorrect and may not produce the desired results.

Market Risk: Overall equity and fixed income securities market risks affect the value of the investment strategies. Factors such as domestic economic growth and market conditions, interest rate levels, pandemic and political events affect the securities markets.

Currency Risk: The Newfound Risk Managed Global Sectors strategy, the Newfound Multi-Asset Income strategy and the Newfound QuBe Multi-Asset portfolios may invest in securities that trade in, and receive revenues in, foreign currencies, and therefore are subject

to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. As a result, the investments in foreign currency denominated securities may reduce the investment strategy's returns.

ETF and Mutual Funds Risk: ETFs and mutual funds are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of the Newfound investment strategies will be higher than the cost of investing directly in ETFs or mutual funds, as there are two levels of fees (both at the Newfound investment strategy level or the fund level and at the ETF level when the investment strategy or the fund invests in ETFs). ETFs and mutual funds are subject to specific risks, depending on the nature of the fund.

ETF Risk: ETFs are professionally managed pooled vehicles that invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. ETF managers trade fund investments in accordance with fund investment objectives. ETF risk can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or speculative companies, use leverage (i.e., borrow money) to a significant degree, or concentrate in a particular type of security (i.e., equities), rather than balancing the fund with different types of securities. ETFs can be bought and sold throughout the day like stocks, and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset values. This lag usually resolves itself in a short period of time (usually less than one day), however, there is no guarantee this relationship will always occur. Furthermore, ETFs are subject to investment advisory and other expenses, which will be indirectly paid by the investors. As a result, the cost of investing in the Newfound investment strategies may be higher than the cost of investing directly in ETFs and also may be higher than other investment strategies that invest directly in securities. ETFs are subject to specific risks, depending on the nature of the ETF.

ETN Risk: The Newfound Multi-Asset Income strategy may invest in exchange-traded notes (ETNs). Similar to ETFs, owning an ETN generally reflects the risks of owning the assets that comprise the underlying market benchmark or strategy that the ETN is designed to reflect. ETNs also are subject to issuer and fixed-income risk.

Fixed Income Risk: The Newfound Multi-Asset Income strategy, the Newfound Target Excess Yield strategies, the Newfound Risk Managed U.S. Sectors strategy, the Newfound Risk Managed Global Sectors strategy and the Newfound QuBe Multi-Asset portfolios may invest in, and/or have exposure to the risks of, fixed income securities, directly or through ETFs. The credit quality rating of securities may be lowered if an issuer's financial condition deteriorates and issuers may default on their interest and or principal payments. Typically, a rise in interest rates causes a decline in the value of fixed income securities. Recently, interest rates have been historically low. Current conditions may result in a rise in interest rates, which in turn may result in a decline in the value of the bond investments held by certain of the investment strategies. As a result, for the present, interest rate risk may be heightened.

Foreign Investment Risk: The Newfound Risk Managed Global Sectors strategy, the Newfound Multi-Asset Income strategy, the Newfound Multi-Sector Multi-Style Bond

strategy and the Newfound QuBe Multi-Asset portfolios may invest in securities with exposure to foreign investments. Foreign investing involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards.

Junk Bond Risk: The Newfound Multi-Asset Income strategy, the Newfound Target Excess Yield strategies, the Newfound QuBe Multi-Asset portfolios may invest in high yield securities (junk bonds), which may be subject to greater levels of interest rate, liquidity and credit risks than funds that do not invest in such securities.

Emerging Market Risk: The Newfound Multi-Asset Income strategy, the Newfound Target Excess Yield strategies, the Newfound QuBe Multi-Asset portfolios and the Newfound Risk Managed Global Sectors strategy may invest in securities with exposure to emerging market countries. Emerging market countries may have relatively unstable governments, weaker economies, and less developed legal systems with fewer security holder rights. Emerging market economies may be based on only a few industries and security issuers may be more susceptible to economic weakness and more likely to default. Emerging market securities also tend to be less liquid.

Small and Medium Capitalization Stock Risk: The Newfound Risk Managed Small-Cap Sectors strategy and the Newfound QuBe Multi-Asset portfolios may invest in smaller or medium capitalization stocks or ETFs that hold securities in smaller or medium capitalization companies. The price of small or medium capitalization company stocks may be subject to more abrupt or erratic market movements than larger, more established companies or the market averages in general.

Turnover Risk: Tactical investment strategies tend to have higher portfolio turnover than strategic or passive investment strategies. A higher portfolio turnover will result in higher transactional and brokerage costs, and may result in higher taxes when an investor's investments are held in a taxable account.

Liquidity Risk: Certain asset classes may become difficult to purchase or sell during times of market stress. This may prevent an investment strategy from selling a security at an advantageous time or price, possibly preventing the strategy from achieving its objectives.

Derivatives Risk: The Newfound Risk Managed Global Sectors fund and the Newfound Risk Managed U.S. Sectors fund may invest in options and other derivatives instruments. Loss may result from the Funds' investments in options and other derivative instruments. These instruments may be illiquid, difficult to value and leveraged so that small changes may produce disproportionate losses to the Funds. Derivatives are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can result from a lack of correlation between the value of those derivatives and the value of the portfolio assets (if any) being hedged. In addition, there is a risk that the performance of the derivatives or other instruments used by Newfound to replicate the performance of a particular asset class may not accurately track the performance of that asset class. Derivatives are also subject to risks arising from margin

requirements. There is also risk of loss if Newfound is incorrect in its expectation of the timing or level of fluctuations in securities prices, interest rates or currency prices.

Futures Risk: The Newfound Risk Managed Global Sectors fund and the Newfound Risk Managed U.S. Sectors fund may invest in futures contracts. Futures contract positions may not provide an effective hedge because changes in futures contract prices may not track those of the securities they are intended to hedge. Futures create leverage, which can magnify the Funds' share price and which can have significant impact on the Funds' performance. Futures are also subject to credit risk (the counterparty may default) and liquidity risk (the Funds may not be able to sell the security or otherwise exit the contract in a timely manner).

Item 9- Disciplinary Information

There are no legal or disciplinary events that are material to Newfound's clients', or prospective clients', evaluation of Newfound's advisory business or the integrity of its management.

As an investment adviser registered with the Securities and Exchange Commission, Newfound from time to time receives requests for information from various regulatory agencies, self-regulatory organizations and securities exchanges. We have voluntarily assisted and responded to such agencies, organizations and exchanges with those requests. Investment advisers registered with the SEC are required to disclose certain regulatory, disciplinary and legal matters pursuant to Part 1A, Item 11 of Form ADV. Further, investment advisers are required to disclose in their brochures all material facts regarding any legal or disciplinary events that are material to a client's or prospective client's evaluation of their advisory business or the integrity of their management. Investment advisers are obligated to update responses promptly for changes.

We answered each question in Part 1A, Item 11 of Form ADV with "No" and state in this Brochure that there are no legal or disciplinary events that are material to Newfound's client's or prospective client's evaluation of our advisory business or the integrity of our management.

Item 10- Other Financial Industry Activities and Affiliations

Tom Rosedale, a principal owner through his wholly owned company, Sand Hill Cove Management LLC, and executive officer of Newfound, is a licensed attorney and a member of the Massachusetts bar and a licensed real estate broker. Mr. Rosedale provides legal services to Newfound as an active member of Newfound's management team, and through BRL Law Group LLC, a corporate law firm located in Wellesley Hills, MA, which is wholly owned by Mr. Rosedale. Newfound currently licenses office space from BRL Law Group LLC in Wellesley Hills, MA, and the two companies share two employees (one of whom is Mr. Rosedale).

One employee of Newfound is a registered representative with Northern Lights Distributors, LLC, a registered broker-dealer, in connection with Newfound's advised mutual funds. As a registered representative, the employee is authorized to sell Newfound's advised open-end mutual funds and may receive compensation in connection with such activity. Newfound is not affiliated with Northern Lights Distributors, LLC.

Newfound does not believe these relationships present any material conflict of interests to its clients.

Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Newfound has adopted a code of ethics pursuant to SEC rule 204A-1. A copy of the code will be provided to clients or prospective clients upon request.

Newfound's Code of Ethics, among other things, requires that supervised persons:

- Adhere to the highest standards of fiduciary duties in all matters relating to Newfound's clients;
- Always place client interests above their own;
- Perform their duties in accordance with all applicable legal and ethical standards;
- Fully disclose any conflict of interest material to clients;
- Refrain from the use of material non-public information in making or formulating recommendations;
- Provide written acknowledgement of receipt of the code and any amendments;
- Report personal securities holdings and transactions periodically to the Chief Compliance Officer; and
- Subject to certain exceptions, obtain prior approval before supervised persons directly or indirectly acquire beneficial ownership in any security including but not limited to in an initial public offering, in a limited or private offering, or in any open end mutual fund or exchange traded fund; and a minimum holding period of 60 days

Supervised persons are required to report any violations of the Code of Ethics to Newfound's Chief Compliance Officer.

Newfound and members of Newfound's management team have invested in certain of Newfound's investment strategies and advised mutual funds. Employees may buy or sell the same securities that are recommended by Newfound or securities in which clients are invested.

At times, Newfound's momentum models and rules-based investment strategies may recommend to clients the purchase or sale of securities that are owned by Newfound or its personnel.

Newfound employs compliance procedures, including the pre-clearing of personal transactions by supervised persons, to mitigate the risk of conflicts of interest that may exist as a result of Newfound or Newfound's supervised persons owning or transacting in securities held or invested in by Newfound's investment strategies and/or advised mutual funds.

Item 12- Brokerage Practices

Brokerage for Client Referrals

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

Soft Dollars

Newfound does not utilize or receive soft dollars or pay excess commissions for research or other services provided by a broker-dealer. “Soft dollars” refers to the receipt by an investment adviser of products and services that brokers provide, without making any separate cash payments for such products or services, based on the volume of commission revenues generated from securities transactions placed with those brokers, on behalf of the advisor’s clients. The products and services available from brokers include both internally generated items (such as research reports prepared by the broker’s employees), and items acquired by the broker from third parties (such as quotation equipment).

Selecting Broker-Dealers

Clients may instruct Newfound to use one or more specific brokers for the transactions in their accounts. If clients direct Newfound to use a particular broker, they should understand that this might prevent Newfound from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on their behalf. This practice may also prevent Newfound from obtaining favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses, execution, clearance and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that we would otherwise obtain for them.

Best Execution

In placing orders to buy and sell securities, Newfound considers a number of factors, not solely the ability to receive the best price, in selecting appropriate broker-dealers. Newfound considers, among other factors, financial condition, reputation, level of trading expertise and capability, infrastructure, alternative trading options resulting from technology developments and market changes, and commission rates charged. In seeking best execution, Newfound is responsible for developing, evaluating and changing, when necessary, order execution practices. Newfound may employ one or more third parties to assist Newfound in seeking and evaluating best execution.

Trade Aggregation/Allocation and Trade Rotation

Newfound may combine multiple orders for shares of the same securities purchased for client accounts in which Newfound has discretion. Newfound will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Newfound may employ one or more third parties to assist with trade aggregation and allocation practices. Trade aggregation is performed to ensure, to the extent possible, that clients receive optimal execution and consistent results across Newfound’s client base. The distribution of the shares purchased is typically proportionate to the size of the account, and is not based on account performance or the amount or structure of management fees. Subject to Newfound’s discretion regarding factual and market conditions, when orders are combined, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by Newfound or persons associated with Newfound may participate

in aggregated orders; however, they will not be given preferential treatment. Newfound has adopted trade rotation, trade aggregation and allocation policies and procedures designed to ensure accounts are treated fairly.

In cases where Newfound's investment strategies are made available as model portfolios (indices) and on third-party TAMP platforms, a trade rotation is established that includes all affected clients in addition to accounts directly managed by Newfound. The trade rotation is generated by an automated process that assigns a randomly generated order to each client expecting model delivery. The trade rotation and the dissemination of model portfolios (indices) are typically effectuated on non-trading days (Saturdays and Sundays) to treat all recipients fairly.

Trade Errors

Newfound has adopted trade error policies and procedures. Trade errors will be resolved in accordance with the standards set forth in Newfound's policies and procedures.

Principal Trading

Newfound's policy and practice is not to engage in any principal transactions, including with respect to affiliates of any principal.

Item 13- Review of Accounts

Client accounts and mutual funds advised by Newfound are reviewed on an ongoing basis by members of Newfound's investment committee and investment team. Matters reviewed include securities held, adherence to investment restrictions and performance. In addition, Newfound's compliance group will periodically review client accounts for adherence to investment strategies, and whether or not Newfound is honoring investment restrictions. For mutual funds advised by Newfound, Newfound, along with third-party service providers that provide compliance, administration, and accounting support, actively monitors the mutual funds for compliance restrictions. The mutual fund's administrator will perform back-end or "post-trade" compliance monitoring. Newfound performs front-end or "pre-trade" compliance monitoring on an ongoing basis.

Client Reporting

All investors who access Newfound's investment strategies through a third-party intermediary client of Newfound's (whether via model portfolios (indices) or the third-party SMA platforms) should receive from the qualified custodian a monthly or quarterly report containing schedules of investments and transactions during the period. Newfound does not have access to the end-investor's account information and is not involved in the trading of such accounts. Newfound's SMA clients receive an invoice each quarter with respect to advisory fees paid to Newfound, in addition to account statements from the client's chosen custodian.

Suitability

For clients that are referred to Newfound for SMAs through a financial intermediary (such as an RIA firm or a broker-dealer), the referring advisor is responsible for the initial determination of client suitability for the selected separately managed account program and is responsible for the ongoing review of the client objectives. The financial intermediary is

responsible for communicating any changes in financial condition of a client to Newfound. While Newfound retains a fiduciary duty over the client accounts it manages, Newfound relies on information provided by the financial intermediaries.

In the case of model portfolio licensing and third-party platform SMAs, Newfound is not involved in determining suitability for investors.

Newfound reviews daily, weekly and monthly data and recommendations to determine if its momentum models are performing in a manner consistent with its expectations. In addition, at the request of a client, Newfound will review any client performance data provided by the client. These reviews are conducted by members of Newfound's investment team. If significant deviations from benchmark results are identified, or if signals or other output from Newfound's momentum models appear to be inconsistent with expectations, Newfound will perform additional testing to determine if its technology is performing properly and will increase the frequency and thoroughness of its review.

Item 14- Client Referrals and Other Compensation

Newfound does not currently engage third-party solicitors to bring clients to Newfound.

Item 15- Custody

Newfound does not act as a custodian for client assets. For separate account clients, Newfound directly debits client accounts for the payment of advisory fees but does not take physical custody of any client funds and/or securities. Funds and securities will be held with a bank, broker-dealer or other independent, qualified custodian. SMA clients receive account statements monthly or quarterly (depending on the custodian) from the independent, qualified custodian holding their funds and securities. The account statements from the custodian will indicate the amount of advisory fees deducted from the account each billing period. Clients should carefully review these account statements for accuracy. In the case of the open-end mutual funds advised by Newfound, arrangements have been made with qualified custodians as disclosed in the relevant offering documents.

Item 16- Investment Discretion

Newfound provides investment advisory services on a discretionary basis to its clients. For its discretionary clients through SMA arrangements, Newfound enters into an investment advisory agreement, or other agreement that sets forth the scope of Newfound's discretion. Newfound has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, and the broker-dealer utilized to execute the transactions. These SMA clients may request reasonable investment limitations and restrictions and Newfound may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions must be presented to Newfound in writing. With respect to certain accounts, such as the open-end mutual funds, Newfound's authority to trade securities may also be limited by certain securities, tax, and other laws that may, for example, require diversification of investments and impose other limitations.

For licensed model portfolios (indices), third-party SMA platform arrangements and Newfound's relationships with its "partner" clients, Newfound does not make any investment decisions or exercise investment discretion. In these situations, Newfound provides data and investment strategy recommendations to its clients. Ultimately, investment decisions are made by these clients (who typically serve as the investment strategy "sponsors").

Item 17- Voting Client Securities

Statement of Policy

Proxy voting is an important right of shareholders and reasonable care must be undertaken to ensure that such rights are properly and timely exercised. When Newfound votes the proxies of its clients, it will vote those proxies that it is required to vote in the best interest of its clients and in accordance with these policies and procedures. Newfound has been delegated the authority to vote proxies for the open-end mutual funds that it advises. Clients may request information from Newfound regarding how Newfound voted proxies and clients may request and receive a copy of Newfound's voting policies and procedures upon request.

Proxy Voting Procedures

Newfound's Chief Compliance Officer oversees the process to ensure all proxies that Newfound is required to vote are being properly voted and appropriate records are being retained. The portfolio manager for the strategy reviews the information and votes according to the guidelines set forth below.

Voting Guidelines

Newfound has adopted proxy voting policies and procedures (the "Proxy Voting Policy") to make every effort to ensure that proxies are voted in the best interest of clients and according to the value of the investment. The Proxy Voting Policy addresses how Newfound will vote proxies with regard to specific matters, such as voting rights, mergers or acquisitions, the election of board members and other issues. The Proxy Voting Policy also directs Newfound to consider certain factors with regard to specific proxy proposals to assist Newfound in voting securities properly. Newfound may also vote a proxy contrary to the Proxy Voting Policies if Newfound determines that a conflict of interest exists or that such action would be in the clients' best interest. Newfound's proxy voting policies and procedures, are available to clients upon a client's request and clients may also request information from Newfound as to how Newfound voted certain proxies.

With respect to mutual funds advised by Newfound, or other investment companies sub-advised by Newfound, that invest in other investment companies (such as ETFs) that are not affiliated with such funds, it is Newfound's policy to vote all proxies received by Newfound in the same proportion that all shares of the underlying funds are voted or in accordance with instructions received from fund shareholders, pursuant to Section 12(d)(1)(F) of the Investment Company Act of 1940 (sometimes referred to as "mirror voting"). Newfound currently works with a proxy voting administration and its software platform in connection with the voting of proxies received by the mutual funds advised by Newfound.

Decisions on voting of proxies will be made by separate account clients (in the case of SMA clients) unless such a party directs Newfound in writing to vote such proxies, in which case

Newfound shall be permitted, but not required, to take action with respect to the voting of the proxies in accordance with its proxy voting policies and procedures.

Item 18- Financial Information

Newfound is not required to provide a balance sheet with this Brochure.