

# QUANTITATIVE SYSTEMATIC STRATEGIES LLC

PART 2A OF FORM ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Quantitative Systematic Strategies LLC ("QSS"). If you have any questions about the contents of this brochure, please contact us at (631) 359-1777 and/or at [jdibartolo@quantss.com](mailto:jdibartolo@quantss.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.

Quantitative Systematic Strategies LLC is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH THE ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM, OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURES. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR THIS BROCHURE.

Additional information about Quantitative Systematic Strategies LLC is also available on the SEC's website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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## ITEM 2 - MATERIAL CHANGES

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This brochure has been updated to reflect current assets under management and a new Chief Compliance Officer as of August 2019. The brochure was last updated on March 1, 2019. There are no other material changes to report.

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## ITEM 4 - ADVISORY BUSINESS

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Quantitative Systematic Strategies LLC (“QSS”) is a Delaware Limited Liability Company formed in August 2012. QSS is an independent investment manager which offers discretionary investment management services to clients. QSS has its office at 175 West Main St, Suite 6, Babylon, New York.

The Company is controlled 100% by its Sole Member and principal owner, Edward Raha. Mr. Raha has over thirty years of experience in hedge fund management, financial modeling, automated trading, and the design of systematic and quantitative strategies.

QSS’s investment philosophy aims to achieve long term capital appreciation through investment and speculative trading. Please refer to Item 8 – *Methods of Analysis, Investment Strategies and Risk of Loss* for more details. Client investment objectives are discussed prior to engaging in an advisory contract. QSS assesses each client’s objectives, risk tolerance, and any restrictions on types or specific issues of securities. These factors are then detailed in the Investment Advisory Agreement.

QSS provides investment management services to its clients through managed accounts (the “Accounts”) using investment guidelines set forth in client agreements. The Firm maintains Prime Broker relationships with JP Morgan and Interactive Brokers LLC. Accounting, valuation and registration services for the Accounts are handled by SS&C GlobeOp and Interactive Brokers LLC.

QSS is registered with the U.S. Securities and Exchange Commission as an Investment Adviser. QSS is also registered with the Commodities Futures Trading Commission as a Commodity Trading Advisor and is a member of the National Futures Association.

QSS does not currently provide, nor does it anticipate providing, portfolio management services to any wrap fee programs.

The Firm provides discretionary investment management services to institutional clients that are duly registered investment advisers, high net worth individuals, and retail clients. As of December 31, 2019, QSS manages \$966,418,297 on a discretionary basis. There are no assets managed on a non-discretionary basis.

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## ITEM 5 - FEES AND COMPENSATION

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QSS manages some accounts that earn fixed management fees, which are payable monthly in advance. If an advisory contract is terminated before the end of the billing period, QSS will calculate the refund amount based on the number of trading days in the month that the client was active.

QSS also manages some accounts that are charged an asset-based fee, which is calculated on the value of the client’s assets that QSS manages, in accordance with the following fee schedule:

Assets under Management	Annualized Fee
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All

1.00%

This fee is based on the market value of client Accounts on the last day of each calendar month, multiplied by the annual rate and divided by 12. The fee is payable monthly (covering the preceding month) within ten (10) days after the end of the applicable month for which payment is due. Fees earned are deducted from the assets of the Accounts and are generally not negotiable.

Client Accounts must pay all brokerage and transaction costs associated with account activities, including but not limited to research, brokerage commissions, dealer spreads, financing charges and related transactional fees and expenses, interest expenses and dividends payable with respect to securities sold short. Please see Item 12 – *Brokerage Practices* for additional detail.

The Accounts are also obligated to pay their own operating expenses, including applicable taxes, which may include, but are not limited to, administrator fees, legal and audit fees, taxes (if any), bookkeeping charges, registrar's fees, distribution costs, filing fees or other regulatory fees, the cost of all services required in connection with the provision of the information to investors and all other costs relating to the formation, organization and administration of the Accounts.

QSS does not charge fees on the sale of investment products, nor does it currently maintain shared fee arrangements with any third parties. To date, all marketing is performed in-house; although, QSS may enter into placement arrangements in the future.

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

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Neither QSS nor any of its supervised persons accepts performance fees, which are based on a share of capital gains on or capital appreciation of Client assets.

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#### **ITEM 7 - TYPES OF CLIENTS**

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QSS's client base is comprised of qualified eligible persons and accredited investors, including institutional investors, high net worth individuals, and retail clients.

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

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Method of Analysis - The investment philosophy of QSS aims to achieve long term capital appreciation through speculative trading. QSS employs various approaches which are based on long term studies of the stock market.

The investment process is integrated across research, security selection and portfolio construction. All components of the process are monitored by senior management.

**Investment Strategies** - The investment objectives and strategies for the Accounts may be specific to the Accounts as contracted with the clients. Investment decisions are made based on the individual needs of each client and may be made independently from those of other clients.

**Risk of Loss** - It is important to note that investing in securities involves a number of risks. An investment should only be made after consulting an independent qualified professional resource for investment and tax advice. An investment in any investment vehicle or strategy managed by QSS is speculative. Investment policy considerations include, but are not limited to, setting of objectives, defining risk/return constraints, considering time horizons, reviewing applicable laws and regulations, understanding tax consequences and assessing any preferences or circumstances unique to each investor.

The investment strategies of QSS primarily focus on equity securities that are liquid and traded on public exchanges. A set of risk factors that are common across strategies is defined below. This set of risk factors is not complete, and all potential investors are encouraged to conduct a careful review before investing.

**No Guarantee of Return or Achievement of Investment Objectives** - Growing competition may limit QSS's ability to take advantage of trading opportunities. No assurance can be given that investors will realize a profit on their investment. Moreover, each investor may lose some or all his or her investment. Because of the speculative nature of the trading activities, the results of the Accounts' operations may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods.

**Reliance on QSS** - Quantitative Systematic Strategies LLC has exclusive responsibility for managing the trading activities on behalf of the Accounts. Investors must rely on the judgment of the investment manager in exercising this responsibility.

**Use of Leverage** - Leverage may be employed by Quantitative Systematic Strategies in some of the Accounts that it manages. Leverage involves an account's purchase of securities using money borrowed from brokerage firms or banks against a pledge of an account's assets. An account will incur leverage if it purchases securities with a market value greater than the current Net Asset Value of the account. While the use of borrowed funds may improve the return on invested capital when the portfolio increases in value, such use may also increase losses if the investment portfolio declines in value. QSS calculates and monitors leverage on a daily basis. In addition, the custodians monitor margin levels for applicable Accounts daily.

**Short Sales** - QSS may engage in selling securities short. To transact a short sale, the account will borrow a security it does not own, sell the security short, receive cash for the sale and then buy back the security at a later time and realize a gain or loss on the transaction. Selling securities short inherently involves leverage because the short sale of a security involves the sale of a security not owned by the seller. If the seller borrows the security, the seller must then buy the security at a later date in order to replace the shares borrowed. If the price of the security at such later date is lower than that at the date of the short sale, the seller realizes a profit; if the price of the security has risen, the seller realizes a loss. Selling a security short which is borrowed exposes the seller to unlimited risk with respect to the security due to the lack of an upper limit on the price to which the security can rise.

Turnover - QSS strives to limit turnover and transaction costs. However, certain trading activities may take place based on medium- to short-term market considerations. The portfolio turnover for these strategies may be substantial at times, due to either such decisions or market conditions and may result in the Accounts incurring substantial brokerage commissions, dealer spreads and other transaction fees and expenses.

Liquidity - The Clients may not be able to liquidate their investments on a timely basis.

Hedging - QSS may use various “risk reduction” techniques designed to minimize the risk of loss in portfolio positions. Even so, a substantial risk remains that such techniques will not always be possible to implement and when possible will not always be effective.

Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses. QSS establishes other positions designed to gain from the same developments, thus moderating the decline in the overall portfolio positions’ value. Such hedge transactions also limit the opportunity for gain if the value of a portfolio position should increase. It may not be possible for QSS to enter a hedging transaction at a price sufficient to protect from a decline in the position’s value. In addition, QSS may choose not to engage in a hedging transaction if the expense associated with the transaction is perceived as being too costly. While QSS may seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance of the Accounts than if QSS had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary and may impact the effectiveness of this strategy.

Decisions Based on Long Term Historical Study of the Markets – QSS’s trading decisions are based on trading strategies which utilize the analysis of past price behavior. The future profitability of these strategies depends upon the ability of the future price action to not be materially different from the past. In addition, QSS’s approach may be similar to that used by other traders resulting in many traders attempting to initiate or liquidate positions in a market at or about the same time, which may affect the execution of trades and the ability to generate profits.

Changes in Strategy – Unless specifically prohibited by the Client Agreement(s), QSS has the power to expand, revise or alter its trading strategies without prior approval by, or notice to, the Accounts or the holders of Interests. Any such change could result in exposure of the Accounts’ assets to additional risks which may be substantial.

Use of Discretion – QSS has the right to exercise discretion. No assurance can be given that such use of discretion will enable the Accounts to avoid losses and in fact such use of discretion may cause the Accounts to forego profits which it may have otherwise earned had such discretion not been used.

Currency Exposure – The Accounts may hedge foreign currency assets or liabilities by entering into futures/forward contracts, swaps, options on the foregoing, and other instruments in order to minimize foreign currency exposure. Accordingly, the value of an investment in an account may, when

measured in the reporting currency, be affected by fluctuations of the foreign currency relative to the reporting currency. There are costs associated with currency hedging and there is no assurance that QSS will be able to completely eliminate the effect of currency fluctuations.

Foreign Investments – Investments in foreign markets may present unique risks that are not associated with U.S. investments which may increase the risk of loss. Certain foreign governments may restrict outside investments in their markets or in specific industries. Regulations surrounding stock exchanges, securities markets, brokerage practices, and settlement and clearance procedures may not be as wide-ranging as those in the U.S., and reporting surrounding a company's earnings, holdings, and overall financial situation may not be required. Also, investor protection laws may not be as comprehensive as those in the U.S.

Institutional Risk – Institutions such as brokers and FCMs have custody of the assets of the Accounts. These firms may encounter difficulties that impair the Accounts' operating capabilities or capital position. Furthermore, the institutions may fail to properly segregate the Accounts' assets. QSS selects and attempts to limit its transactions to brokers and dealers which it believes to be well capitalized and established to mitigate this risk.

Counterparty Risk – The Accounts will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes, which could subject an account to substantial losses. To mitigate such risks, QSS attempts to limit transactions to counterparties which it believes are established, well capitalized and credit worthy. Please refer to Item 12 – *Brokerage Practices* for additional comments with respect to this risk.

Cybersecurity Risk – QSS and its clients may be subject to information security risks resulting from both malicious cyber incidents such as malware or hacking attacks, or unintentional cyber events affecting QSS or its service providers. Cybersecurity events may cause disruptions to business operations and result in trading stoppages, financial losses, or violation of client privacy. QSS has a comprehensive information security and business continuity program in place, but it cannot control the effectiveness of the cybersecurity programs used by its service providers or prevent a cyber incident from taking place.

Other Trading Activities – QSS and each of its respective directors, officers, members, managers, employees, and affiliates, as applicable, may have sponsored and may in the future sponsor or establish other public and private funds. Certain of such persons may in the future trade for accounts other than the client Accounts, and will remain free to trade for such other accounts and to utilize trading strategies and formulae in trading for such accounts which may be the same or different from the ones QSS will utilize in making trading decisions for the client Accounts.

Laws and Regulations Affecting the Accounts May Change – Legislative, administrative or judicial changes may occur which alter, either prospectively or retroactively, the risk factors or tax considerations as described in this document. For instance, there are currently various proposals pending in the US Congress which, if enacted, could result in changes in US Federal tax laws. Regulations imposed on the financial markets in the future could significantly restrict or otherwise affect the Accounts' ability to access financial markets or impair the liquidity of positions.

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## **ITEM 9 - DISCIPLINARY INFORMATION**

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Neither Quantitative Systematic Strategies LLC nor its President and Sole Member have been subject to any of the following:

- ∞ Criminal or civil actions in a domestic, foreign or military court of competent jurisdiction
- ∞ Administrative proceedings before the SEC, any other U.S. federal or state regulatory agency, or other foreign regulatory authority
- ∞ Proceedings before any self-regulatory organizations

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

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Neither Quantitative Systematic Strategies LLC nor its President and Sole Member are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Quantitative Systematic Strategies LLC is a member of the National Futures Association and is registered as a Commodity Trading Advisor and Swaps Firm with the Commodity Futures Trading Commission as of December 2012. The Firm's President, Edward Raha, is registered as a Principal, Associated Person, and Swaps Associated Person of the Firm with the NFA. The Chief Compliance Officer Joseph DiBartolo is also registered as a Principal of the Firm.

Neither QSS nor its President and Sole Member recommend or select other investment advisors for its clients.

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

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Code of Ethics - QSS has adopted a Code of Ethics which sets forth the ethical and fiduciary principles and related compliance requirements under which QSS operates, as well as the procedures for implementing those principles. The Code includes provisions which govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality. Each employee and access person must provide an annual signoff and acknowledgement of the Code of Ethics. A copy of QSS's Code of Ethics is available free of charge by contacting us at (631) 359-1777 or [jdibartolo@quantss.com](mailto:jdibartolo@quantss.com).

Personal Trading - Employees of QSS and members of their immediate families (spouses, children, and other individuals living in the same household) are prohibited from trading any and all futures and equities



contracts on U.S., European, and Asian exchanges. Mutual funds are acceptable. Each employee and access person must provide an Annual Holdings Report and Quarterly Transaction Reports which verify their adherence to this policy.

QSS does not engage in principal transactions with the client Accounts, but if it did so in the future, QSS would obtain applicable client consent. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client.

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## **ITEM 12 - BROKERAGE PRACTICES**

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Quantitative Systematic Strategies LLC is responsible for all decisions with respect to the purchase and sale of securities for the Accounts, including the selection of brokers and dealers to effect transactions and the negotiation of brokerage commissions. As a result, QSS has a fiduciary and professional obligation to its clients to act with the care, diligence and skill that a prudent portfolio manager would exercise when executing transactions for client portfolios in accordance with the investment agreement.

All brokers are reviewed and assessed initially upon engagement, and thereafter quarterly, for suitability. A decision to enter any service level agreement is decided by senior management. QSS seeks to attract and employ top-tier service providers.

The Accounts will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes, which could subject them to substantial losses. To mitigate such risks, QSS attempts to limit transactions to counterparties which it believes are established, well capitalized and credit worthy.

At all times, it is QSS's policy to seek to obtain "best execution" in the management of client portfolios. Best execution does not necessarily mean the lowest commission on the transaction. It is defined as the most advantageous execution terms reasonably available under the circumstances, which includes price, speed of execution, certainty of execution, and overall cost of the transaction.

The client Accounts must pay all brokerage and transaction costs associated with their activities, including but not limited to research, brokerage commissions, dealer spreads, financing charges and related transactional fees and expenses, interest expenses and dividends payable with respect to securities sold short.

QSS does not have any soft dollar agreements in place, nor does it have soft dollar credits currently received from currencies transactions or futures transactions.

The Firm recognizes occasional trading errors are inevitable and has addressed resolution of trading errors in its Compliance Manual.

Trades are typically executed electronically with the exchange through various brokers' trading platforms.

QSS may purchase or sell the same securities for several clients at approximately the same time and may combine transactions to obtain best execution, negotiate more favorable commission rates, or fairly allocate differences in prices, commissions and other transaction costs among clients. When QSS aggregates transactions, it will request its Custodian to average the executed prices of the aggregated transactions and allocate the transactions in proportion to the orders placed for each client on any given day. Client Accounts will be deemed to have purchased or sold their proportionate share of the instruments involved at the average priced obtained. QSS will not receive any additional compensation or remuneration from aggregating multiple client orders.

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### **ITEM 13 - REVIEW OF ACCOUNTS**

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Review of Private Client Managed Accounts - The Managing Member of QSS meets with or contacts its clients periodically to review the investment portfolios and client objectives.

Should a client wish to make an additional investment to their account(s), the dollar amount of the contribution will be ascertained by the Managing Member. The Firm will then verify continuity of the representations and warranties made upon the initial contribution relating to the client's current financial position and/or material adverse changes in financial condition thereof. All client contributions will be processed through the administrator of the account, and re-screened against the OFAC database ([www.treas.gov/ofac](http://www.treas.gov/ofac)), for ongoing account monitoring and maintenance.

*Reviewer*

Edward Raha, President

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

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QSS does not participate in any arrangements whereby it receives compensation from persons other than the client for providing advisory and portfolio management services to clients.

At present, QSS does not have any referral arrangements with third party marketers or placement agents. A referral arrangement includes any arrangements or agreements under which QSS agrees to pay or receive a referral fee, which is any form of compensation, direct or indirect, paid for the referral of a client to or from QSS.

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### **ITEM 15 - CUSTODY**

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It is the general policy of the Firm not to accept custody of client funds or securities.

For separately managed accounts, custody is generally maintained at qualified custodians that provide statements at least quarterly. Investors should always compare information received from the custodian and/or fund administrators to any information received from QSS and contact the Firm with any questions.

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## **ITEM 16 - INVESTMENT DISCRETION**

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QSS customarily accepts discretionary authority to manage securities accounts on behalf of clients. The only restrictions on such authority are those established by the terms of the applicable client contract. For the existing Accounts, authority is granted by a signed Investment Advisory Agreement.

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

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Quantitative Systematic Strategies LLC has the authority to vote, tender, or non-tender client securities held in the Accounts.

QSS receives proxy materials from issuers, custodians, or broker dealers via email and through the trading platform with respect to any voteable shares held in client accounts. The Chief Compliance Officer establishes a file for each vote opportunity, and reviews potential conflicts of interest, including situations where employees may have a direct or indirect pecuniary interest in any issue presented for voting, or any relationship with the issuer.

If any material conflict of interest is identified, the Chief Compliance Officer will consult with the President to decide whether to seek the informed direction of the client or seek the recommendation of an independent third party. Steps will be taken to evidence that the proxy vote or abstention was in the best interest of the clients and not the product of any material conflict.

QSS generally will vote in favor of proposals that are a standard and necessary aspect of business operations and that it believes will not have a significant effect on the value of the investment. Factors considered in reviewing these proposals include the financial performance of the company, attendance and independence of board members and committees, and enforcement of strict accounting practices. Proposals that change the status of the corporation, its individual securities, or the ownership status of the securities will be reviewed on a case-by-case basis.

QSS generally will vote against any proposal that attempts to limit shareholder democracy in a way that could restrict the ability of the shareholders to realize the value of their investment and will support proposals that maintain or expand shareholder democracy.

Clients may request information concerning how proxies were voted on client securities. The Chief Compliance Officer will respond to such requests showing how client securities were voted on particular issues. However, if a client requests that a vote is cast in a specific way on a specific issue, the President will advise the client that the request cannot be accommodated.

The following records are maintained with respect to proxy votes:

1. Proxy statements received regarding client securities.
2. Records of votes cast on behalf of a client, including each security to which votes were cast, the number of shares voted and how they were voted on each issue.
3. Records of requests by clients for proxy voting information and responses to such requests.
4. Documents used by the Firm that were material to how a proxy was voted or that memorialized the basis for the voting decision.

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## **ITEM 18 - FINANCIAL INFORMATION**

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QSS does not solicit or require prepayment of fees by clients. QSS does not have custody of client funds or securities in Accounts managed for private clients.

There are no financial conditions that are reasonably likely to impair QSS's ability to meet its contractual commitment to its client. QSS has not been the subject of a bankruptcy petition at any time since its inception in 2012.