

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

**ITEM 1. COVER PAGE**



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March 23, 2020

**Important Disclosure:**

This brochure provides information about the qualifications and business practices of Epsilon Asset Management, LLC (“Epsilon” or the “Firm”) and its affiliates. If you have any questions about the contents of this brochure, please contact us at (732) 996-7519. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training of Epsilon or its personnel.

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

## ITEM 2. MATERIAL CHANGES

**If you are amending your *brochure* for your annual update and it contains material changes from your last annual update, identify and discuss those changes on the cover page of the *brochure* or on the page immediately following the cover page, or as a separate document accompanying the *brochure*. You must state clearly that you are discussing only material changes since the last annual update of your *brochure*, and you must provide the date of the last annual update of your *brochure*.**

Epsilon has amended this brochure to reflect the following material changes:

- The Chief Compliance Officer has changed. The Chief Compliance Officer is now Faryan Amir-Ghassemi.
- The Firm's members have changed. The Firm's members are now Faryan Amir-Ghassemi and Michael Perlow.
- The *brochure* has been updated to reflect the Firm's address change to 110 East 25<sup>th</sup> Street, New York, NY 10010.

This annual amendment to the *brochure*, dated March 23, 2020, contains material changes from the previous *brochure*, dated March 31, 2019, to reflect a change in the Firm's Chief Compliance Officer and the Firm's new address.

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#### ITEM 4. ADVISORY BUSINESS

**A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

Epsilon is a limited liability company incorporated under the laws of Delaware. The Firm was formed in February 2017. Epsilon is an investment adviser with a principal place of business in New York, New York. The Firm's members are Faryan Amir-Ghassemi and Michael Perlow.

**B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

*Long Only Equity Strategy:* Leveraging active management aggregate ownership data, Epsilon aims to produce resilient and superior long-equity portfolio returns compared to domestic large cap equity benchmarks. The strategy is a low-fee approach that invests in a subset of securities based upon the quality of underlying hedge fund owners. The portfolio derives its security selection from the entire pool of issuances filed by hedge fund holders. The strategy's investment domain is mainly large-cap, domestic (by exchange) equities.

*Long-Short Equity Strategy:* The strategy seeks to capital appreciation with reduced correlation and sensitivity to the broader equity mark, with the added benefit of daily liquidity, full transparency and favorable fees. The strategy is a low-fee approach to investing in a subset of domestic equity securities based upon the quality of underlying hedge fund owners. The portfolio derives its security selection from the entire pool of issuances filed by hedge fund holders, while maintaining a variable concentration profile, as governed by an optimization approach to portfolio construction. It will invest solely in large-cap, domestic (by exchange) equities, both long and short.

Epsilon provides research, compliance and portfolio management services to separately managed client accounts, collectively, "Clients." In terms of execution, programmatic trading is done through an electronic brokerage platform.

**C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of *clients*. Explain whether *clients* may impose restrictions on investing in certain securities or types of securities.**

Epsilon does not tailor advisory services to the individual or particular needs of the investors in the Clients. Such investors accept the terms of advisory services as set forth in each Client's confidential private offering memorandum ("Offering Documents"). The Firm has broad investment authority with respect to the Clients and, as such, investors should consider whether

the investment objectives of the Clients are in line with their individual objectives and risk tolerance prior to investment.

**D. If you participate in *wrap fee programs* by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

The Firm does not participate in wrap fee programs.

**E. If you manage *client* assets, disclose the amount of *client* assets you manage on a *discretionary basis* and the amount of *client* assets you manage on a *non-discretionary basis*. Disclose the date “as of” which you calculated the amounts.**

As of December 31, 2019, Epsilon managed approximately \$29,886,124 in assets on a discretionary only basis.

## **ITEM 5. FEES AND COMPENSATION**

### **A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

Epsilon is compensated for its advisory services on a range of fees that are product and strategy dependent, typically between an annual rate of 0.75% and 1.25% of each Client's average daily net assets.

### **B. Describe whether you deduct fees from *clients'* assets or bill *clients* for fees incurred. If *clients* may select either method, disclose this fact. Explain how often you bill *clients* or deduct your fees.**

Epsilon generally deducts management fees from each Client's account on a monthly basis, as further disclosed in each Client's Offering Documents.

### **C. Describe any other types of fees or expenses *clients* may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that *clients* will incur brokerage and other transaction costs, and direct *clients* to the section(s) of your *brochure* that discuss brokerage.**

Expenses not expressly assumed by Epsilon under the Offering Documents are paid by the Clients. Under the terms of the Offering Documents, the Clients are responsible for the payment of the following expenses among others: (a) the fees payable to Epsilon, (b) the fees and expenses of any trustees who are not affiliated persons of the Firm or distributor (as defined in the Offering Documents) (c) the fees and certain expenses of the custodian (as defined in the Offering Documents) and transfer and dividend disbursing agent (as defined in the Offering Documents), including the cost of maintaining certain required records of the Client and of pricing the Clients' shares, (d) the charges and expenses of legal counsel and independent accountants for the Clients, (e) brokerage commissions and any issue or transfer taxes chargeable to the Clients in connection with their securities transactions, (f) all taxes and corporate fees payable by the Clients to governmental agencies, (g) the fees of any trade association of which the Clients may be members, (h) the cost of share certificates representing shares of the Clients, (i) the cost of fidelity and liability insurance, (j) the fees and expenses involved in registering and maintaining registration of the Clients and of its shares with the SEC, qualifying its shares under state securities laws, including the preparation and printing of the Clients' registration statements and prospectuses for such purposes, (k) all expenses of shareholders and trustees' meetings (including travel expenses of trustees and officers of the trust who are directors, officers or employees of Epsilon) and of preparing, printing and mailing reports, proxy statements and prospectuses to shareholders in the amount necessary for distribution to the shareholders, and (l) litigation and indemnification expenses and other extraordinary expenses not incurred in the ordinary course of the Clients' businesses.

**D. If your *clients* either may or must pay your fees in advance, disclose this fact. Explain how a *client* may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Separately managed accounts pay fees monthly in arrears.

**E. If you or any of your *supervised persons* accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

Neither Epsilon nor any of its supervised persons accept compensation for the sale of securities or other investment products.

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

**If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a *performance-based fee*, and describe generally how you address these conflicts.**

This is not applicable to Epsilon at this time.



**ITEM 7.        TYPES OF CLIENTS**

**Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

Generally, Epsilon provides investment advisory services to high-net-worth individuals, pooled investment vehicles, corporations, businesses or institutional accounts, and investment companies. Each investor is required to meet certain suitability requirements.

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

**A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that *clients* should be prepared to bear.**

Under normal market conditions, Epsilon pursues its objective by investing primarily in equity securities based in the United States.

In selecting securities for clients, Epsilon utilizes a rules-based approach that seeks to analyze collective behaviors of the universe of hedge fund managers by analyzing their Form 13F filings with the SEC.

Hedge fund managers are classified based upon their Form ADV filings with the SEC and at the discretion of the Firm's classification schema. Each manager is analyzed for characteristics such as risk, attribution, strategy, portfolio composition, skill, and commonality.

These analytical inputs serve as the basis for ranking securities. Epsilon will select securities based upon a proprietary algorithmic ranking of all securities across the large-cap domestic equity universe, and constraint optimized based upon the portfolio's risk objectives. The Firm expects to rebalance a client's portfolio quarterly following the Form 13F filing timeline. Epsilon may also trade positions intra-quarter due to merger/acquisitions of underlying securities or in certain circumstance where the Firm deems it prudent and consistent with the client's objectives.

Clients primarily invest in common stocks but could invest in ADRs or preferred stock.

Epsilon may utilize derivatives, such as swaps, as means of gaining exposure to securities in a more operationally efficient manner, exposing the client to the risks of investing in derivatives generally. Clients may gain exposure to master limited partnerships through swaps, exposing the Client to certain risks associated with investing in MLPs.

**B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

*Listed below are some of the risks associated with a Client investment. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in the Clients' investment strategies. For a complete explanation of the Clients' relevant investment strategies and their associated risks, investors should review the relevant Offering Documents or investment management agreement, which may contain additional explanations of strategies, risks and other related details not discussed below.*

*General Risk.* Domestic economic growth and market conditions, interest rate levels, and political events are among the factors affecting the securities markets in which the Clients invest. There is a risk that these and other factors may adversely affect the Clients' performance. Investors could lose money by investing in the Clients.

*Limited Operating History Risk.* The Clients are new and have a limited history of operation. Accordingly, an investment in the Clients entails a high degree of risk. There can be no assurance that the Clients and the Firm will achieve the Clients' investment objectives.

*Lack of Diversification and Concentration Risks.* Epsilon may select investments that are concentrated in a limited number or types of securities. In addition, the Clients' portfolios may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

*Smaller Company Risk.* Investments in smaller companies may involve additional risks because of limited product lines, limited access to markets and financial resources, greater vulnerability to competition and changes in markets, lack of management depth, increased volatility in share price, and possible difficulties in valuing or selling the investments.

*Derivatives Risk.* Derivative instruments (such as those in which the Clients may invest, including swap transactions) are subject to changes in the value of the underlying assets or indices on which such instruments are based. A derivative contract will obligate or entitle the Clients to deliver or receive an asset or cash payment that is based on the change in value of one or more securities or indices. Even a small investment in derivative contracts can have a big impact on the Clients' stock market exposure. Therefore, using derivatives can disproportionately increase losses and reduce opportunities for gains when stock prices are changing. The Clients may not fully benefit from or may lose money on derivatives if changes in their value do not correspond accurately to changes in the value of the Clients' holdings. The other parties to certain derivative contracts present default risk in that the counterparty may default on its payment obligations or become insolvent (this risk is greater for swaps). Derivatives can also make the Clients less liquid and harder to value, especially in declining markets.

*Equity Risk.* Common and preferred stocks represent equity ownership in a company. The

Clients' investments in equity securities may decline in value due to factors affecting the issuing companies, their industries, or the economy and equity markets, generally. The values of equity securities may decline for a number of reasons which directly relate to the issuing company, such as management performance, financial leverage and reduced demand for the issuer's goods or services. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. In addition, they may decline due to general market conditions which are not specifically related to a company or industry, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment, generally.

*Counterparty Risk.* The Clients' counterparties might default on their obligation to pay or perform generally on its obligations. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Clients have concentrated their transactions with a single or small group of counterparties.

*Trade Error Risk.* Epsilon considers numerous risks associated with committing trade errors in Client accounts. These risks are: trade errors not identified and corrected in a timely manner; trade errors not reported to management; management does not carefully review each error to determine if procedures may be implemented to prevent future similar errors; Clients bear the loss of trade errors; the number of trade errors is excessive; documentation of trade errors and their resolution is not adequately maintained.

*Competition Risk.* Competition for investments may have the effect of reducing the number of suitable investment opportunities and increasing the costs associated with the Clients' investments, thereby reducing the Clients' investment returns. If Epsilon is not able to identify and/or take advantage of suitable investment opportunities, it may change its risk parameters in order to deploy capital, which may have a material adverse effect on the Epsilon's investment strategy. In addition, Epsilon may rely on market participants to inform it of particular investment opportunities. Returns may be reduced if market participants fail to provide such information or if the Epsilon is otherwise unable to source opportunities it considers appropriate for its investment strategies.

*Regulatory Risk.* Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment advisor or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities; and changes in the tax code that could affect interest income, income characterization and/or tax reporting obligations.

*Special Situations.* The Clients may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the Clients of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Clients may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Clients may invest, there is a potential risk of loss by the Clients of their entire investment in such companies.

*Event-Driven Strategy Risk.* The clients may have exposure to companies involved in special situation or transformational events. If said events fails to occur or do not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fails to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Clients of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable U.S. federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the results of the Clients' operations may be expected to fluctuate from period to period. Accordingly, Investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

*High Growth Industry Related Risks.* Securities of companies in high growth industries (e.g., healthcare) may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, and may operate at a loss or with substantial variations in operating results from period to period. Furthermore, these companies may have no proven profit-making history, limited access to capital and/or be in the developmental stages of their businesses, or limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets. These companies may also be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

*Quantitative Strategy Risk.* Quantitative strategy involves the analysis of market behavior and individual securities through the use of complex mathematical and statistical modeling, measurement, and research. The risks of investing based on quantitative analysis include relying on publicly available information, which may be inaccurate or misleading, as well as constructing a model based on assumptions and subjective judgments that may prove to be incorrect.

*Short Sale Risk:* Selling short involves the sale of borrowed securities. In order to sell a security short, the Firm must borrow the security from a securities lender and deliver it to the buyer. The risk in selling a particular security short is that, contrary to the Firm's expectation, the price of the security will rise, resulting in a loss equal to the difference between the cost of acquiring the security (for return to the lender) and the net proceeds of the short sale. This risk of loss is theoretically unlimited; since there is theoretically no limit on the price to which the

security sold short may rise. The Firm may also be forced to unwind a short sale at a disadvantageous time for any number of reasons.

*Prime Broker Risk.* There is the possibility that the insolvency of brokerage firms may impair the operational capabilities or the capital position of the Clients. The Firm regularly monitors the financial condition of the prime brokers it utilizes. However, if one or more of the Client's prime brokers were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or in the United States Bankruptcy Code), there exists the risk that the recovery of the Client's securities or other assets from such prime broker, will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker.

*Reliance on Data Risk.* The Firm may use investment strategies, such as quantitative strategies, that are highly reliant on the gathering, cleaning, culling, and analysis of large amounts of data from third parties and other external sources. It is not possible or practicable, however, for a manager to factor all relevant, available data into quantitative model forecasts and/or trading decisions. Quantitative managers (and/or affiliated licensors of such data) will use their discretion to determine what data to gather with respect to an investment strategy and what subset of that data the models will take into account to produce forecasts that may have an impact on ultimate trading decisions.

*Cyber Security Risk.* As the use of technology has become more prevalent in the course of business, Epsilon has become more susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. Cyber-attacks include, among other things, the attempted theft, loss, misuse, improper release, corruption or destruction of, or unauthorized access to, confidential or highly restricted data relating to the Clients and their shareholders; and attempted compromises or failures to systems, networks, devices and applications relating to the operations of the Clients and their service providers. Cyber security breaches may result from unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) or from outside attacks, such as denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

*Statistical Measurement Error.* Trading strategies employed by Epsilon may rely on patterns inferred from historical series of prices and other financial data. Even if all the assumptions underlying the models were met exactly, the models can only make a prediction, not afford certainty. There can be no assurance that future performance will match the prediction. Further, most statistical procedures cannot fully match the complexity of the financial markets and as such, results of their application are uncertain. In addition, changes in underlying market conditions can adversely affect the performance of a statistical model.

*Use of Simulation Risk.* Epsilon may use a standard statistical approach for dealing with uncertainty. As with any other methods used to make projections into the future, there are several risks associated with this method, which may result in the client not being able to achieve their financial goals. They include (i) the risk that expected future cash flows will not match those used

in the analysis; (ii) the risk that future rates of return will fall short of the estimates used in the simulation; (iii) the risk that inflation will exceed the estimates used in the simulation; (iv) for taxable clients, the risk that tax rates will be higher than was assumed in the analysis.

**C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

The Firm does not recommend a particular type of security to the Clients, but rather, retains investment discretion to make investment decisions in-line with each Client's investment guidelines, as fully disclosed in each Client's Offering Documents.

**ITEM 9. DISCIPLINARY INFORMATION**

**If there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

Neither Epsilon nor any of its management persons have been involved in any legal or disciplinary events that are material to a client, investor, prospective client or prospective investor's evaluation of the Firm's advisory business or the integrity of its management.



**ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. If you or any of your *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither Epsilon nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**B. If you or any of your *management persons* are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.**

Neither Epsilon nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

**C. Describe any relationship or arrangement that is material to your advisory business or to your *clients* that you or any of your *management persons* have with any *related person* listed below. Identify the *related person* and if the relationship or arrangement creates a material conflict of interest with *clients*, describe the nature of the conflict and how you address it.**

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

Epsilon and its management persons have no other relationships or arrangements with any of the related persons listed above that are material to Epsilon’s advisory business or its clients.

**D. If you recommend or select other investment advisers for your *clients* and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

This is not applicable to Epsilon.

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

**A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any *client* or prospective *client* upon request.**

The Firm has adopted a Code of Ethics (the “Code”) to comply with Rule 204A-1 under the Advisers Act which sets forth standards of business and personal conduct for all Epsilon employees. The Code is predicated on the basic idea that employees of Epsilon will adhere to certain ethical and fiduciary standards and will conduct their affairs in accordance with the principles of professionalism, integrity, honesty and trust.

The Code establishes policies and procedures that are reasonably designed to: (i) prevent fraud and improper personal trading; (ii) identify circumstances that may result in an actual or potential conflict of interest or the appearance thereof; and (iii) provide a means to resolve such conflicts. Investors and prospective investors may request a copy of the Code by contacting Epsilon at the address or telephone number listed on the first page of this brochure.

All transactions made by employees are closely monitored on an ongoing basis by the Chief Compliance Officer or his designee to ensure pre-clearance has been sought and obtained when required, and to ensure the personal trading patterns of employees fall within the guidelines set forth in the Code.

Personal trading transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a Client. The Firm has adopted policies and procedures designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that it effects transactions for Clients in a manner that is consistent with its fiduciary duty to its Clients and in accordance with applicable law.

**B. If you or a *related person* recommends to *clients*, or buys or sells for *client* accounts, securities in which you or a *related person* has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Neither Epsilon nor any of Epsilon’s related persons recommend to Clients, or buys or sells for Client accounts, securities in which Epsilon or Epsilon’s related person has a material financial interest.

**C. If you or a *related person* invests in the same securities (or related securities, *e.g.*, warrants, options or futures) that you or a *related person* recommends to *clients*, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

Supervised and Access Persons or Firm personnel, partners and all professional and administrative staff members (including certain consultants and temporary employees, as deemed by the Chief Compliance Officer – CCO) are prohibited from trading in any issuer for which they or the Firm possesses Material Non-Public Information (MNPI) or are otherwise prohibited from trading. However, as the Firm does not routinely come across MNPI through their trading strategy, the Firm does permit its employees to trade in the same securities that it recommends to clients. Firm Supervised and Access Persons must obtain the CCO's preclearance for all transactions in Personal Trading Accounts occurring during the Reallocation Blackout Period, which begins two business days prior to a reallocation and concludes two business days following the completion of a reallocation. Reallocations typically happen on a quarterly basis. Preclearance can be obtained by submitting a Personal Securities Trading Approval Form or by emailing the information contained to the CCO. The CCO will promptly notify a Supervised or Access Person of the Firm's approval or denial of the requested transaction. If preclearance is granted, the transaction must be executed within two days of approval. The Firm takes the potential for conflicts of interest caused by personal trading very seriously. The Firm reserves the right to prevent purchases or sales of Firm employees for any reason it deems appropriate.

**D. If you or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for your own (or the *related person's* own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Supervised and Access Persons or Firm personnel, partners and all professional and administrative staff members (including certain consultants and temporary employees, as deemed by the Chief Compliance Officer – CCO) are prohibited from trading in any issuer for which they or the Firm possesses Material Non-Public Information (MNPI) or are otherwise prohibited from trading. However, as the Firm does not routinely come across MNPI through their trading strategy, the Firm does permit its employees to trade in the same securities that it recommends to clients. Firm Supervised and Access Persons must obtain the CCO's preclearance for all transactions in Personal Trading Accounts occurring during the Reallocation Blackout Period, which begins two business days prior to a reallocation and concludes two business days following the completion of a reallocation. Reallocations typically happen on a quarterly basis. Preclearance can be obtained by submitting a Personal Securities Trading Approval Form or by emailing the information contained to the CCO. The CCO will promptly notify a Supervised or Access Person of the Firm's approval or denial of the requested transaction. If preclearance is granted, the transaction must be executed within two days of

approval. The Firm takes the potential for conflicts of interest caused by personal trading very seriously. The Firm reserves the right to prevent purchases or sales of Firm employees for any reason it deems appropriate.

**ITEM 12. BROKERAGE PRACTICES**

**A. Describe the factors that you consider in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).**

**Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.**

- a. Explain that when you use *client* brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.**
- b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your *clients’* interest in receiving most favorable execution.**
- c. If you may cause *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.**
- d. Disclose whether you use soft dollar benefits to service all of your *clients’* accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.**
- e. Describe the types of products and services you or any of your *related persons* acquired with *client* brokerage commissions (or markups or markdowns) within your last fiscal year.**
- f. Explain the procedures you used during your last fiscal year to direct *client* transactions to a particular broker-dealer in return for soft dollar benefits you received.**

Epsilon does not engage in soft dollar arrangements with broker-dealers.

**2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a *related person* receives *client* referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

- a. **Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving *client* referrals, rather than on your *clients*' interest in receiving most favorable execution.**
- b. **Explain the procedures you used during your last fiscal year to direct *client* transactions to a particular broker-dealer in return for *client* referrals.**

This is not applicable to Epsilon.

### **3. Directed Brokerage.**

- a. **If you routinely recommend, request or require that a *client* direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their *clients* to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of *client* transactions, and that this practice may cost *clients* more money.**
- b. **If you permit a *client* to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of *client* transactions. Explain that directing brokerage may cost *clients* more money. For example, in a directed brokerage account, the *client* may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the *client* may receive less favorable prices.**

The Firm will consider cost of execution, cost of margin, consistency, quality and integrity of the Firm as well to ensure it is trading in the most cost-effective manner for its Clients.

**B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various *client* accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to *clients* of not aggregating.**

As a fiduciary, Epsilon is required to act in the best interest of its Clients at all times. In-line with this duty, Epsilon makes a best effort to trade Client accounts equitably while ensuring client account exposures remain *pari passu* to the intended strategy or composite. Equitable allocation is balanced with this best effort, given the technological execution and account differences due to each client's mandate. All client account trades are systematically batched together and executed through algorithmic orders, with different execution algorithms chosen at the manager's discretion, largely due to implied market impact stemming from account size differences. Epsilon reviews its trading policies and allocation practices on a periodic basis, but not less than annually to ensure its practices are in the Clients' best interests.

**ITEM 13. REVIEW OF ACCOUNTS**

**A. Indicate whether you periodically review *client* accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the *supervised persons* who conduct the review.**

Each client account is frequently monitored and reviewed by Epsilon's investment professionals.

**B. If you review *client* accounts on other than a periodic basis, describe the factors that trigger a review.**

A review of an investment portfolio, other than described above, may also be triggered by material changes in key variables, such as changes in market conditions, changes in investment objectives or policies or changes in capital inflows/outflows, among other things.

**C. Describe the content and indicate the frequency of regular reports you provide to *clients* regarding their accounts. State whether these reports are written.**

Monthly/quarterly performance updates and letters are provided to investors. A daily account snapshot is available through broker portals, as are relevant tax documents and periodic account statements.



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

**A. If someone who is not a *client* provides an economic benefit to you for providing investment advice or other advisory services to your *clients*, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

This is not applicable to Epsilon.

**B. If you or a *related person* directly or indirectly compensates any *person* who is not your *supervised person* for *client* referrals, describe the arrangement and the compensation.**

Neither Epsilon nor any related person directly or indirectly compensate any person who is not a supervised person for client referrals.

**ITEM 15. CUSTODY**

**If you have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.**

Epsilon does not have custody of Client funds or securities.

**ITEM 16. INVESTMENT DISCRETION**

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

Clients provide Epsilon with the authority to exercise investment discretion on their behalves. Epsilon is considered to exercise investment discretion over a Client's account if it can effect transactions for the Client without first having to seek the Client's consent. Epsilon is given this authority through a power-of-attorney included in the management agreement between the Firm and the Client.

**ITEM 17. VOTING CLIENT SECURITIES**

**A. If you have, or will accept, authority to vote *client* securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your *clients* can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your *clients* with respect to voting their securities. Describe how *clients* may obtain information from you about how you voted their securities. Explain to *clients* that they may obtain a copy of your proxy voting policies and procedures upon request.**

If the Firm accepts responsibility to vote proxies on behalf of its Clients, the following procedures have been developed:

In the event that the Firm is presented with an opportunity to vote a proxy, the Firm will generally vote in line with company management, as company management is best suited to make decisions that are essential to the ongoing operations of the company. However, the Firm's policy, first and foremost, will be to vote in accordance with the best interest of the Clients; so, under circumstances in which the Firm believes that company management's proposals will not maximize the value for the Clients or is not in the best interest of the Clients, the Firm will vote against company management. In all cases, the reason for the decision, along with a record of the vote will be retained by the CCO for the Firm's books and records.

To protect the Clients against a breach of the Firm's duties to them, on any occasion when a proxy vote presents a conflict of interest generally, the CCO will present such purported conflict of interest to the Firm's investment personnel for consultation on the matter and conduct a conflict analysis. The CCO shall document the matter and preserve such documentation for the Firm's books and records.

**B. If you do not have authority to vote *client* securities, disclose this fact. Explain whether *clients* will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) *clients* can contact you with questions about a particular solicitation.**

The Firm does not have authority to vote proxies for certain of its Clients, as fully disclosed in such Client's Offering Documents.

**ITEM 18. FINANCIAL INFORMATION**

**A. If you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, include a balance sheet for your most recent fiscal year.**

- 1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.**
- 2. Show parenthetically the market or fair value of securities included at cost.**
- 3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.**

This is not applicable to Epsilon.

**B. If you have *discretionary authority* or *custody* of *client* funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to *clients*.**

Epsilon is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

**C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

This is not applicable to Epsilon.

**ITEM 19.        REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

This Item is not applicable to Epsilon.