

## Part 2A of Form ADV: Firm Brochure

Item 1

### Cover Page

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Statement:

**This brochure provides information about the qualifications and business practices of Quantbot Technologies, LP, previously known as Quantbot Technologies, LLC (the “Firm” or “Quantbot”). If you have any questions about the contents of this brochure, please contact us at 646-461-6207. 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 Quantbot Technologies, LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Disclaimer:

**Quantbot Technologies, LP is a Registered Investment Advisor with the Securities and Exchange Commission (“SEC”). Such registration with the SEC does not imply a certain level of skill or training in the performance of the investment advisory duties.**

## Item 2

### Material Changes

Quantbot is filing this Form ADV Part 2A as an annual update to its most recent filing. There has been one material change to note since our most recent filing of this document, as follows:

In accordance with the Quantbot Limited Partnership Agreement, Michael Botlo has enacted the sunset proceedings as of June 2020 which resulted in the removal of his voting rights as an Initial Limited Partner of Quantbot and as an Initial Managing Member of Quantbot Technologies GP, LLC, its General Partner. The sunset process shall gradually reduce the equity ownership held by Botlo until the end of the sunset period at which point, he will no longer have any equity ownership. Botlo has also retired from his position as director of the wholly owned affiliates, Quantbot Technologies Ltd. and Quantbot Technologies (HK) Limited, as well as the boards of the Cayman Quantbot Funds and as a Managing Member of the Fund General Partner. Botlo shall serve as a member of the newly created Advisory Board in which he shall contribute his portfolio management skills on an advisory basis.

## Item 3

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## Advisory Business

Quantbot Technologies, LP (“Quantbot”) is a limited partnership organized under the laws of Delaware. As of January 1, 2014, Quantbot became the successor to Quantbot Technologies, LLC through a merger. The merger did not constitute a change in control. Quantbot Technologies, LLC was founded in 2009. Quantbot Technologies GP, LLC (the “General Partner”) serves as the general partner of Quantbot Technologies, LP.

### Structure of the Organization

Quantbot currently serves as the sub-adviser to five private funds (cumulatively, the “Sub-Advised Funds” or individually, a “Sub-Advised Fund”). In addition, Quantbot serves as the adviser to private funds (cumulatively the “Quantbot Funds” or individually, a “Quantbot Fund,” and together with the Sub-Advised Funds, the “Clients”) which is invested in funds managed by Schonfeld Strategic Advisors LLC and which are only open to investment by Quantbot employees and certain consultants. An affiliate of Quantbot, Quantbot Technologies Fund GP, LLC (the “Fund General Partner”) serves as the general partner of one of the Quantbot Funds. Pursuant to an Investment Management Agreement (the “IMA”) with each, Quantbot has discretionary trading authority with regard to some or all of the Clients' securities accounts, subject to the limitations discussed further below. Pursuant to each IMA, Quantbot is entitled to receive certain performance and supplemental fees and expense reimbursement, as described further below.

Quantbot currently has no other advisory clients other than the Clients. The principal owners and senior executives of Quantbot are Paul White, its President, Chief Executive Officer and Chief Technology Officer, Ashar Mahboob, its Chief Investment Officer, Michael Lisak and Debra Wisdom-Spielfogel, its Chief Compliance Officer and General Counsel. Quantbot conducts its foreign trading operations, with the assistance of wholly owned affiliated entities, Quantbot Technologies Ltd; a company organized under the laws of the United Kingdom and Quantbot Technologies (HK) Limited; a company organized under the laws of Hong Kong, and are described further below.

### Investment Strategy

The investment objective of Quantbot is to seek to achieve superior risk-adjusted returns over a multiyear period by applying a statistically driven approach to global investing. Quantbot limits its advisory services to certain types of investments. Quantbot uses investment techniques and strategies, generally referred to as statistical arbitrage, in order to accomplish its goal. As a general matter, statistical arbitrage entails the use of proprietary computer software systems and technology in making and managing investments across a broad range of equity securities, involving both long and short investment holdings, within a short-term investment time frame, ranging from duration of several seconds to several days. The particular arbitrage strategies deployed by Quantbot on behalf of a Client are all specified pursuant to each IMA or otherwise

specifically agreed to by such Client. Quantbot also enters into swap and futures agreements in order to affect its investment objective.

The Clients may utilize leverage as part of its investment program, but all decisions regarding the use of leverage are made by the Clients. Quantbot, as investment manager, exercises no authority in this regard.

Quantbot strives to identify, develop and adopt new strategies it believes are consistent with the objective to achieve superior risk-adjusted returns over a multi-year period. Execution of each Client's investment strategies and exposure to these investment instruments are anticipated to include transactions made through securities exchanges and over-the-counter.

Quantbot may enter into short sales and use other financial instruments, including exchange traded funds and equity index futures products, for hedging and to manage risk.

Additionally, the Quantbot Funds employ a fund-of-funds strategy. Quantbot does not currently participate in any wrap fee programs.

As of December 31, 2020 Quantbot manages approximately \$1,584,425,152 of client assets.

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## **Fees and Compensation**

### **Performance Based Fees and Side-by-Side Management**

#### **Performance Fee**

With respect to the Sub-Advised Funds, pursuant to each IMA, Quantbot is only entitled to receive compensation for its advisory services in the form of fees calculated based on the performance of the respective Sub-Advised Fund, as described further below.

Quantbot is generally entitled to receive from each Sub-Advised Fund an annual performance fee (the "Performance Fee"), payable in arrears, equal to a percentage of the net profits for the prior year.

With respect to the Quantbot Funds, the Fund General Partner will receive an annual incentive allocation (the "Incentive Allocation") equal to 20% of net profits, subject to a loss carry forward, as further described in the Quantbot Funds' governing documents.

#### **Bonus Fee**

Quantbot is also entitled to receive from each Sub-Advised Fund an annual bonus fee (the "Bonus Fee"), payable in arrears, equal to a percentage of the contractual performance based bonus compensation payable by Quantbot to each employee or consultant hired to develop or implement additional strategies approved by a Sub-Advised Fund, if any.

For purposes of calculating the Performance Fee, the Incentive Allocation, and the Bonus Fee, net profits and net losses are calculated as gross revenue for the respective Client, as applicable, less direct trading expenses, including execution and clearing commissions, ticket charges, financing expenses and other related charges.

The Performance Fees, Incentive Allocation, and Bonus Fees payable to Quantbot under each IMA are calculated and determined by Quantbot based upon the valuation of account securities as determined by the prime brokers of each respective Client's accounts, as applicable. The calculations are forwarded to the Sub-Advised Funds for review and approval prior to payment.

Quantbot or its supervised persons are not compensated for the sale of securities or other investment products.

#### **Termination**

The IMA between and among Quantbot and each Sub-Advised Fund has a term ending in 2027, subject thereafter to additional extension by mutual consent, with a three year early termination notice period. All performance-based compensation is calculated and paid to the extent permitted by Rule 205-3 under the Investment Advisors Act of 1940.

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### Types of Clients

Quantbot performs portfolio management for eight Clients with investors who exclusively consist of sophisticated institutional investors, high net worth individuals, and/or knowledgeable employees, as applicable.

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### Methods of Analysis, Investment Strategies and Risk of Loss

Quantbot develops its investment strategies for its Clients based primarily on techniques and methods commonly referred to as statistical arbitrage. While some aspects of statistical arbitrage may vary from one technological implementation to another, the analytic investment process rests on certain shared fundamental principles, such as broad diversification through investment in a wide array of highly liquid securities, with such securities typically being owned for very short duration, and with the use of extensive computer modeling and algorithms in order to identify market pricing anomalies that present the opportunity to realize profit as a result of reversion to historic pricing patterns.

The precise methodologies and technology deployed by Quantbot in performing statistical arbitrage is proprietary and highly confidential. But in general terms, Quantbot's investment strategy is focused on highly liquid equity securities, traded on exchange or over the counter in U.S., Asian and European markets, which may be held long or sold short, for periods typically lasting only a few hours or days. The strategy involves computer driven trading activity.

In selecting investments for the Clients, Quantbot also determines suitability based upon the portfolio requirements that have been agreed to with the Clients and are embodied as contractual requirements in an IMA. These portfolio requirements include, among other things, overnight and intra-day investment limits per position, per issuer, per industry and as a percentage of total portfolio size, all of which are factored into Quantbot's analysis with regard to the size and duration of its investment decisions.

From time to time, Quantbot may enter into short sales and use other financial instruments, including exchange traded funds and equity index futures products, for hedging purposes and to manage portfolio risk. Quantbot also enters into swap and futures agreements in order to affect its investment objective.

Investing in securities always involves risk of loss that clients should be prepared to bear. Quantbot invests primarily in equity and futures securities and the risks associated with such investments vary depending on the specific company and its performance, in general, including risks

associated with unexpected financial results, the possibility of default or insolvency, and other unanticipated occurrences outside the range of expectations and models developed by Quantbot. In general, these risks typically increase as the economy generally experiences increased financial distress and/or the market experience increased volatility.

## **Investment Risk**

Investments for the Clients are inherently speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment. Some of these risks, but not all, are discussed further below. The investment program implemented by Quantbot will involve, without limitation, risks associated with inadequate diversification, currency fluctuation, volatility, borrowing risks with respect to securities that are sold short, general market and systemic risks, technology performance risks, communication errors and other risks inherent in computer driven trading that is dependent on technology for timely information and trade implementation. Certain investment techniques used by Quantbot can, in certain circumstances, magnify the impact of adverse market moves to which its investments may be subject.

Quantbot attempts to manage risk by various methods of hedging, including the purchase of exchange traded funds and equity index futures products, however the modeling and assumptions that Quantbot relies upon in such hedging activity may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be subject to misinterpretation.

The success of Quantbot's investment activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Client's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices as well as available liquidity in the market. Volatility or illiquidity could impair Quantbot's profitability or result in losses. Quantbot may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.

In the normal course of making investments on behalf of a Client, Quantbot undertakes substantial diversification of the investment portfolio. As noted above, some of this diversification is contractually specified by the terms of the IMA, which requires Quantbot to maintain investment concentration below threshold levels with respect to individual holdings and particular sectors. However, no matter how diversified the investment portfolio may be, there remain substantial risks that portions of the portfolio will be highly correlated to investments held by other investment funds using statistical arbitrage or similar strategies. Such correlation could expose the investments held by a Client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those highly correlated investments.



Liquidity may be important to the success of Quantbot's investment strategy. Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of a Client's portfolio positions may be reduced. During such times, such Client may be unable to dispose of certain assets, which would adversely affect their ability to rebalance their portfolios or otherwise to protect against unforeseen market risk. In addition, such circumstances may force the sale of assets at reduced prices, thereby adversely affecting performance. If there are other market participants seeking to dispose of similar assets at the same time, Quantbot may be unable to sell such assets or prevent losses relating to such assets on behalf of such Client. Furthermore, if a Client incurs substantial trading losses, the need for liquidity could rise sharply while their access to liquidity is nonetheless impaired. In addition, in conjunction with a market downturn, a Client's broker-dealer counterparties could incur losses of their own, thereby weakening their financial condition and increasing a Client's credit risk to them.

From time to time, Quantbot may also use financial instruments for risk management purposes in order to: (i) protect against possible changes in the market value of a Client's investment portfolios resulting from general fluctuations in the securities markets and changes in interest rates; (ii) protect a Client's unrealized gains in the value of their investment portfolios; (iii) hedge the currency exchange rate on any of a Client's assets; or (vii) for any other reason that Quantbot deems appropriate. To the extent that Quantbot deploys these hedging strategies, hedges that are intended to reduce risk of loss under various scenarios may not perform as intended under conditions involving extreme market stress.

Quantbot also engages in short selling on behalf of the Clients, pursuant to which they sell securities not presently owned, and borrow them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a Client engages in short sales will depend upon Quantbot's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to such Client of buying those securities to cover the short position. There can be no assurance that a Client will be able to maintain the ability to borrow securities sold short. In such cases, a Client can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Client investment portfolios include long and short positions in registered equity securities of U.S. and non-U.S. listed and unlisted companies. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments

made by Quantbot on a Client's behalf. Additionally, should the equity security of any given company in the portfolio go into bankruptcy then that position could become worthless or substantially diminish in value.

Quantbot also makes investments on behalf of the Clients in securities of issuers outside of the United States. These securities may be traded on foreign exchanges as ordinary shares and may be subject to foreign currency fluctuations outside of the anticipated scope of a Client's investment strategy.

### **Portfolio Risk Management**

Quantbot undertakes daily monitoring of performance and risk for the Clients' investment portfolios using risk calculation and reporting tools it has developed internally. These tools provide intra-day reporting and analysis of the portfolio performance and exposures, based on real time data feeds from a variety of sources, distributed hourly via email ("Risk Reports"), and also provide exposure analysis by position, strategy and industry segment. Analytic tools are also available to provide risk measurement in connection with testing the portfolio under various stressed market scenarios. Risk Reports are distributed on an hourly basis to Quantbot's investment team, including the CEO and President, which is responsible for ongoing monitoring and fine-tuning of the portfolio based on deviation from expected performance. The Risk Reports contain detailed information, including flash profit and loss estimates, available funds, and securities available to borrow.

Quantbot's Investment Committee, which includes the CEO, CCO and President, meets monthly to review performance and approvals for the implementation of any new strategy or discontinuation of an existing one. Quantbot also periodically meets with the Clients, typically at least quarterly, to monitor and review portfolio performance, and consider any appropriate change in the portfolio and risk parameters as agreed to and set forth in each IMA.

### **Operational Risk Management**

As a statistical arbitrage investment firm, Quantbot is highly dependent upon the technology, including computer hardware and proprietary software systems it has developed, for insuring both the formulation and execution of its investment strategies. Further, successful implementation of Quantbot's strategies is highly depended on maintaining uninterrupted access to real-time market data. Quantbot has implemented monitoring and reporting routines that provide Quantbot's management with tools to monitor overall system performance, including latencies on access to market data and order execution. However, as with any business highly dependent on technology, there is a risk that these technologies and reporting systems will not perform as intended resulting in faulty execution and potential loss of investment value in a Client's portfolio.

Quantbot's Information Technology Committee, which also includes the CEO, CCO and President, meets quarterly to manage Quantbot's information security policies.

**Systems and Operational Risks Generally.** Quantbot must develop and implement appropriate systems for the client activities. In addition, despite the security measures established by Quantbot and third parties to safeguard the information in these systems, such systems may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise these systems and result in the theft, loss or public dissemination of the information stored therein. Disruptions in Quantbot's operations or breach of Quantbot's information systems may cause a Client to suffer, among other things, financial loss, the disruption of businesses, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on a Client.

**Reliance on Technical Trading Systems.** Quantbot may allocate client capital to investment strategies that are based on technical trading systems. Although Quantbot retains all discretion with respect to the manner in which a trading system's output is interpreted and applied, there can be no assurance that Quantbot's trading systems and its interpretation and application of the trading systems' output will take into account all relevant factors. Technical trading systems can also be ineffective when fundamental factors drive securities prices.

**Use of Systems.** Quantbot relies extensively on the use of computer systems, hardware, software, and telecommunications equipment. Quantbot makes use of its own models as well as systems which are publicly available or provided by third parties. Accordingly, Clients are exposed to the risk that computer hardware, software, electronic equipment and other services used by Quantbot may cease to be available, for example, due to the insolvency of the provider or the discontinuation of services or software updates. In such circumstances, Quantbot would seek to obtain equivalent hardware, software and services from an alternative supplier.

**System Failure.** As Quantbot makes extensive use of computer hardware, systems and software, Clients are exposed to risks caused by failures of IT infrastructure and data. In addition, outright failure of the underlying hardware, operating system, software or network may leave a Client unable to trade either generally or in certain of its strategies, and this may expose it to risk should the outage coincide with turbulent market conditions. To ameliorate this risk, backup and failover plans have been put in place by Quantbot. Nevertheless, in the worst case, Quantbot may have to liquidate a Client's entire portfolio as the only safe way to proceed should a crippling system outage occur.

**Data Feed Failure.** Quantbot's models utilize data feeds from a number of sources. If these data feeds were to be compromised or discontinued in any material manner, or not delivered or accessible in a timely manner, the models may not be properly formulated. This failure to receive the data feeds or receive the data feeds in a timely manner may leave a Client unable to trade, and this may expose a Client to risk of loss or loss of opportunities, in particular if the loss of the data feed coincides with turbulent market conditions. If the data feeds are compromised or discontinued in any material manner or if the data feeds are not delivered or accessible in a timely manner, it may result in a loss to a Client, which could be material.

**Risk of Programming Implementation Error or Logical Error.** Given the reliance of Quantbot upon the operation of its models and other software trading and analysis systems, it follows that Clients are therefore at risk of errors of implementation (colloquially

known as "bugs") and errors of design that may have found their way into the software or models, and which may cause inappropriate or aberrant behavior under certain or all market conditions. While reasonable steps have been taken to ensure that the software is adequate in design and free from manifest bugs, formal proof of bug-free code has not been undertaken and nor can the underlying logical and/or mathematical models be certified as free from error. Furthermore, without limitation, while the software has been tested, no guarantee can be given that a unique combination of input conditions experienced when running the system "live" and which has not been encountered during development, will not cause the system to fail, perform aberrantly, or take positions that are (under some reasonable criteria) judged to be inappropriate. As with any software, upgrades, "bug fixes" and various other improvements may be introduced over time and the risk therefore exists that such changes may detrimentally affect a Client's performance, rather than improve it.

**Risks Inherent in Computer-Driven and Intellectual Property Based Systems.**

Quantbot relies to a material extent on a wide range of intellectual property systems, including computer hardware and software systems and telecommunications systems, in substantially all phases of its operations, including research, valuation, trade identification and construction, trade execution, clearing, risk management, back office functions and reporting.

Intellectual property systems are subject to a number of inherent and unpredictable risks. For example, there may be material undiscovered errors in software programs; software and/or hardware may malfunction and/or degrade; electronic and telecommunications delivery may fail; security breaches may lead to unauthorized trades or stolen intellectual property; services provided by third-party vendors to support the intellectual property systems may be interrupted; and computer-driven trading errors may occur.

**Competition; Availability of Investments.** Certain markets in which Quantbot may cause a Client to invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that Quantbot will be able to identify or successfully pursue attractive investment opportunities in such environments.

**Volatility Risk.** Quantbot's investment program may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by a Client.

**Significant Positions in Securities; Regulatory Requirements.** In the event Quantbot causes a Client to acquire a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, such Client may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on such Client and Quantbot. Any such requirements may impose additional costs on such Client and may delay the acquisition or disposition of the securities or Quantbot's ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit Quantbot's ability to effect desired trades on behalf of a Client. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or

control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that a Client's position limits were aggregated with an affiliate's position limits, the effect on such Client and resulting restriction on Quantbot's investment activities may be significant. If at any time positions managed by Quantbot were to exceed applicable position limits, Quantbot would be required to liquidate positions, which might include positions of a Client, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, Quantbot might have to forego or modify such Client's contemplated trades.

In addition, if Quantbot, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Clients may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances, Quantbot will be prohibited from causing such Client to enter into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

**Exposure to Material Non-Public Information.** From time to time, Quantbot may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, Quantbot may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position held by a Client in such issuer, (ii) causing a Client to establish an initial position or take any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

**Currency Exchange Exposure.** Quantbot may invest in securities denominated in currencies other than the U.S. Dollar. Quantbot, however, values Clients' securities in U.S. Dollars. Quantbot may or may not seek to hedge Clients' non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when Quantbot wishes to cause Clients to use them, or that hedging techniques employed by Quantbot will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of Clients' positions denominated in currencies other than U.S. Dollars will fluctuate with U.S. Dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

**Model and Data Risk.** Given the complexity of the investments and strategies of each Client, Quantbot must rely heavily on quantitative models (both proprietary models developed by Quantbot, and those supplied by third parties) and information and data supplied by third parties ("Models and Data") rather than granting trade-by-trade discretion to Quantbot's investment professionals. Models and Data are used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of a Client's account), to provide risk management insights, and to assist in hedging a Client's investments.

When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose a Client to potential risks. For example, by relying on Models and Data, Quantbot may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. Furthermore, when determining the net asset value of a Client's account, any valuations of such Client's investments that are based on valuation models may prove to be incorrect.

Some of the models used by Quantbot are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. In addition, in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind), such models may produce unexpected results, which can result in losses for a Client. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data.

All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting valuations will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative securities.

**Quantitative Model Risks.** There can be no assurance that the models used by Quantbot will continue to be viable. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of a Client. There can be no assurance that Quantbot will achieve the Clients' investment objectives or that the models (even if completely or partially viable) will continue to further or ultimately be capable of furthering a Client's investment objectives.

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

**Crowding/Convergence.** There is significant competition among quantitatively-focused managers and the ability of Quantbot to deliver returns that have a low correlation with the broader global markets and other hedge funds is dependent on its ability to employ models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that Quantbot is not able to develop sufficiently differentiated models, the Clients'

investment objectives may not be met, irrespective of whether the models are profitable in an absolute sense. In addition, to the extent that Quantbot's model comes to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect a Client is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace.

**Risk of Programming and Modeling Errors.** The research and modeling process engaged in by Quantbot is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although Quantbot seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raises the chances that the finished model may contain an error; one or more of such errors could adversely affect a Client's performance and likely would not constitute a trade error under Quantbot's policies or a Client's governing documents.

**Involuntary Disclosure Risk.** The ability of Quantbot to achieve its investment goals for the Clients is dependent in large part on its ability to develop and protect its models and proprietary research. The models and proprietary research and the Models and Data are largely protected by Quantbot through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer Quantbot's models, and thereby impair the relative or absolute performance of a Client's account.

**Proprietary Trading Methods.** Because the trading methods employed by Quantbot on behalf of the Clients are proprietary to Quantbot, the Clients may not be able to determine any details of such methods or whether they are being followed.

**Trading Judgment.** The success of a Client is subject to the judgment and skills of Quantbot's research and trading personnel. Additionally, Quantbot's trading abilities with regard to execution and discipline are important to the returns of a Client. There can be no assurance that Quantbot's investment decisions or actions will be correct. Incorrect decisions or poor judgment may result in substantial losses.

**Risk of Loss.** No guarantee or representation is made that a Client's investment program, including, without limitation, a Client's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past performance is no guarantee of future results.

**General Economic and Market Conditions.** The success of a Client's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Client's investments), trade barriers, currency exchange controls, and

national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of a Client's investments. Volatility or illiquidity could impair a Client's profitability or result in losses. Quantbot may cause a Client to maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

**Current Economic Conditions in European Countries.** Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, have recently experienced varying degrees of financial distress. Risks from the debt crisis in Europe could result in a disruption of the financial markets, which could have a detrimental impact on global economic conditions. Recently, contagion fears have expanded to Spain and Italy, and credit spreads widened further in European peripheral countries and European banks. There remains considerable uncertainty as to future developments in the European debt crisis and the impact on global financial markets. A significant deterioration of the European debt crisis could result in material reductions in the value of sovereign debt, equities and other asset classes, disruptions in capital markets, widening of credit spreads, loss of investor confidence in the financial services industry, a slowdown in global economic activity, and other adverse developments that could negatively impact the performance of a Client's account.

**Short-Selling.** Quantbot may cause a Client to engage in short selling investment programs. The success of these programs depends upon Quantbot's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to such Client of buying those securities to cover the short position. There can be no assurance that Quantbot will be able to maintain a Client's ability to borrow securities sold short. In such cases, a Client can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and a Client may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though Quantbot, acting on behalf of a Client, secures a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing Quantbot to cause such Client to purchase the security at the then-prevailing market price which may be higher than the price at which such security was originally sold short by such Client.

**Short-Term Market Considerations.** Quantbot's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.



**Diversification and Concentration.** Quantbot may select investments that are concentrated in a limited number or types of securities. In addition, Quantbot may cause a Client's portfolios to 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 a Client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

**Hedging Transactions.** Quantbot may cause a Client to utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Client's investment portfolios resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Client's unrealized gains in the value of its investment portfolios; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Client's portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Client's securities; (vii) protect against any increase in the price of any securities Quantbot anticipates causing the Client to purchase at a later date; or (viii) act for any other reason that Quantbot deems appropriate. A Client will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. Quantbot may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While Quantbot may cause a Client to enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for such Client than if Quantbot had not caused such Client to engage in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

**Fundamental Analysis.** Certain trading decisions made by Quantbot may be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to Quantbot's trading strategies, a Client may not be able to realize its investment goals. In addition, fundamental market information is subject to interpretation. To the extent that Quantbot misinterprets the meaning of certain data, a Client may incur losses.

### **Risks Associated With Particular Types of Securities**

**Derivative Instruments Generally.** Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, and the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. In addition, Quantbot may, in the future, cause a Client to invest in opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which Quantbot may cause a Client to participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on a Client.

*Index Futures.* The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by a Client also is subject to Quantbot's ability to correctly predict movements in the direction of the market.

*Swaps.* Whether Quantbot's use of swap agreements or swaptions on behalf of a Client will be successful will depend on Quantbot's ability to select appropriate transactions for such Client. Swap agreements and options on swap agreements ("swaptions") can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, volatility/variance, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of such Client's portfolios. Moreover, Clients bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. A Client will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of Quantbot to cause a Client to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect Quantbot's ability to cause a Client to terminate swap transactions or to realize amounts to be received under such transactions.

*Futures Contracts.* The value of futures contracts depends upon the price of the securities or other items, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which a Client's positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent Quantbot from promptly liquidating a Client's unfavorable positions and subject such Client to substantial losses or prevent Quantbot from causing such Client to enter into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately

larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

*Non-U.S. Futures Transactions.* Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, a Client may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting there from, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

*Contracts for Differences.* Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer's initiative. As is the case with owning any security, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, *i.e.*, the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on a Client's obligation to its counterparties under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase such Client's financial risk.

*Failure to Enter into Offsetting Trade.* To the extent Quantbot causes a Client to invest in a futures contract or option long, unless an offsetting trade is made, such Client would be required to take physical delivery of the commodity underlying the future or option. To the

extent Quantbot fails to enter into such offsetting trade prior to the expiration of the contract, such Client may suffer a loss since neither such Client nor Quantbot has the operational capacity to accept physical delivery of commodities.

**Equity Securities Generally.** The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, a Client may suffer losses if Quantbot causes it to invest in equity instruments of issuers whose performance diverges from Quantbot's expectations or if equity markets generally move in a single direction and Quantbot has not caused such Client to hedge against such a general move. A Client also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

**Preferred Stock.** Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

**American Depositary Receipts and Global Depositary Receipts.** American Depositary Receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by foreign issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts ("GDRs") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on foreign stock exchanges or foreign over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

**Non-U.S. Investments.** Investing in the securities of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a Client's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, Quantbot may be unable to structure a Client's transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce a Client's rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to such Client under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

**Undervalued Securities.** Quantbot may cause a Client to invest in securities of companies which Quantbot believes to be undervalued. However, the identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the investments that Quantbot causes a Client to make may not adequately compensate for the business and financial risks assumed.

**Exchange-Traded Funds.** Quantbot may cause a Client to invest in Exchange-Traded Funds ("ETFs"), which are shares of publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. In addition, a Client may bear, along with other shareholders of an ETF, its *pro rata* portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing its proportionate share of a Client's expenses, investors in such Client may also indirectly bear similar expenses of an ETF.

**Micro-, Small- and Medium-Capitalization Companies.** Quantbot may cause a Client to invest in securities of micro- and smaller-capitalization companies. Such securities involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large- capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some micro- and small- capitalization companies, an investment in those companies may be less liquid than large- capitalization companies.

**Illiquid Securities.** Quantbot anticipates that the Clients will predominantly hold readily tradable securities. While it is not expected, the Clients may also invest in, or come to hold, securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. There may be limited information available about the issuers of illiquid securities that may make valuation of such securities difficult or uncertain. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and Quantbot may not be able to sell them on behalf of the Clients when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Clients may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, Clients may be required to hold such securities despite adverse price movements. In addition, even those markets that Quantbot expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Item 9

### Disciplinary Information

There has been no legal or disciplinary event material to the evaluation of the integrity of the Firm or its management personnel.

### Other Financial Industry Activities and Affiliations

Quantbot is not registered as a broker dealer. Quantbot is not registered as a futures commission merchant. Quantbot does not have any affiliation with any broker dealers or futures commission merchants, except in an ordinary client-vendor relationship. Quantbot does not have any arrangements to recommend other investment advisors for compensation.

Quantbot's affiliate, Quantbot Technologies Ltd, is registered with the Financial Conduct Authority in the United Kingdom. Its sole business activity is to provide order handling and processing services in connection with international securities transactions undertaken on behalf of the Clients. Quantbot's affiliate, Quantbot Technologies (HK) Limited, has been granted a Type 9 license with the Securities & Futures Commission of Hong Kong. In connection with the Type 9 license approval, Quantbot has delegated to Quantbot Technologies (HK) Limited discretionary authority to manage assets of the Firm's Asian portfolio. Nonetheless, Quantbot Technologies (HK) Limited shall also continue to provide operational and technical assistance to Quantbot and its Clients regarding the Asian markets.

As currently organized, the firm serves as investment manager to the Sub-Advised Funds, which have a single beneficial owner, and to the Quantbot Funds, which are beneficially owned by employees of Quantbot. Consequently, this minimizes potential conflicts of interest inasmuch as Quantbot's full business resources are dedicated to maximizing returns for each Client through the various strategies and trading opportunities that it implements and pursues.

Quantbot is not precluded from providing advisory services to other clients and reserves the right to do so in the future.

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

Quantbot strives to adhere to the high standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, Quantbot has implemented an Employee Handbook, which sets forth important policies regarding confidentiality and ethical conduct (the “Handbook”). A copy of the Handbook is available to clients upon request. The Handbook incorporates the following principles among others that all employees are expected to uphold; (a) employees must treat clients on a fair and equitable basis; (b) investment decisions must be made in accordance with Quantbot’s fiduciary duties; and (c) information concerning the identity of securities and financial circumstances of the clients, and its investors, must be kept confidential.

Quantbot has also implemented a separate policy regarding personal trading by its members and employees. Pursuant to this policy, Quantbot seeks to promote investment rather than trading among its members and employees with respect to their personal securities accounts. The policy specifically requires that all personal securities transactions by Quantbot members and employees shall be (i) undertaken through an account maintained with one of Quantbot’s approved broker dealers with copies of account statements supplied monthly, (ii) subject to a minimum five (5) day holding period (which may be waived by Quantbot’s CEO or President on a discretionary basis), and (iii) solely with respect to futures and commodities transactions, subject to prior written approval.

Quantbot also maintains Insider Trading policies and procedures that are designed to prevent the misuse of material, non-public information in accordance with Rule 204A under the Advisers Act. Quantbot’s members and employees are required to agree to comply with these policies and procedures as a term of their employment.

Quantbot considers relevant business and technical experience an important criterion in selecting investment personnel. Quantbot does not have specific guidelines that a person must satisfy. Rather, Quantbot seeks individuals with relevant business and/or technical experience, professional training, high academic credentials, moral integrity, and skills and intelligence levels necessary to perform the investment advisory tasks.

#### **Gifts and Entertainment**

Quantbot requires employees to decline to accept the direct or indirect offering or acceptance of gifts or other consideration in merchandise or services (other than perishable items of nominal value) from any person, firm, corporation, association or other entity in the course of their employment or otherwise in relation to their employment with Quantbot. In addition, employees are prohibited from giving or offering to promise or make payments or gifts to third parties with the intent to influence or appear to influence such third party. Quantbot maintains a log of any gifts made to third parties.

Additionally, Quantbot requires annual disclosures and request for approval of any political contributions.



### Brokerage Practices

Pursuant to each IMA, Quantbot is responsible for trading decisions with respect to account securities for its Clients; however the Sub-Advised Funds have retained the power to designate the executing brokers for all such transactions. Currently, the Sub-Advised Funds have each exercised their power to designate one of the following as its executing broker: 1) Instinet with respect to transactions in the United States and Europe; 2) Nomura International plc with respect to transactions in Japan; 3) Morgan Stanley with respect to transactions in Australia, Hong Kong, and Asia (except Japan); 4) Bank of America Merrill Lynch for transactions in Canada; and 5) Societe General/New Edge with respect to futures transactions. In any case, Quantbot has no obligation or right to solicit competitive bids or seek the lowest available commissions or other transaction costs.

The Sub-Advised Funds are sophisticated and experienced institutional investors and have negotiated for the right to designate their respective executing broker, realizing that by so doing they may forego the opportunity for Quantbot to realize more favorable execution of transaction through other brokers on their behalf.

Quantbot aggregates purchases or sales across Clients, as applicable and in accordance with each respective Client's individual investment mandate, as well as Quantbot's internal policies and procedures.

Quantbot has not entered into any soft dollar agreements with any of the executing brokers under the safe harbor provisions of Section 28(e) of the Securities and Exchange Act of 1934. Quantbot does not separately compensate any broker for any services provided in connection with transaction executed for the Clients.

## Item 13

### Review of Accounts

Quantbot performs intra-day, daily, weekly and monthly reviews of the Clients' portfolios regarding performance, risk, volatility and other statistical analysis. Using its proprietary technology platform, Quantbot generates email alerts that provide intra-day hourly reports on portfolio performance, which are then summarized on a daily basis. Quantbot provides full transparency to the Clients by making all reporting available on whatever frequency the Clients request.

Quantbot performs daily review and reconciliation to confirm all account transactions undertaken by executing brokers conform to its own records and to ensure that the Clients' books and records are complete and accurately maintained.

The Quantbot Investment Committee (including the CEO and President) meet monthly to review and discuss all investment strategies deployed by Quantbot. Every decision regarding the implementation of a new strategy or discontinuation of an existing strategy must be approved by a member of the Quantbot Investment Committee. The Quantbot Investment Committee meets with the Clients periodically, at least quarterly, in order to review account performance and strategies.

## Item 14

### Client Referrals and Other Compensation

Quantbot does not currently retain, and does not anticipate retaining in the future, any placement agents or other third parties in connection with the offering of shares in any investment fund for which it serves as manager.

Quantbot receives no economic benefit from parties other than its investment clients for providing advice to its investment clients.

## Item 15

### Custody

Quantbot is deemed to have custody over the assets of the Quantbot Funds due to its affiliate's capacity as the Fund General Partner. Custody of securities for all Clients are maintained through the prime brokers for the Clients' respective domestic and international securities accounts.

To address the Firm's obligations as set forth in Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Custody Rule"), the Quantbot Funds are audited annually by an independent certified public accounting firm that is both registered with, and subject to regular inspection by, the Public Companies Accounting Oversight Board. Financial statements of the Quantbot Funds are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and are distributed to all Quantbot Fund investors within 120 days of the funds' fiscal year-end.

With respect to the Sub-Adviser Funds, Quantbot manages the assets on a discretionary basis but has no authority to withdraw cash from such funds' accounts. Quantbot has only limited power of attorney over the Sub-Advised Funds and does not have authorization to remove funds from such accounts.

## Item 16

### Investment Discretion

Quantbot is responsible for decisions to buy and sell securities for the Clients with respect to the designated securities accounts and has been granted a limited power of attorney for such purpose by the Clients pursuant to the respective IMAs. Each IMA further obligates Quantbot to make any such decisions in accordance with investment guidelines that have been agreed to with each Client, which may be amended from time to time. These investment guidelines include, among other things, limitations based on the daily turnover rate for such securities, listing requirements, as well as overnight and intra-day investment limits per position, per issuer, per industry and as a percentage of total portfolio size. Quantbot has delegated certain discretionary asset management responsibilities to its wholly owned affiliate, Quantbot Technologies (HK) Limited, with regard to the Clients' Asian portfolio.

Quantbot may effect cross transactions between discretionary Client accounts, except as otherwise noted below. Cross transactions enable the Firm to effect a trade between two Clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. Quantbot has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between Client accounts are not permitted if they would constitute principal trades or trades for which Quantbot or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which Quantbot or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA. Cross transactions involving a registered investment company for which Quantbot serves as adviser are permitted only in accordance with the registered investment company's rule 17a-7 procedures.

Item 17

**Voting Client Securities**

**Proxy Voting**

Quantbot has been granted the power as the Clients' proxy and attorney-in-fact to vote, tender or non-tender, or direct the voting, tendering or non-tendering of investments held by the Clients and take actions on behalf of the Clients with respect to such investments, including, but not limited to, the execution on behalf of the Clients of any consent, request, direction, approval, waiver, objection, appointment or other instrument required or permitted to be signed or executed by the holder of such investments. Quantbot only exercises voting rights with respect to such securities in connection with monetary matters, such as the form of dividend distribution, or similar issues pertaining to current cash flow. Quantbot consistently exercise such voting rights by making elections that minimize risk and maximize cash return. Otherwise, Quantbot has adopted a policy to not vote proxies.

Item 18

**Financial Information**

Quantbot does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

The Firm is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.