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## **Form ADV Part 2A**

### **Firm Brochure**

*This brochure provides information about the qualifications and business practices of Sanostro AG. If you have any questions about the contents of this brochure, please contact us at +41445158710 or by email at: [info@sanostro.com](mailto:info@sanostro.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Sanostro AG is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Sanostro AG's CRD number is: 290214.*

*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

There are no material changes in this brochure from the last annual updating amendment on 03/21/2019 of Sanostro AG. Material changes relate to Sanostro AG's policies, practices or conflicts of interests.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Sanostro (the “Firm” or “Company”) is an investment advisory business founded by Johannes Minho Roth, Wolfgang Batt and Godefroy Schrago with particular expertise in the evaluation and application of quantitative investment strategies (the “Quant Strategies”).

Sanostro was founded in Zurich in September 2011 and has an affiliate office in Munich, Germany, where it mainly conducts IT development. The company is privately held by its founders and team as well as early investors. Principal owners of the company are Johannes Minho Roth and Wolfgang Batt via Sanostro Holding AG.

The firm provides investment advisory, research, performance reporting, and in some cases, investment management services.

We encourage visiting our website [www.sanostro.com](http://www.sanostro.com) for additional information.

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

#### ***Risk Management Services***

Sanostro identifies suitable Quant Strategies developed by investment management firms or research entities and uses information derived from these Quant Strategies (the “Signals”) to advise clients on risk management and asset allocation. Sanostro currently offers no funds or other investment vehicles, but advises and consults clients on topics related to managing currency, equity, commodity and fixed income risks. Sanostro’s advisory objective is to seek maximum long-term, risk-adjusted, net of fee returns. Our hedging services are designed to reflect our key beliefs, which are cost efficiency, transparency and alignment of interests.

Sanostro may direct clients to third-party investment advisers to manage all or a portion of the client's assets. Before selecting other advisers for clients, Sanostro will always ensure those other advisers are properly licensed or registered as an investment adviser. Sanostro conducts due diligence on any third-party investment adviser, which may involve one or more of the following: phone calls, meetings and review of the third-party adviser's performance and investment strategy. Sanostro then makes investments with a third-party investment adviser by referring the client to the third-party adviser. These investments may be allocated either through the third-party adviser's fund or through a separately managed account managed by such third party adviser on behalf of Sanostro's client. Sanostro will review the ongoing performance of the third-party adviser as a portion of the client's portfolio.

## **Exposure Management and Hedging**

Sanostro uses Signals to advise clients on actively managing risk exposures contained in portfolios. We continuously monitor risk and exercise patience on when to adjust the exposure and execute hedges. Our low touch approach means that our clients remain fully invested and earn risk premiums for as long as possible, while having their downside risk managed at low cost. We typically advise to use highly liquid, cost efficient futures/forwards as hedging instruments. All assets and hedges remain on our clients' accounts and under their discretion. Hedging positions and execution prices are therefore traceable for our clients.

## **Asset Allocation**

Sanostro also uses Signals to advise clients on actively managing their asset allocation on a tactical basis. The same principles as for Exposure Management and Hedging, as described before, are applied.

## **Portfolio Simulation Services**

Sanostro provides portfolio simulation and construction services. These simulations are important to understand the impact of certain Quant Strategies on the client's portfolio.

## **Portfolio Reporting Services**

Sanostro provides its clients with reporting services that reflect the advisory services as provided by Sanostro. The reporting shows the performances of both a portfolio without and a portfolio with active exposure management. The reporting is provided in regular intervals, typically on a monthly basis.

## ***Pension Consulting Services***

Sanostro offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). Pension consulting may include, but is not limited to:

- identifying investment objectives and restrictions
- providing guidance on various assets classes and investment options
- recommending money managers to manage plan assets in ways designed to achieve objectives
- monitoring performance of money managers and investment options and making recommendations for changes
- recommending other service providers, such as custodians, administrators and broker-dealers
- creating a written pension consulting plan

These services are based on the goals, objectives, demographics, time horizon, and/or risk tolerance of the plan and its participants.

### ***Services Limited to Specific Types of Investments***

Sanostro generally limits its investment advice to mutual funds, fixed income securities, real estate funds (including REITs), insurance products including annuities, equities, hedge funds, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds, commodities, non-U.S. securities and venture capital funds. Sanostro may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

Sanostro will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by Sanostro on behalf of the client. Sanostro may use model allocations together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Sanostro from properly servicing the client account, or if the restrictions would require Sanostro to deviate from its standard suite of services, Sanostro reserves the right to end the relationship.

At the same time Sanostro provides in-depth information about the operating principles of the relevant Quant Strategies. Once a mutual understanding of the investment goals is created we define the relevant parts of the investment strategy in close collaboration with the client.

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

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. Sanostro does not participate in any wrap fee programs.

### **E. Assets Under Management**

Sanostro has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$0	\$47,500,000	December 2019

Sanostro primarily intends to operate as sub-advisor and hence works on respective mandates. These are not included in the AUM figure.

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Risk Management Services*

Sanostro can be compensated for its advisory services by charging an advisory fee based on the net market value of the Assets under Advisory ("AuA"). Sanostro reserves the right, in its sole discretion, to negotiate advisory fees with any client on a bilateral basis. The fee schedule foresees a decrease in fees with an increase of the value of the AuA.

Sanostro's standard fee schedule for investment advisory services offered consists of a management fee, payable monthly or quarterly in arrears as of the last business day of each calendar month, at a rate between 0,0 and 1,0% per annum based on the individual agreements and a performance fee, payable monthly or quarterly in arrears equal to up to 20% of the net outperformance attributable to the client, offset by previous losses attributable to that client (High-Water Mark approach).

The fee rates, calculation methodologies and frequency of payments are subject to negotiation based on the particular circumstances of the client.

#### *Pension Consulting Services Fees*

##### **Asset-Based Fees for Pension Consulting**

Methodology	Annual Fee
Asset-Based Fee	Up to 60%

Sanostro uses the value of the account as of the last business day of the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

These fees are generally negotiable.

### B. Payment of Fees

#### *Payment of Pension Consulting Fees*

Asset-based pension consulting fees may be invoiced and billed directly to the client on a quarterly basis. Fees are paid in arrears.



## ***Risk Management Services Fees***

Clients will generally be billed quarterly for both the advisory and performance fee. In certain cases, clients may choose to have the fees deducted from their accounts or to be billed directly.

Other than advisory fees and performances fees, neither Sanostro nor its employees receive or accept any direct or indirect compensation related to investments that are purchased or sold under the advisory agreement. This means that Clients will not be sold products or services that create additional fees or compensation to benefit Sanostro or its employees or its affiliates other than those described in this Brochure and on the Site.

However, in addition to advisory and performance fees, Clients may also pay other fees or expenses to third-parties. For instance, fees and costs may be incurred when we trade securities or products for Clients, such as futures, forwards, option, ETFs or similar financial products. Costs associated with the aforementioned securities or products may be brokerage or transaction related. Sanostro does not charge these fees to Clients and does not benefit directly or indirectly from any such fees.

### **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by Sanostro. Please see Item 12 of this brochure regarding broker-dealer/custodian.

### **D. Prepayment of Fees**

Sanostro collects its fees in arrears. It does not collect fees in advance.

### **E. Outside Compensation For the Sale of Securities to Clients**

Neither Sanostro nor its supervised persons accept any compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Sanostro can charge performance-based fees in addition to the fees as described in Item 5. Performance-based fees can be part of the overall fee structure agreed upon with the client or the

only fees charged. In general, performance fees are based on outperformance, which is calculated against a benchmark agreed with the client. Performance fees are subject to a high watermark.

Although we generally believe that a performance-fee over a fair benchmark increases the alignment of interest with the client, we acknowledge that certain conflicts of interests and risks may arise in situations where performance-based fees are charged. Theoretically, performance-based fees create an incentive to make investments that are more risky or more speculative than would be the case if such arrangements were not in effect. In our case, we mitigate this risk by mutually agreeing upon investment guidelines and a fair benchmark with the client. In addition, in the cases where we develop a risk management or hedging strategy with the client, we typically seek to reduce the existing risk of the portfolio and not to increase it. In these cases Sanostro will benefit from performance fees if the risk reduction was effective and losses could be avoided.

As for Side-by-Side Management, Sanostro does not trade or invest for its own account but is focussed on providing services to customers.

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

Sanostro generally provides advisory services to the following types of clients:

- ❖ High-Net-Worth Individuals
- ❖ Banks and Thrift Institutions
- ❖ Investment Companies
- ❖ Pooled Investment Vehicles
- ❖ Pension and Profit Sharing Plans
- ❖ Insurance Companies

There is no account minimum for any of Sanostro's services.

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

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

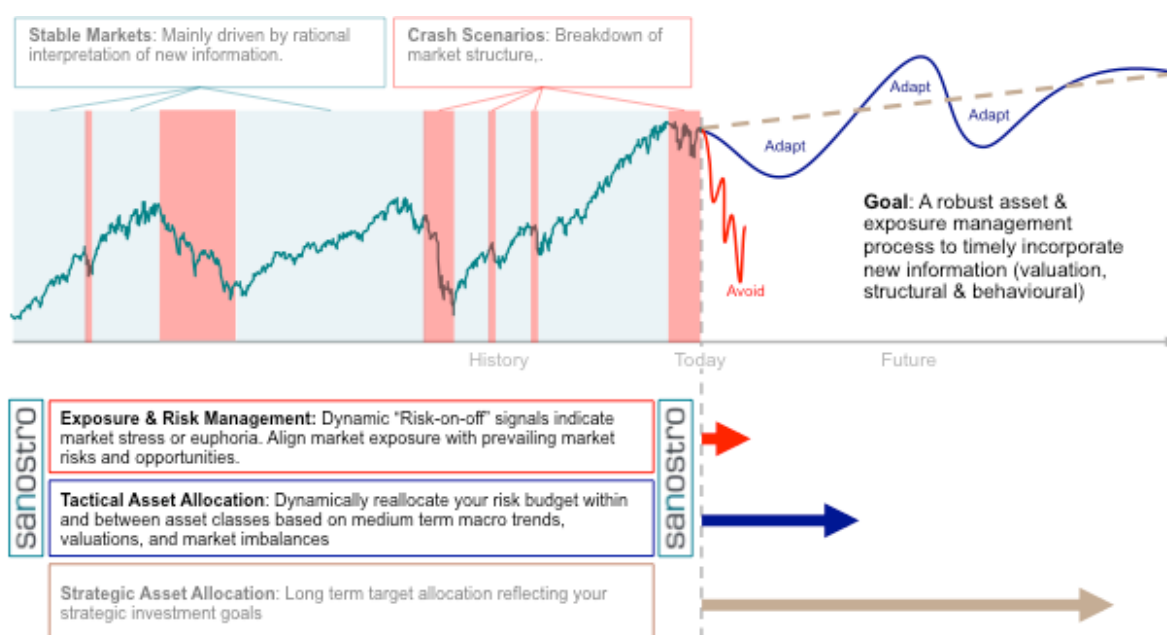
#### *Methods of Analysis*

Sanostro applies innovative techniques developed by quantitative investment managers with the goal of creating cost efficient asset allocation and hedging solutions. A central goal of our strategies is effective risk management, more precisely the mitigation of downside risk in existing client portfolios, in order to create asymmetric investment outcomes, i.e. a more favourable risk/return relationship.

Our approach is fully systematic and based on the models of highly innovative and leading quantitative investment managers and research houses. Sanostro has strong expertise in analysing quantitative concepts and works with a number of firms from which it selected suitable quantitative investment models. These models form the basis for tailored quantitative investment solutions. For each client, Sanostro selects or combines one or more of these quantitative models to solve a specific client problem. Not every problem can be solved however.

In order to align a solution with a client's goal, it is important to understand the characteristics of a specific quantitative approach. Typically approaches work well in some market environments and less well in other environments. These characteristics need to be considered in order to create an efficient solution.

The strategies are long-term as it typically takes a full market cycle in order to benefit from the underlying principles. An illustrative example of a full market cycle and some explanations are shown below:



The most common applications of the strategies are for exposure and risk management, tactical asset allocation or foreign exchange risk management. A description of the different applications and the corresponding

	Signal & model type	Investment rationale	Application	
short-term	Exposure & Risk Signals	Irrational investor behaviour. Models identify changes in trends as markets shift to a flight and fear driven environment. Short term horizon.	Reduce drawdowns. Avoid negative compounding and benefit from asymmetric returns to achieve higher terminal wealth.	behavioral
horizon	Currency Signals	Based on trend, carry and valuation models applied to individual currency pairs. Mid- to long-term horizon.	Active currency management with the goal to smoothen and increase local currency returns over time.	driver
mid-term	Tactical Asset Allocation Signals	Pro-cyclical investor behaviour. Mean reversion models based on macro-economic cycles & relative valuation. Mid to long term horizon.	Source of excess return. Align tactical exposure to capture macro economic & valuation based opportunities.	rational

Sanostro's methods of analysis include Modern portfolio theory and Quantitative analysis.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## B. Material Risks Involved

### *Methods of Analysis*

Sanostro cannot guarantee any level of performance or that any Client will avoid a loss of assets. **Any investment in securities involves the possibility of financial loss that Clients should be prepared to bear.**

When evaluating risk, financial loss may be viewed differently by each Client and may depend on many different risk items, each of which may affect the probability of adverse consequences and the magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective Client before retaining Sanostro's services. These risks should be considered as possibilities, with additional regard to their actual probability of occurring and the effect on a Client if there is in fact an occurrence.

**Advisory Risk** – There is no guarantee that Sanostro’s judgment or investment decisions about particular strategies and models or securities or asset classes will necessarily produce the intended results. Sanostro’s judgment may prove to be incorrect, and a Client might not achieve his investment goals. Sanostro may also make future changes to the advisory services that it provides. In addition, it is possible that Clients or Sanostro itself may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to Sanostro’s software based financial advisory service.

**Market Risk** – Market disruptions may incur large losses. Sanostro’s expertise is to advise clients on risk management and asset allocation and, as such, Sanostro does typically not itself manage portfolios and accounts. Therefore, market risk is typically managed by Sanostro’s clients directly or by their executing managers. However, there is no guarantee that Sanostro’s risk management strategies work out and reduce losses in every market crisis. There may even be scenarios where losses are increased due to Sanostro’s risk management strategies.

**Operational Risk** – Sanostro defines operational risk as a failure to adhere to investment parameters set for a particular mandate, due to inadequate controls or oversight, failed internal processes, systems, people or external events. Operational risk policy includes a framework to minimize errors.

**Quantitative Model Risk** – The quantitative models used by Sanostro may generate false signals for an extended period of time. It may even be the case that they are repeatedly trigger buy signals at market highs and sell signals at market lows and therefore accumulate losses over time. It may also be that a quantitative model, which might have worked in the past, is permanently not working anymore due to e.g. changes in the market structure or even for unidentifiable reasons.

**High Levels of Trading Risk** – Sanostro investment signals can lead to higher than expected levels of trading. This might be true especially for volatile sideways markets. High levels of trading could result in, amongst others, (a) bid-ask spread expense; (b) trade executions that may occur at prices beyond the bid-ask spread (if quantity demanded exceeds quantity available at the bid or ask); (c) trading that may adversely move prices, such that subsequent transactions occur at worse prices; (d) unforeseen trading errors; (e) additional execution fees. However, Sanostro’s strategies are typically applied in highly liquid markets as well as liquid futures and forwards instruments securities – this reduces the risk of unfavourable execution prices.

**Liquidity Risk** – Sanostro’s strategies typically operate in highly liquid markets, but liquidity conditions in each market may change quickly. Liquidity risk exists when a particular security or instrument is difficult to purchase or sell and it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

**Key Personnel Risk** – Sanostro’s management team has so far been very stable. However, the staffing at Sanostro may change and new decision makers may have less success in managing the business and the strategies.

### *Investment Strategies*

**Selection of Other Advisers:** Although Sanostro will seek to select only money managers who will invest clients' assets with the highest level of integrity, Sanostro's selection process cannot ensure that money managers will perform as desired and Sanostro will have no control over the day-to-day operations of any of its selected money managers. Sanostro would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment “style drift” or even regulatory breaches or fraud.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit

rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real estate funds** (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Hedge funds** often engage in leveraging and other speculative investment practices that may increase the risk of loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; May involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Venture capital funds** invest in start-up companies at an early stage of development in the interest of generating a return through an eventual realization event; the risk is high as a result of the uncertainty involved at that stage of development.

**Commodities** are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors, such as disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain.

**Non-U.S.** securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither Sanostro nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Sanostro nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.



### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Our main business activity is the provision of advisory services.

An affiliate company, Nosco Partners, is also providing financial education services to financial professionals. This mainly includes specialized financial training courses for professionals such as wealth managers, asset managers, investment bankers or board members.

Another affiliate company is FiveT Capital, which runs discretionary investments and invests in special situations.

We are registered with the VQF, which is a Self Regulatory Organization for investment advisors in Switzerland and which is officially recognized by the Federal Financial Market Supervisory Authority (FINMA).

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

Sanostro may direct clients to third-party investment advisers to manage all or a portion of the client's assets. Clients will pay Sanostro its standard fee in addition to the standard fee for the advisers to which it directs those clients. This relationship will be memorialized in each contract between Sanostro and each third-party advisor. The fees will not exceed any limit imposed by any regulatory agency. Sanostro will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. Sanostro will ensure that all recommended advisers are licensed or notice filed in the states in which Sanostro is recommending them to clients.

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

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

Sanostro has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Sanostro's Code of Ethics is available free upon request to any client or prospective client.

## **B. Recommendations Involving Material Financial Interests**

Sanostro does not recommend that clients buy or sell any security in which a related person to Sanostro or Sanostro has a material financial interest.

## **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Sanostro may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Sanostro to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. Sanostro will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Sanostro may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Sanostro to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, Sanostro will never engage in trading that operates to the client's disadvantage if representatives of Sanostro buy or sell securities at or around the same time as clients.

# **Item 12: Brokerage Practices**

## **A. Factors Used to Select Custodians and/or Broker/Dealers**

Sanostro does not recommend brokers/custodians.

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

Sanostro does not trade client's accounts and therefore receives no research, product, or services from a broker-dealer ("soft dollar benefits").

### ***2. Brokerage for Client Referrals***

Sanostro receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

Sanostro does not trade client's accounts.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

Sanostro does not trade clients' accounts and therefore does not have the ability to block trade purchases across accounts.

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

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for Sanostro's advisory services provided on an ongoing basis are reviewed at least Monthly by Vincent Couson, Partner, with regard to clients' respective investment policies and risk tolerance levels. All accounts at Sanostro are assigned to this reviewer.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Clients receive direct custodian reporting and may receive additional reporting – subject to the services specified with the client - from Sanostro. These written reports typically include exposure analysis, portfolio performance, performance versus benchmarks and key performance and risk analysis. These reports will differ in presentation and information presented. Clients should always check to ensure that custodian reporting is consistent with reporting received from Sanostro. Clients should contact Sanostro immediately if major inconsistencies appear in report(s).

Each client of Sanostro's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Sanostro does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Sanostro's clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

Sanostro is compensated solely by management, advisory and/or performance fees earned from our clients directly or from the quantitative investment firms we are cooperating with. In case we receive our compensation from investments firms of which our client's or joint clients apply models, the fee sharing structure is disclosed to the clients and approved by them.

We have entered into solicitation arrangements with third parties whereby Sanostro compensates such persons for referrals of potential clients. Such persons are compensated by us from the management, advisory and/or performance fees earned and only if the referred person or entity becomes a client. Our clients may retain investment consultants to advise them on the selection and review of their investment advisers. Such consultants may place us into searches or other selection processes for their clients. Sanostro may, from time to time, purchase products or services from some consultants, for example, payment of registration fees to attend (along with other investment advisers) consultant-sponsored conferences.

Solicitor relationships will be fully disclosed to each Client to the extent required by applicable law. Sanostro will ensure each solicitor is exempt, notice filed, or properly registered in all appropriate jurisdictions. All such referral activities will be conducted in accordance with Rule 206(4)-3 under the Advisers Act, where applicable.

## **Item 15: Custody**

Sanostro does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the client's custodian. Clients will receive account statements from the custodian and should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

Sanostro does not have discretion over client accounts at any time.

## **Item 17: Voting Client Securities (Proxy Voting)**

Sanostro will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Sanostro neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Sanostro nor its management has any financial condition that is likely to reasonably impair Sanostro's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

Sanostro has not been the subject of a bankruptcy petition in the last ten years.