

# **ALPHACREST CAPITAL MANAGEMENT LLC**

120 West 45th Street, Suite 1400, New York, NY 10036

(212) 203-0807

Email: [information@alphacrestcapital.com](mailto:information@alphacrestcapital.com)

Website: <http://www.alphacrestcapital.com>

## **FIRM BROCHURE**

(Part 2A of Form ADV)

March 25, 2020

**This Firm Brochure provides information about the qualifications and business practices of AlphaCrest Capital Management LLC (“AlphaCrest”). If you have any questions about the contents of this brochure, please contact us by telephone at (212) 203-0807 or by email at [information@alphacrestcapital.com](mailto:information@alphacrestcapital.com). Our website is <http://www.alphacrestcapital.com/>. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT ALPHACREST OR ANY PRINCIPALS OR EMPLOYEES OF ALPHACREST POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.**

**Item 2: Material Changes**

This brochure, dated March 25, 2020, makes the following material changes to the previously filed brochure dated March 28, 2019:

- The amount of regulatory assets under management set forth in Item 4.E. has been updated.
- The expenses the Funds may bear set forth in Item 5.C have been updated.
- Clarifying amendments made throughout the brochure.

**Item 3: Table of Contents**

**Part 2A: Brochure**

Item 2: Material Changes ..... ii

Item 3: Table of Contents..... iii

Item 4: Advisory Business .....1

Item 5: Fees and Compensation .....2

Item 6: Performance-Based Fees and Side-By-Side Management .....3

Item 7: Types of Clients .....4

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....4

Item 9: Disciplinary Information .....12

Item 10: Other Financial Industry Activities and Affiliations .....12

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ....15

Item 12: Brokerage Practices .....17

Item 13: Review of Accounts.....18

Item 14: Client Referrals and Other Compensation.....19

Item 15: Custody .....19

Item 16: Investment Discretion.....19

Item 17: Voting Client Securities.....20

Item 18: Financial Information .....20

Item 19: Requirements for State-Registered Advisers.....20

## **Item 4: Advisory Business**

### **4.A. Advisory Firm Description**

AlphaCrest is a Delaware limited liability company that was formed on April 9, 2013. AlphaCrest applies quantitative mathematical models, which are implemented as automated computer algorithms, as the basis of its investment approach. Mika Toikka is AlphaCrest's founder and managing principal. The principal owners of AlphaCrest are Mika Toikka and Brummer & Partners AB, a limited liability company incorporated in Sweden ("Brummer & Partners"). Brummer & Partners holds its interest in AlphaCrest through wholly-owned subsidiaries. Certain members of AlphaCrest's investment team, which includes Mika Toikka, have worked together for over 10 years.

AlphaCrest provides investment management services to private pooled investment vehicles that are offered to investors on a private placement basis, including, without limitation, AlphaCrest Systematic Strategies Fund LP (the "Onshore Fund") AlphaCrest Strategies Offshore Fund Ltd (the "Offshore Fund") and AlphaCrest Systematic Strategies Master Fund L.P. (the "Master Fund" and together with the Onshore Fund and the Offshore Fund, collectively, the "Funds"). The investment vehicles AlphaCrest advises or may advise in the future generally are or will be structured as Delaware limited partnerships, Delaware limited liability companies, Cayman Islands exempted limited partnerships and Cayman Islands exempted companies. AlphaCrest is appointed as an investment manager with discretionary trading authorization in connection with the investment management services it provides to the Funds. AlphaCrest may in the future provide investment management services to other types of clients, including separately managed accounts or Funds structured in a different manner.

AlphaCrest Capital SA GP LLC, a Delaware limited liability company (the "General Partner") was formed as a special purpose vehicle to act as the general partner/manager of the Funds formed as limited partnerships or limited liability companies. The principal owners of the General Partner are Mika Toikka and Brummer & Partners (through a wholly-owned subsidiary).

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

AlphaCrest seeks to achieve its clients' investment objectives through the implementation of a systematic trading model or portfolio of systematic trading models, applying quantitative analysis. Such model(s) may trade in a number of global equity, debt, foreign exchange and commodity instruments, and derivatives relating to those instruments, including swaps, indices, forwards, futures and option contracts. The models may have average daily holding periods ranging from two to eight weeks.

AlphaCrest advises the Funds on a discretionary basis. The investment management agreement between AlphaCrest and each Fund sets forth the guidelines and restrictions related to AlphaCrest's services. AlphaCrest may in the future provide both discretionary and nondiscretionary advisory services to other clients, including separately managed accounts.

### **4.C. Client Investment Objectives/Restrictions**

AlphaCrest provides advice to the Funds based on specific investment objectives and strategies. Investors and potential investors in the Funds should refer to the confidential private placement memoranda, limited partnership agreements, limited liability company agreements, memorandum and articles of association, investment management agreements or other governing and/or the Funds' offering documents (the "Governing Documents") for more complete information on the investment objectives and investment restrictions with

respect to a particular Fund.

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

AlphaCrest does not participate in, nor will it be a sponsor of, wrap fee programs.

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

As of December 31, 2019, AlphaCrest manages regulatory assets under management of \$1,673,257,081 on a discretionary basis and no assets on a non-discretionary basis. Unless otherwise provided herein, all dollar amounts referenced herein will be in U.S. dollars.

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

#### **5.A. Advisor Compensation**

With respect to existing Funds, AlphaCrest is entitled to a management fee at an annual rate of 2.0% of the net asset value of each share, or limited partnership interest (as applicable), which is billed and paid each calendar month in arrears (the “Management Fee”). In addition, with respect to existing Funds, the General Partner is entitled to a performance-based profit allocation at the end of each calendar year, equal to 20% of the amount by which the net value of each account as of the end of each calendar year exceeds the net value of the account as of the beginning of the year, subject to a “high water mark” (the “Performance Allocation”). The fees applicable to each Fund are set forth in detail in each Fund’s Governing Documents.

AlphaCrest (or its affiliate) may, in its sole discretion, reduce or eliminate the Management Fee and/or the Performance Allocation with respect to certain investors in its sole discretion. AlphaCrest generally grants waivers of the management fees and performance allocation to principals and employees of AlphaCrest and its affiliates, as well as their related family members and affiliates. The largest investor in the Offshore Fund, the Brummer Multi-Strategy Master Fund (“BMS”), a fund of funds managed by Brummer Multi-Strategy AB, a wholly-owned subsidiary of Brummer & Partners, pays reduced Management Fees and bears a reduced Performance Allocation generally not available to other investors.

AlphaCrest may enter into “side letters” or similar agreements with certain investors in the Funds, granting such investors specific rights, benefits or privileges that are not made available to investors generally.

#### **5.B. Direct Billing of Advisory Fees**

AlphaCrest is authorized under the Governing Documents to charge and deduct fees directly from the Funds’ accounts.

#### **5.C. Other Non-Advisory Fees**

Each Fund is responsible for paying all costs and expenses directly related to its investments (whether or not consummated), including expenses related to initial and ongoing specialized research and due diligence, monitoring-related expenses, brokerage commissions and other transaction costs (including trade errors that are not the result of AlphaCrest’s willful misconduct, recklessness or gross negligence or as otherwise required by applicable law), interest on and any commitment fees or other expenses related to debt balances or borrowings, exchange, clearing and settlement charges, expenses of third-party registered office, “back office” and “middle office” services, investment-related travel fees, appraisal fees, investment banking fees, bank service fees, borrowing charges on short sales, custody fees, fees of consultants relating to investments

and the costs of any appraisers, accountants, legal counsel or other experts engaged by the Funds, the Funds' directors or AlphaCrest, as well as other expenses directly related to the investments. Each Fund bears expenses related to such Fund's ongoing offering of shares and any withholding, transfer or other taxes imposed or assessed on, payable by such Fund (including any interest and penalties). Furthermore, the Funds bear all out-of-pocket costs of the ongoing operation and administration of such Funds, including (a) financial and tax accounting, bookkeeping and reporting services, third party administrative services, audit and legal expenses (including those compliance, regulatory, filing or regulatory inquiry expenses incurred by the General Partner, the Funds' directors or AlphaCrest related to the Funds, such as the expenses of any Section 13, Section 16 and Form PF filings and the preparation and update of the Form ADV), (b) costs of legal counsel and any other litigation or investigation involving the Funds' activities, (c) expenses incurred in maintaining research or other information and performing systems, including information service subscriptions, software tools, programs or other technology utilized in managing the investments (including third-party software licensing and implementation), Bloomberg terminals, compliance and risk management systems, technology and communication systems, systems used for portfolio management, valuations and accounting purposes, including statistics and pricing services, service contracts for quotation equipment and related hardware, software, phone and internet charges and risk and portfolio oversight fees payable to BFS (as defined below), (d) costs associated with reporting and providing information to and meeting with shareholders, (e) costs associated with maintaining "directors and officers" or similar liability insurance for the benefit of the Funds, the Funds' directors, AlphaCrest, the General Partner, or any other indemnified party (as defined in the Governing Documents), (f) out-of-pocket expenses incurred by the Funds' directors in the performance of their respective duties and any compensation for third party directors of the Funds, (g) the costs of winding up and liquidating the Funds, (h) registrar, transfer agency and other expenses associated with registration in the Cayman Islands and (i) any other extraordinary expenses (including any expenses incurred to satisfy indemnification obligations of the Funds). The Onshore Fund and Offshore Fund also bear their pro rata portions of any of the foregoing costs or expenses directly related to the operation and investment program of the Master Fund. The Investment Manager may, in its sole discretion, choose to absorb any such expenses incurred on behalf of a Fund.

The expenses borne by the Funds are set forth in greater detail in the Governing Documents.

#### **5.D. Advance Payment of Fees**

Clients are not required to pay fees in advance.

#### **5.E. No Compensation of Sale of Securities or Other Investment Products**

Neither AlphaCrest nor its supervised persons will receive any compensation with respect to the purchase or sale of securities or other investment products by any of the Funds that is not otherwise disclosed in the Governing Documents for a particular Fund.

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

AlphaCrest or its affiliates will seek to negotiate both a management fee and a performance-based fee for investment advisory services provided to any future clients. Currently, there are no client relationships whereby a conflict could arise as a result of a performance-based fee charged to one client versus an hourly or flat fee or asset-based fee charged to another client. The performance-based fee arrangements discussed above comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), or fall within the exception set forth in Section 205(b)(5) thereof.

Performance-based fee arrangements received may create an incentive for AlphaCrest or its affiliates to

recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. In addition, “net appreciation,” which is the basis upon which AlphaCrest’s performance-based compensation is determined, includes unrealized appreciation, and may result in AlphaCrest receiving greater performance-based compensation than would be the case if net appreciation was based only on realized gains.

In the event investment opportunities are suitable for more than one of the Funds, AlphaCrest will allocate such investment opportunities in accordance with its allocation policy in effect from time to time, which provides that such allocation be fair and equitable to each account over time, taking into account all relevant facts and circumstances. AlphaCrest’s allocation policy is reviewed periodically and subject to change. AlphaCrest will allocate expenses among participating accounts in proportion to their respective net asset values or in such other manner that it determines to be equitable.

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

AlphaCrest provides investment advisory services to pooled investment vehicles, including the Funds. The limited partners and shareholders of such pooled investment vehicles may include corporations, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans. The Funds are offered in the United States to “accredited investors” as defined under Regulation D under the Securities Act, and to “qualified purchasers” as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), and are therefore not required to register as investment companies under the Investment Company Act in reliance upon the exemption under Section 3(c)(7) for funds whose securities are not publicly offered.

AlphaCrest may provide investment management and supervisory services to separate account clients from time to time. Certain of AlphaCrest’s separate account clients may invest in existing or future Funds.

Investors in the Funds will generally be required to make a minimum initial investment of \$1 million or such other amount as may be set forth in the Governing Documents of the particular Fund, although AlphaCrest may accept lower amounts in its (or the General Partner’s) discretion. Certain of the Funds may have a defined term, but investors in an open-ended Fund will generally be subject to a lock-up period of six months after investment, during which period a redemption fee equal to 2.0% of the gross redemption proceeds shall apply. The lock-up and redemption fee may be waived or reduced by AlphaCrest or the General Partner, as applicable, in its discretion.

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

### **8.A. Methods of Analysis and Investment Strategies**

AlphaCrest applies quantitative mathematical models, which are implemented as automated computer algorithms, as the basis of its investment approach. The resulting trading decisions are executed in a wide range of global securities markets. Capital allocation decisions between the models, between the markets within a model, and individual buy and sell decisions within such markets are generally made on a systematic basis using quantitative analysis. The operation of the automated systems is closely monitored by AlphaCrest. However, AlphaCrest may use discretion with respect to trading decisions and capital allocations depending on market conditions. The details of AlphaCrest’s trading strategies are proprietary in nature and may vary over time.

These descriptions of specific strategies that are or may be engaged in by AlphaCrest on behalf of its clients are a summary only. Under the Governing Documents of each Fund (and the investment management agreements

with respect to separate account clients), AlphaCrest has broad discretion to employ investment strategies not described above that AlphaCrest may, from time to time, consider appropriate.

AlphaCrest's investment programs are speculative and entail substantial risks. There can be no assurance that clients' investment objectives will be achieved. Accordingly, AlphaCrest's investment strategies could result in substantial losses to clients under certain circumstances.

## **8.B. Material Risks of Investment Strategies**

*The following is a summary of material risks related to each significant investment strategy or method of analysis used by AlphaCrest. It is important to note, however, that the summary of material risks below is not meant to be exhaustive or complete.*

*Investing in securities involves a high degree risk, including the risk that the entire amount invested may be lost. Clients should be prepared to bear such risk of loss.*

**Risk of Volatility and Leverage.** AlphaCrest uses investment strategies which can employ such investment techniques as option and margin transactions, short sales, and derivative trading, which can involve substantial volatility and the use of leverage. The use of leverage enables positions to be controlled with a nominal value significantly more than the investment in such positions, with the result that the amount that may be lost in the event of adverse price movements will be high in relation to the amount invested.

**Statistical Arbitrage Trading.** Statistical arbitrage is a market neutral relative value trading strategy that involves the utilization of a quantitatively based investment methodology that identifies securities or groups of securities that are currently trading at prices that are relatively attractive or expensive. Statistical arbitrage depends heavily on the ability of market prices to return to a historical or predicted set of relationships. Statistical arbitrage strategies involve the short sale of stocks, which can result in the complete loss of a client's assets, as there is no necessary upper limit to the price of a stock (and thus the cost of later purchasing securities to cover a short sale of such stock). In engaging in arbitrage, AlphaCrest clients are subject to the risk of divergent movement in the positions comprising the arbitrage. Thus, for example, if the so-called "undervalued securities" were to decrease in value and the so-called "overvalued securities" were to increase in value, AlphaCrest clients could suffer a substantial loss. In addition, if the securities were to increase in value, but the overvalued securities increased in value at a rate faster than the undervalued securities, AlphaCrest's clients could also suffer a substantial loss.

**Trading Risks.** "Position limits," which are maximum amounts of gross, net long, or net short positions that any one person or entity may own or control in a particular financial instrument and which may be imposed by various regulators, may limit the ability to effect desired trades. The AlphaCrest investment strategy may include investments in non-U.S. markets using non-U.S. derivatives contracts or other means, and taking positions in non-U.S. currencies, which may involve risks and considerations not present in U.S. investments.

There can be no assurance that a liquid secondary market will exist for any transactions involving privately negotiated OTC derivative instruments, that any investment will not be adversely affected by lack of liquidity in the relevant market, or that due to economic, legal, political or other factors an expected exit strategy for any given position will be available. The failure of one or more computer programs or systems upon which the AlphaCrest investment strategy relies may adversely affect performance. Credit risk may arise through a default by one or more institutions, including clearing agencies, clearing houses, banks, exchanges or market intermediaries.

**Derivatives.** Derivative instruments, or “derivatives,” include options, swaps, futures, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose AlphaCrest clients to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom a Fund contracts for the purpose of making derivative investments (the “Counterparty”). In the event of the Counterparty’s default, the Fund will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive.

**Illiquid Instruments.** Certain instruments, such as derivatives and other types of unregistered financial instruments, may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price, and AlphaCrest might only be able to liquidate these positions at highly disadvantageous prices, if at all. The market prices, if any, for such illiquid financial instruments tend to change rather quickly and AlphaCrest may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Even those markets which AlphaCrest expects to be liquid can experience periods, possibly extended periods, of illiquidity. For some investments, AlphaCrest may be unable to predict with confidence what the exit strategy will ultimately be for any given core position, or that one will definitely be available. Exit strategies, which appear to be viable when an investment is initiated, may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

**Call Options.** The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

The buyer of a call option assumes the risk of losing his entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

**Put Options.** The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

**Foreign Investments.** AlphaCrest clients may trade in non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the United States. Such transactions require consideration of certain risks not typically associated with trading in United States securities or property. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the United States or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

**Short Selling.** AlphaCrest may engage in “short sale” transactions. To make delivery to the buyer, AlphaCrest must borrow the security, and AlphaCrest is obligated to return the security to the lender, which is accomplished by a later purchase of the security by AlphaCrest. Short selling can result in profits when the prices of the securities sold short decline. In a generally rising market, AlphaCrest’s short positions may be more likely to result in losses because the environment would be more conducive for the securities sold short to increase in value. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Risk of Early Redemptions.** As discussed herein, BMS, a large investor in the Offshore Fund that is affiliated with Brummer & Partners, an owner of a significant minority stake in AlphaCrest and the General Partner, holds special redemption rights that allow it to redeem at any time from the Offshore Fund (and receive related redemption proceeds from the Offshore Fund) on five calendar days’ notice, whereas investors are generally subject to 45 days’ notice of redemption and limited to redemptions on the last business day of each calendar month (with proceeds paid out within 15 business days of a redemption with a possible hold back for year-end audit adjustments). In addition, BMS holds special information rights providing them access to information generally not available to other investors. The combination of these rights may allow BMS to make substantial or complete withdrawals earlier than other investors could. In the event that the Offshore Fund is experiencing difficulty, liquidity issues, default, leverage or other risks and/or a decline in the value of its positions, BMS would know this in advance and would be able to redeem from the Offshore Fund, possibly causing the value of the Master Fund’s positions to decrease as the Master Fund would need to quickly liquidate position to fund redemption proceeds payable to BMS to the detriment of remaining investors and/or possibly leaving the remaining investors with liquidity or other risks that BMS was seeking to avoid by redeeming. The risk is also increased by the fact that BMS will at least initially be the largest investor and its redemption rights would not be subject to the redemption gates that redemptions by other investors would be subject to in making redemption requests. The inability of the Offshore Fund to impose redemption gates on redemption requests by BMS would negate the ability of the Master Fund to take protection actions against the negative impact of a sudden sell-off.

**Trade Errors.** AlphaCrest on behalf of the Funds, may from time to time make trade errors. Trade errors are not errors in judgment, strategy, market analysis, economic outlook or the like, but rather errors in implementing specific trades which AlphaCrest has determined (rightly or wrongly) to make. Some examples of trade errors would be: buying 10,000 shares of an issue, rather than the 1,000 shares that was intended; or taking a long, rather than the intended short, position in a particular issue. Trade errors can result from clerical mistakes, miscommunications between AlphaCrest’s personnel and other reasons. Importantly, however, trade errors are not the function of poor strategies, valuation models, economic expectations, undue speculation, unauthorized trades or the like, but rather of the physical implementation of specific trades on which AlphaCrest had decided. AlphaCrest will determine whether to have the costs arising from trade errors borne by the Funds or AlphaCrest by applying the pertinent standard of liability for AlphaCrest in its management of the Funds’ capital — i.e., the same standard of liability which would apply to any other action or omission by AlphaCrest in the course of

such management. AlphaCrest will, accordingly, be obligated to reimburse the Funds for any trade error resulting from AlphaCrest's willful misconduct, recklessness or gross negligence, and not otherwise. AlphaCrest will itself determine in good faith whether or not a given trade error is required to be reimbursed under the general liability and exculpation standards applicable to the relevant Fund. AlphaCrest has a conflict of interest in determining whether a trade error should be for the account of a Fund or AlphaCrest and will attempt to resolve such conflict by an objective determination of the status of such trade error under the applicable liability standard. Trade error costs can be significant — including market losses resulting from the position incorrectly acquired as well as the additional brokerage costs of closing out or reversing the error. The opportunity cost (lost profits) of not having made the trade intended to be made is not considered a trade error cost. Any gains recognized on trade errors will be for the benefit of the applicable Fund; none will be retained by AlphaCrest.

**Model Risk.** AlphaCrest's investment strategy relies on proprietary models. Predictions with regard to the performance of an asset class or particular investment generated by these models may not be accurate because of imperfections in the models, their deterioration over time, or other factors, such as the quality of the data input into the model, which involves the exercise of judgment. These types of risks are inherent in any type of model, and even if the model functions as anticipated, it cannot account for all factors that may influence the prices of the investments, such as event risk.

**Trading Decisions Based on Quantitative and Other Analysis.** AlphaCrest's portfolio management and trading decisions are based on quantitative models, signals and other analyses. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that its strategies will be successful under all or any market conditions.

**Systemic Risks.** The events of August 2007 suggest that there may be substantial and previously unrecognized systemic risks to funds that use quantitative models to trade financial instruments, such as the Funds. These risks may include an increased likelihood of the spread of financial shocks from other funds' investments in the quantitative fund segment, and the possibility of future recurrences of the apparently self-reinforcing cycle of losses and liquidations that afflicted the quantitative fund segment in August 2007.

Once a quantitative fund mass liquidation has begun, there are strong forces that can sustain and spread that mass liquidation. Many quantitative funds, such as the Funds, may employ significant levels of leverage on a regular basis. In the face of a quantitative fund mass liquidation, increasing numbers of quantitative funds may face margin calls or simply choose to lower their risk by liquidating parts of their portfolio to reduce leverage and their exposure to further losses. Also, while each quantitative fund may endeavor to use unique elements in its trading strategy, there may be certain common features of some strategies. In a simple example, the statistical techniques underlying many quantitative funds may favor mean-reversion trades, creating the likelihood that many different types of statistical models will lead to certain commonalities in trading patterns. As well, these data-driven models may respond somewhat similarly to certain fundamental financial indicators such as, to use a simple example, price-to-book ratios. With large increases in the number and size of quantitative funds there is an increasing likelihood of commonalities between one quantitative fund's portfolio and those of other funds. The significant leverage employed by quantitative funds can amplify losses driven by even small overlaps

among their portfolios. In the face of a mass liquidation by quantitative funds, a single fund may see losses due to small overlaps with many different portfolios held by a number of quantitative funds that all make the decision to reduce the size of their holdings.

While AlphaCrest has made and continues to make substantial investments to develop new and different mathematical techniques in its trading models, there can be no guarantee that this will be sufficient to protect the Funds from the impact of a quantitative fund mass liquidation. There can be no certainty that other quantitative funds are not employing the same or very similar techniques as AlphaCrest leading to overlapping portfolios, and it is likely that across the many quantitative funds in operation there will be many with at least a small degree of overlap, which in and of themselves and particularly as part of a mass liquidation may substantially negatively impact the Funds. In addition, there have been some reports that in August 2007 certain quantitative funds with the most highly differentiated strategies suffered among the worst losses because they did not begin to experience significant losses until the quantitative fund mass liquidation had significantly accelerated around August 7, 2007. By that time, those funds faced much higher levels of market impact as they liquidated or de-levered because most of the providers of liquidity (including many other quantitative funds) had moved to the sidelines or were actively liquidating their own positions.

The significant levels of leverage that AlphaCrest may employ on behalf of the Funds on a regular basis could contribute substantially to the losses generated by any possible future event similar to that of August 2007. Even in a circumstance in which AlphaCrest correctly determined that the Funds would be best served by maintaining their holdings in the face of short-term losses, margin calls or the threat of margin calls could lead AlphaCrest to liquidate or to reduce leverage, locking in and possibly increasing the losses to the Master Fund. There can be no guarantee that AlphaCrest would properly time such liquidations or that AlphaCrest would correctly anticipate any rebound in prices. Quantitative funds that liquidated at a loss and did not return to the market in time to participate in the rebound that began August 10, 2007 faced particularly substantial losses, and there can be no assurance that AlphaCrest could avoid a similar outcome on behalf of the Funds in a possible future recurrence of similar events.

The lack of transparency of the private fund industry makes it difficult for academics, journalists and regulators, as well as AlphaCrest, to gain a thorough understanding of the factors that contributed to the quantitative fund losses of August 2007. The preceding analysis is speculative and subject to a high degree of uncertainty. There can be no assurance that AlphaCrest will successfully implement preventative measures to address any possible future recurrence of similar events, and such efforts by AlphaCrest and managers of other quantitative funds could even accelerate any possible future quantitative fund mass liquidation.

As of the time of this filing, there is a high degree of uncertainty as to how the trading volatility currently being experienced as a result of the coronavirus pandemic will affect quantitative traders.

**Algorithmic Trading Systems.** AlphaCrest's computerized trading systems rely on AlphaCrest's personnel to accurately monitor the systems' outputs and execution of the transactions called for by the trading models. In addition, AlphaCrest relies on its staff to properly operate and maintain its computer and communications systems upon which the trading systems rely. Execution and operation of AlphaCrest's systems and the resulting implementation of trading orders is therefore subject to human errors. Any failure, inaccuracy or delay in successfully implementing any of AlphaCrest's systems and in executing transactions using proper execution algorithms could impair its ability to identify profit opportunities and benefit from them. It could also result in decisions to undertake transactions based on inaccurate or incomplete information at the time. This could cause substantial losses on transactions. Additionally, AlphaCrest uses automated order routing and execution systems in its trading. Such systems are typically facilitated or provided by executing brokers on an "as is" basis. Such

systems may experience technical difficulties which may render them temporarily unavailable for order execution. In addition, such systems may fail to properly perform. Such failures may result in losses to the Master Fund for which losses the providers of such services have disclaimed all liability. In an effort to mitigate such risks, AlphaCrest closely monitors trades executed through automated order routing and execution systems and the operation of the systems themselves.

**Systems Failure.** AlphaCrest's strategies are highly dependent on the proper functioning of its internal computer systems. Accordingly, systems failure, whether due to third party failures upon which such systems are dependent or the failure of AlphaCrest's hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade (even for a short period of time), could, in certain market conditions, cause the Funds to experience significant trading losses or to miss opportunities for profitable trading.

**Timely and Accurate Market Data.** The strategy used by AlphaCrest depends to a significant degree on the receipt of timely and accurate market data from third party vendors. Any failure to receive such data in a timely manner or the receipt of inaccurate data for any reason could disrupt and adversely affect trading until such failure or inaccuracy is corrected.

**Technical Trading Systems.** Quantitative trading strategies, including statistical arbitrage, are highly complex, and, for their successful application, require relatively sophisticated mathematical calculations and complex computer programs. Such trading strategies are dependent upon various computer and telecommunications technologies and upon adequate liquidity in markets traded. The successful execution of these strategies could be severely compromised by, among other things, a diminution in the liquidity of the markets traded, telecommunications failures, power loss and software-related "system crashes" or software bugs. These trading strategies are also dependent upon historical relationships that may not always continue to hold and may result in losses. In addition, the "slippage" from entering and exiting positions (i.e., the market impact of trades identified by the quantitative trading strategies) may be significant and may result in losses.

In addition, AlphaCrest intends to rely on technical trading systems. Such systems may be profitable for a period of time, after which the system fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their systems on a periodic basis. Any factor (such as increased governmental control of, or participation in, the markets traded) that lessens the prospect of sustained price moves in the future may reduce the likelihood that AlphaCrest's technical systems will be profitable.

**Obsolescence Risk.** The strategies of AlphaCrest are unlikely to be successful unless the assumptions underlying the models used to implement those strategies are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and AlphaCrest does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. AlphaCrest will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. There can be no assurance as to the effects (positive or negative) of any modification on a client's portfolio.

**Crowding/Convergence.** There is significant competition among quantitatively focused managers. To the extent that AlphaCrest's models come to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect a client is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number

of funds in the marketplace.

**Risk of Programming and Modeling Errors.** AlphaCrest's research and modeling process is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although AlphaCrest seeks to hire individuals skilled in these functions 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 such errors could adversely affect a client's portfolio and would generally not constitute a trade error under the AlphaCrest's trade error policy.

**Involuntary Disclosure.** As described above under "Model Risk" and "Crowding/Convergence," AlphaCrest's ability to achieve its client's investment objective is dependent in large part on its ability to develop and protect its models and proprietary research. The proprietary research and the models and data are largely protected by AlphaCrest through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to clients, exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer strategies, and thereby impair the relative or absolute performance of a client's portfolio.

**Proprietary Trading Methods.** Because AlphaCrest's trading methods are proprietary, a client will not be able to determine any details of such methods or whether they are being followed.

**Risk of Dependence on Key Employees.** The performance of AlphaCrest's investment strategy is largely dependent on the talents and efforts of highly skilled individuals and its success depends upon AlphaCrest's ability to identify and retain such investment professionals.

**Risk of General Economic and Market Conditions.** The success of AlphaCrest's investment strategy will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instruments' prices and their liquidity.

**Business, Terrorism and Catastrophe Risks.** Clients will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on AlphaCrest's business operations and clients' portfolios including investments made by AlphaCrest.

**Business and Regulatory Risks.** Legal, tax and regulatory changes could occur that may adversely affect AlphaCrest's investment strategy. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and self-regulatory requirements. The Securities and Exchange Commission, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, which may adversely affect investments.

**Investment Strategy Risk.** There is no certainty of return and no assurance that investments will be able to realize returns in a timely manner or at all, or that losses on unsuccessful investments may be realized before gains on successful investments are realized. No assurance can be given that the AlphaCrest investment strategy will be able to correctly or successfully locate investment opportunities or to exploit pricing inefficiencies in the

capital markets, or that the capital markets ultimately will value assets at the prices and/or within the time frame the investment strategy anticipates.

**No Guarantee of Profit.** There is no assurance that the strategy will provide an acceptable return to investors or not incur substantial losses.

**Speculative Nature of Investment Programs.** AlphaCrest's investment program is speculative and involves a high degree of risk. There is no assurance that the technical and risk management techniques utilized, as well as the investment decisions made by the investment team, will not expose clients to risk of significant losses.

**Fees and Expenses.** AlphaCrest's investment strategy is subject to fees and expenses that must be covered by trading profits before any net profits are realized, including trading expenses related to a high portfolio turnover rate. Certain fees and expenses may be incurred regardless of whether AlphaCrest's investment strategies are profitable.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS TO ALPHACREST'S CLIENTS. POTENTIAL CLIENTS AND INVESTORS MUST READ THE APPLICABLE GOVERNING DOCUMENTS, INCLUDING ALL ATTACHMENTS, AND MUST CONSULT THEIR OWN PROFESSIONAL ADVISERS, BEFORE DECIDING TO INVEST WITH ALPHACREST.**

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

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

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

##### **10.A. No Registered Representatives**

None of AlphaCrest or its principals or employees are currently registered as a broker-dealer or a registered representative of a broker-dealer.

##### **10.B. No Other Registrations**

None of AlphaCrest or any of its principals or employees are currently registered as or affiliated with a registered futures commission merchant, commodity pool operator or commodity trading advisor. Pursuant to an exemption under regulations promulgated by the CFTC, AlphaCrest is not required to register with the CFTC as a commodity pool operator or commodity trading adviser.

##### **10.C. Material Relationships or Arrangements**

As noted in Item 4, Brummer & Partners, through its subsidiaries, is an owner of a significant minority stake in AlphaCrest and the General Partner.

Brummer Multi-Strategy Master Fund ("BMS"), a fund of funds managed by Brummer Multi-Strategy AB, a wholly-owned subsidiary of Brummer & Partners, is currently the Offshore Fund's largest investor. In connection with its ownership interests in AlphaCrest and the General Partner, Brummer & Partners has been granted indirect pre-approval rights relating to certain specified actions to be taken by AlphaCrest and the

General Partner, and AlphaCrest's choice of directors for the Offshore Fund and the Master Fund was selected from a list provided by Brummer & Partners. The above referred to rights include, among others, the right to approve budget variances for AlphaCrest and the General Partner, certain employee compensation matters, amendments to governing documents of the Funds and any side letters with investors. In addition, BMS holds certain capacity rights to increase its investments in the Funds and the right to approve or withhold additional cash investments from it in AlphaCrest. In addition, AlphaCrest will disclose to Brummer Multi-Strategy AB, for the purposes of monitoring the risks associated with the Funds, information with respect to all transactions and investments entered into and made by the Funds. Brummer Multi-Strategy AB may use such information that may not be generally available to other investors in exercising redemption rights that it has on behalf of BMS to make early redemptions that are generally not available to other investors. The combination of these rights may give Brummer & Partners, including BMS, an influence over AlphaCrest that may vary, at times, from what is in the best interests of the other investors in the Funds.

In addition, since BMS is the largest investors in the Offshore Fund and is affiliated with an owner of a significant minority stake in AlphaCrest and the General Partner, AlphaCrest will face conflicts of interests and will have an incentive to take actions that benefit BMS specifically rather than all investors generally in the event of a conflict.

Notwithstanding the foregoing, AlphaCrest recognizes its fiduciary duty to ensure that all clients and investors are treated in a fair and equitable manner and has established policies and procedures to address such fiduciary duty.

AlphaCrest delegates certain risk management and office services to B&P Fund Services AB ("BFS"), a wholly-owned subsidiary of Brummer & Partners. AlphaCrest's ability to objectively select and evaluate BFS as a service provider is not free from conflicts of interest. Although BFS is a wholly-owned subsidiary of Brummer & Partners and thus has an interest in providing high quality services to AlphaCrest due to its ownership interest in AlphaCrest and the General Partner, there is a risk that the services will not be of a quality equivalent to what AlphaCrest and the Funds could obtain from a third party. For the services provided by BFS, AlphaCrest pays Brummer & Partners a fee in an amount equal to 0.30% of the net asset value of BMS' investment in the Offshore Fund. In addition, the Offshore Fund itself bears and pays BFS a fee for risk and portfolio oversight services in an amount equal to 0.05% of the net asset value of BMS' investment in the Offshore Fund. An affiliate of Brummer & Partners also provides investor relation services for AlphaCrest. As BMS' investment was conditioned on the services being provided by BFS, such fees were not negotiated on an arm's length basis.

An affiliate of Brummer & Partners ("Brummer Lender") made a loan to Mika Toikka pursuant to a note and security agreement whereby Mika Toikka agreed to repay the loan from distributions distributed to him from the General Partner, secured by a pledge of his limited liability company interests in AlphaCrest and the General Partner. The proceeds of the loan were used exclusively as a capital contribution by Mika Toikka to AlphaCrest. If Mika Toikka defaults on the loan and the Brummer Lender forecloses on the collateral, Brummer & Partners may indirectly control AlphaCrest and the Funds (through its increased ownership of the General Partner). As a result, Brummer & Partners may have more influence over Mika Toikka (and ultimately AlphaCrest), and the decisions made by Mika Toikka under such influence may diverge from the best interests of other investors in the Funds.

Brummer & Partners holds ownership interests, and BMS holds investments, in a number of other funds, some of which may have similar investment programs to those of the Funds. Further, as part of its regular business, Brummer & Partners, through subsidiaries, provides a broad range of investment management and advisory services. Brummer & Partners may provide other services in the future. The funds managed by fund managers

in the Brummer & Partners group will receive no benefit from the fees or profits derived from such services. Such funds may invest in or engage in transactions with issuers of securities that may be suitable investments for the Funds. As a result, employees of the Brummer & Partners group may possess information relating to such issuers that is not known to AlphaCrest or its affiliates that are responsible for making investment decisions or monitoring the Funds' investments and performing other obligations. Those employees of the Brummer & Partners group will not be obligated to share any such information with AlphaCrest or its affiliates and may be prohibited by law or contract from doing so. In addition, because of such relationships, there may be certain investment opportunities that AlphaCrest (or its affiliates) will decline, or be unable, to make. Additionally, there may be circumstances in which one or more individuals associated with AlphaCrest (or its affiliates) will be precluded from providing services to AlphaCrest (or its affiliates) because of certain confidential information available to those individuals or the Brummer & Partners group. The Brummer & Partners group is under no obligation to decline any engagements or investments in order to make an investment opportunity available to the Funds.

AlphaCrest and its affiliates are, directly or indirectly, the general partner, limited partners and/or managing members of certain of the Funds.

The Funds will be subject to a number of actual and potential conflicts of interest involving AlphaCrest and its affiliates. Any such conflict of interest could have a material adverse effect on the Funds and their investors. However, AlphaCrest and its affiliates have substantial incentives to see that the assets of the Funds appreciate in value, and merely because an actual or potential conflict of interest exists does not mean that it will be acted upon to the detriment of the Funds. When a conflict of interest arises, AlphaCrest will endeavor to ensure that it is resolved fairly. AlphaCrest has in place policies and procedures that it believes are reasonably designed to identify and resolve actual and potential conflicts of interest. For example, all employees of AlphaCrest must promptly report to their supervisor and the Chief Compliance Officer any potential or actual conflict of interest that results from that employee's position or duties, including potential or actual conflicts related to personal account trading, business affiliations, directorships, and the giving and receiving of business gifts and entertainment.

Further, conflicts of interest may arise from the fact that AlphaCrest, its personnel and its affiliates engage in a wide variety of businesses, and currently and in the future, will provide investment management services to multiple client accounts. AlphaCrest or the client accounts may invest or have some interest in certain of such accounts or other businesses.

AlphaCrest and its affiliates will devote as much of their time to the activities of the client accounts as they deem necessary and appropriate. Except with respect to certain consent and other rights held by Brummer & Partners, AlphaCrest and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, including co-investments by certain investors, or from engaging in other business activities, even though such activities may be in competition with each of the client accounts and/or may involve substantial time and resources of AlphaCrest or one or more of its affiliates. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of AlphaCrest and its officers and employees will not be devoted exclusively to the business of the client accounts but will be allocated between the business of the client accounts and such other investment funds and separately managed accounts.

AlphaCrest may give advice or take action with respect to the investments and transactions in certain client accounts that may differ from the advice given or the timing or nature of any action taken with respect to financial instruments and transactions in other client accounts due to a variety of differences such as regulatory and tax issues and differences in investment programs. As a result, even though certain client accounts may have

similar investment objectives and pursue similar investment strategies, they may have substantially different portfolios and investment returns. Conflicts of interest may also arise when AlphaCrest makes decisions on behalf of certain client accounts with respect to matters where the interests of AlphaCrest or one or more other client accounts differ from such accounts. AlphaCrest will implement internal processes and mechanisms for assessing the investment programs of the client accounts.

Certain actual and potential conflicts of interest may also arise from the fact that:

- certain client accounts may invest in other client accounts, and the personnel managing such investing client accounts generally will have more information about the investee client accounts and their investments than other investors which may influence their decisions about investing in, or withdrawing, the investing client accounts' investments in the investment funds;
- AlphaCrest uses certain of the strategies described herein in certain of its client accounts and AlphaCrest has discretion, subject to certain consent rights held by Brummer & Partners, in determining the investment funds' level of participation in the strategies described herein;
- personnel who provide services to AlphaCrest and affiliates of AlphaCrest may choose to personally invest in certain, but not all, or none of the accounts;
- the client accounts may acquire certain securities of entities for which AlphaCrest or an affiliate acts as investment adviser, or general partner and receives compensation therefrom or is the initial purchaser of such securities; and
- AlphaCrest has and in the future may enter into side letters and other agreements and arrangements with certain clients or investors pursuant to which those clients or investors may receive reports and have access to information regarding the client accounts' portfolios that might not be generally available to other clients or investors. Such clients or investors may be able to base their investment decisions, including, without limitation, a decision to withdraw their capital from certain client accounts on information that is not generally available to other clients or investors. Side letters may also provide more favorable terms relating to liquidity and fees or performance fees.

Other present and future activities of AlphaCrest and its affiliates may give rise to additional conflicts of interest. In the event that a conflict of interest arises, AlphaCrest will attempt to resolve such conflicts in a fair and equitable manner.

#### **10.D. Recommendations of Other Investment Advisors**

AlphaCrest does not recommend or select other investment advisers for its clients or receive compensation from such advisers in a manner that would create a material conflict of interest.

AlphaCrest does not currently have other business relationships with other advisers that create a material conflict of interest.

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

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

AlphaCrest strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, AlphaCrest has adopted a Code of Ethics that

complies with Rule 204A-1 of the Advisers Act, and which is reviewed and updated (if necessary) at least annually. The Code of Ethics incorporates the following general principles that all employees and service providers are expected to uphold: employees and service providers must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code of Ethics and any actual or potential conflicts of interest or any abuse of an employee's and service provider's position of trust and responsibility must be avoided; employees and service providers must not take any inappropriate advantage of their positions; and information concerning the identity of securities and financial circumstances of clients must be kept confidential. The Code of Ethics also places restrictions on personal trades by employees and service providers, including requiring that they disclose their personal securities holdings and transactions to AlphaCrest on a periodic basis, and requires that employees and service providers preclear certain types of personal securities transactions.

As part of the Code of Ethics, AlphaCrest maintains insider trading policies and procedures that are designed to prevent the misuse of material, non-public information. AlphaCrest's personnel are required to certify to their compliance with the Code of Ethics, including the insider trading policy, on at least an annual basis.

The insider trading policies prohibit AlphaCrest and its personnel from trading for themselves or clients, or recommend trading, in securities of any company while in possession of material, non-public information about the company, and from disclosing such information to any person not entitled to receive it. By reason of its various activities, AlphaCrest may have access to inside information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. AlphaCrest has designed and implemented policies and procedures reasonably designed to closely monitor the access of its investment professionals to inside information. Among other things, such policies seek to control and monitor the flow of inside information to and within AlphaCrest, as well as to prevent trading securities based on inside information.

Notwithstanding such policies and procedures, there may be certain cases where AlphaCrest either may receive inside information due to its various activities on behalf of itself or clients or may be restricted in acting for clients. As a result, AlphaCrest may, under certain circumstances, be prohibited for a period of time from engaging in transactions, which prohibition may have an adverse effect on a client. AlphaCrest seeks to minimize those cases whenever possible, consistent with applicable law and its insider trading policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

Clients may request the opportunity to review a copy of the Code of Ethics by contacting AlphaCrest at the address or telephone number listed on the first page of this brochure.

#### **11.B. Recommendations of Securities and Material Financial Interests**

AlphaCrest may cause one or more of its clients to buy securities from, or sell securities to, other clients of AlphaCrest at current market prices, including accounts in which AlphaCrest, its principals or employees are investors or in which such persons may have a financial interest, either directly or indirectly, due to the payment of a Performance Allocation to AlphaCrest (or an affiliate) by such client. AlphaCrest will only engage in "cross trades" if the sale or purchase is consistent with AlphaCrest's fiduciary obligations to each client. Cross transactions may include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. AlphaCrest has a potentially conflicting division of loyalties and responsibilities regarding both parties to any cross transactions. Where required by applicable law, any such transaction will be approved in advance by the client in accordance with Section 206(3) of the Advisers Act.

### **11.C. Personal Trading**

On occasion, AlphaCrest and its principals and employees may buy and sell securities for themselves that they also recommend to clients. AlphaCrest and its principals and employees may be investors in some of the investment funds managed by AlphaCrest. The Code of Ethics contains policies and procedures designed to prevent improper practices with respect to such transactions, and compliance with the Code of Ethics by AlphaCrest, its principals and employees is the primary method employed by AlphaCrest to address the conflicts of interest that arise with respect to these transactions.

### **11.D. Timing of Personal Trading**

In certain situations, related persons of AlphaCrest may purchase interests in portfolio investments held by one or more Funds. All such purchases will be subject to compliance with AlphaCrest's Code of Ethics. In addition, AlphaCrest and/or certain members or employees of AlphaCrest may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Funds, provided that the sale is consistent with AlphaCrest's fiduciary obligations to the Funds. Such transactions will be fully disclosed in writing, and where required by applicable law, the written consent of the appropriate client will be obtained in accordance with Section 206(3) of the Advisers Act.

## **Item 12: Brokerage Practices**

### **12.A. Selection of Broker/Dealers**

AlphaCrest evaluates several factors in selecting a broker-dealer for client transactions. Examples of factors to be reviewed include (but are not limited to) research capabilities, ability to efficiently execute difficult trades, the brokers' risk in positioning a block of securities, commitment of capital, nature and frequency of sales coverage, depth of services provided, arbitrage and option operations, back office and processing capabilities, financial strength, stability and responsibility, efficiency, reputation, access to markets, confidentiality, commission rate, responsiveness to AlphaCrest and the value of research and brokerage and research products and services provided.

AlphaCrest receives research and soft dollar benefits from its relationship with its broker-dealers. Client commission arrangements commonly known as commission sharing or "soft dollars" allow investment advisers to use client assets to pay for research and brokerage services under Section 28(e) of the Securities Exchange Act of 1934, as amended, for the benefit of their clients. Section 28(e) provides a safe harbor that permits advisers, when selecting brokers to execute transactions for client accounts, to take into account certain research products and services provided to the adviser by brokers. Clients may pay higher commissions than are obtainable from other brokers as a result of the consideration of research services as a factor in selecting brokers in addition to commission cost and best execution, provided that AlphaCrest determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research services provided by such broker.

It is important to note that when client brokerage commissions are used to obtain research or other products or services, AlphaCrest may benefit due to the fact that it may not have to produce or pay for certain research, products or services. In addition, AlphaCrest may have an incentive to select a broker-dealer based upon its interest in receiving the research or other products or services rather than on the client's interest in receiving most favorable execution. Further, AlphaCrest may consider referrals of clients in determining its selection of brokers. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to clients of AlphaCrest by brokers or dealers in the foregoing

circumstances may be higher than those charged by other brokers or dealers that may not offer such services.

Benefits that may be received by AlphaCrest as a result of a soft dollar relationship with its broker-dealers may include (but are not limited to) the following:

- Traditional research reports analyzing performance of a company or stock
- Financial newsletters and trade journals
- Order routing software and algorithm trading software
- Exchange messages among brokers, custodians and institutions
- Electronic communication of orders and allocation instructions
- Routing settlement instructions to custodians and clearing agents
- Post trade matching

Consistent with obtaining best execution for clients, AlphaCrest engages in such soft dollar arrangements, provided that such arrangements are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment AlphaCrest's own internal research and investment strategy capabilities. Regulations outside of the United States may subject AlphaCrest to additional requirements, restrictions or prohibitions on paying for research and brokerage with soft dollars. AlphaCrest uses its own resources to pay for research from brokers covered by the European Union's revised Markets in Financial Instruments Directive ("MiFID II"). To the extent that European Union clients' orders are aggregated with the orders of clients whose commissions pay for research, the non-research paying clients may realize the price and execution benefits of the aggregated order while benefitting from the research acquired by AlphaCrest.

The referral of clients to AlphaCrest from a broker-dealer or third party is possible. However, while such an arrangement may generate introductions to new clients, it is not guaranteed. As such, AlphaCrest does not rely or place value on the possibility of receiving client referrals. In evaluating a broker-dealer for a possible business relationship, AlphaCrest evaluates the criteria described in this Item 12.

#### *Directed Brokerage*

AlphaCrest does not currently have any arrangements with any clients that require AlphaCrest to execute transactions through a specified broker-dealer.

### **12.B. Aggregation of Orders**

AlphaCrest will attempt to aggregate the purchase or sale of securities in order to realize more favorable transaction costs for clients. In instances where aggregation is available, allocation of trades will be performed on a commercially reasonable efforts basis via pro rata distribution across client accounts.

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

### **13.A. Frequency and Nature of Review**

AlphaCrest performs daily reviews of the Funds' portfolios. Among other criteria, the portfolios are reviewed in the context of AlphaCrest's adherence to the investment objectives and guidelines as set forth in the Governing Documents of each client. Target maximum risk levels and sub-risk limits are monitored, including but not limited to, positions, sectors, countries and strategies. Daily reconciliations of all trading activity as well as cash, collateral and margin management (if applicable) among AlphaCrest, relevant broker-dealers and relevant administrators also occurs. The reviews are conducted by AlphaCrest's investment professionals.

### **13.B. Factors that May Trigger an Account Review Outside of Regular Review**

Not applicable as client accounts are reviewed on a daily basis as described above.

### **13.C. Content and Frequency of Reports**

AlphaCrest or its affiliates intend to furnish to the Funds and their investors as soon as practicable after the end of each taxable year (or as otherwise required by law) annual reports containing financial statements examined by each such Fund's independent auditors as well as such tax information as is necessary for each investor therein to complete U.S. federal and state income tax or information returns, along with any other tax information required by law. AlphaCrest or its affiliates may also furnish to investors in each Fund, quarterly reports reviewing each Fund's performance for such calendar quarter.

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

### **14.A. Client Referrals**

AlphaCrest welcomes client referrals from its existing clients or other trusted sources, such as attorneys, accountants, employees, or personal acquaintances of the staff, or from an affiliate of Brummer & Partners. AlphaCrest does not currently compensate any person or firm for US client referrals.

### **14.B. Referrals from Third Parties**

AlphaCrest or its affiliates may engage third parties to solicit investors and act as placement agents for the Funds. Placement agents may charge a placement fee directly to investors solicited by any such placement agent, but such fees will not be collected by or from the Funds. The placement agent may be reimbursed for its expenses and indemnified by the Funds. Furthermore, AlphaCrest or its affiliates may enter into arrangements with unaffiliated placement agents or third parties whereby AlphaCrest or its affiliates will pay to third parties who introduce investors in the Funds to AlphaCrest or its affiliates a portion of the Management Fee or Performance Allocation attributable to investors solicited by such third parties.

Although Brummer & Partners does not act as a marketer for the Funds, it may allocate to the Funds' investments by the managed accounts and other investment partnerships or funds to which an affiliate of Brummer & Partners provides investment advisory services. As a result, Brummer & Partners would cease charging fees at the managed account, investment partnership or fund level, as applicable, and receive a percentage of the Management Fee and Performance Allocation paid to AlphaCrest by such investors managed by an affiliate of Brummer & Partners.

## **Item 15: Custody**

AlphaCrest will not have physical custody of any client assets. AlphaCrest is deemed to have custody of the assets of the Funds as a result of its authority over the Funds.

It is AlphaCrest's policy to cause each Fund with assets over which AlphaCrest is deemed to have custody to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles, to investors as soon as practicable after the end of each fiscal year.

It is intended that all assets in the accounts of AlphaCrest clients will be held by a qualified custodian.

## **Item 16: Investment Discretion**

Subject to the investment objectives, policies and restrictions of each client as set forth in the Governing Documents applicable to such client, AlphaCrest generally has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each client for which it serves as discretionary investment manager, including the selection of, and commissions paid to, broker-dealers. AlphaCrest generally enters into a written investment management agreement with each client granting such discretionary authority.

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

Because AlphaCrest has, or will accept, authority to vote securities held by the Funds, it has adopted policies and procedures that have been designed to ensure that AlphaCrest complies with the requirements of Rule 206(4)-6 and Rule 204-2(c)(2) under the Advisers Act, and reflect AlphaCrest's commitment to vote all client securities for which it exercises voting authority in a manner consistent with the best interest of the client.

Although the trading frequency (as well as correspondingly relatively shorter holding periods, frequently changing position sizes and changing position directionality) of the investment strategies employed by AlphaCrest significantly reduces the importance and usefulness of the proxies voted on behalf of clients, AlphaCrest employs policies and procedures that are designed to ensure that in the isolated cases where it votes proxy proposals, amendments, consents or resolutions relating to client securities, if any (collectively, "proxies"), such proxies are voted in the best interests of clients. Due to the high turnover investment strategy that is employed by AlphaCrest, it will generally abstain from voting proxies, as AlphaCrest has concluded that under ordinary circumstances the voting of proxies for its clients would not be in the best interests of its clients, because (i) it would divert resources away from the implementation of its trading strategy and (ii) given the high rate of turnover of client securities, it is unlikely that securities held on a particular record date would remain in the portfolio on the date of the vote.

To the extent AlphaCrest votes proxies, it will do so in a manner that serves the best interests of the clients of AlphaCrest, as determined by AlphaCrest in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices.

Should a client be interested in receiving a copy of AlphaCrest's proxy voting policies and procedures or other information about proxy voting, including information about how such client's securities were voted, please direct inquiries to:

AlphaCrest Capital Management LLC  
Attention: Chief Compliance Officer  
120 West 45th Street, Suite 1400  
New York, NY 10036  
[information@alphacrestcapital.com](mailto:information@alphacrestcapital.com)

#### **Item 18: Financial Information**

AlphaCrest believes there is no financial condition that is reasonably likely to impact AlphaCrest's ability to meet its contractual commitments to its clients.

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

Not applicable.