

# QUATTRO FINANCIAL ADVISORS LLC

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This brochure provides information about the qualifications and business practices of Quattro Financial Advisors LLC (hereinafter “Quattro” or “firm” or “we”). If there are any questions about the contents of this brochure, please contact us at (281) 323-4007 or at [info@quattrofa.com](mailto:info@quattrofa.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Quattro is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). This site may be searched with the use of the unique identifying number, known as a CRD number. The CRD number for Quattro is provided above. Registration with the Securities and Exchange Commission does not imply any level of skill or training.

## **Item 2 – Material Changes**

Since our last annual amendment filing on March 29, 2021, we have made the following material change to our business:

- Our Principal Office and Place of Business has moved. Our new address is 1725 Hughes Landing Blvd. Suite 845, The Woodlands, Texas 77380. The new contact number for the office is (281) 323-4007
- Item 14 has been amended to disclose Quattro Financial Advisors LLC may pay compensation to a third-party if they refer clients to the firm.

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#### **Item 4 – Advisory Business**

Quattro Financial Advisors LLC (“Quattro”, the “firm”, or the Adviser”) provides investment management and advisory services on a discretionary and non-discretionary basis to its clients. The firm was formed in Delaware in June 2016 and the firm commenced operations in August 2016. The sole owner of the firm is Jose Luis Llamas.

Quattro provides investment management and advisory services for our clients. We manage portfolios based on the risk tolerance of each client which is determined through the use of a questionnaire and ongoing discussions with the client. Clients may direct us to exclude certain types of securities from their portfolio for personal or financial reasons.

As of December 31, 2020, Quattro has assets under management of \$694,710,269 Million.

In addition, Quattro also serves as the discretionary investment manager and owns the control shares to a fully registered Cayman private investment fund known as VRX I Investment Fund SPC (“VRX I Investment Fund”, or “VRX I”), an exempted company incorporated as a segregated portfolio company under the laws of the Cayman Islands. For the purposes of Form ADV, in reliance on the Form ADV instructions, Quattro is treating the VRX I Investment Fund as a private fund. The private fund is generally asset class based with Quattro managing the private fund.

#### Portfolio Management and Portfolio Consulting Services

The Adviser provides continuous advice to clients (such as, individuals and corporations) with regards to the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client’s particular circumstances are established, we develop a client’s personal investment policy statement (“IPS”) and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client’s individual objectives, time horizon, risk tolerance, and liquidity needs. We may also review and discuss a client’s prior investment history, as well as family composition and background.

The Adviser manages advisory accounts on a discretionary or non-discretionary basis, as agreed with each client. We also provide portfolio consulting services where the client will retain the ultimate responsibility for the implementation of any or all of our recommendations. Portfolio consulting assets are not counted as our firm’s assets under management. Account supervision is guided by the stated objectives of the client (such as conservative, balanced, growth), as well as other considerations, such as taxes (though the firm does not provide legal or tax advice). Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Based on the overall management style selected by the client, we usually allocate the client’s assets among one or more third-party investment advisers, hedge funds and other private funds, mutual funds, individual securities such as exchange traded funds, bonds, stocks and other investment products. Portfolio weightings among third-party investment advisers, other investments and market sectors will be determined by each client’s individual needs and circumstances.

### Services in General

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company or other investment firm and will primarily include advice regarding the following instruments:

- No-load or load-waived mutual funds
- Exchange-traded funds (ETFs)
- Investment in investment partnerships, such as, hedge funds and other pooled investment partnerships
- Equity securities
- Corporate debt securities
- Foreign issuer securities

Occasionally, client portfolio holdings may also include the following instruments:

- Option contracts on securities
- United States government securities
- Commercial paper
- Certificates of deposit
- Municipal securities

We tailor all of our investment recommendations to the individual needs of each client. All consulting recommendations are based on information gathered through telephone, electronic and in-person discussions and reflected in the IPS.

### **Item 5 - Fees and Compensation**

We charge an advisory services fee as a percentage of assets under management or consultation, typically in the amount of 1.00 % of assets under management. All fees are subject to negotiation based on the complexity of the client's individual portfolio and the size of the client's portfolio. We will quote an exact percentage to each client based on both the complexity and total dollar value of that account, as necessary. This fee could be higher in certain instances.

When agreed upon by with a qualified client, occasionally Quattro may be entitled to receive a performance fee, as defined in conjunction with the client on a case-by-case basis, based on a qualified client's account performance above a threshold specified in the executed investment advisory agreement and calculated in accordance with the formula specified between the client and Quattro in the executed investment advisory agreement. This is not the normal business case though Quattro remains open to working with our clients to best serve their needs and requirements, noting that receiving a performance fee could lead to a potential conflict of interest (or appearance of a conflict).

Typically, we will directly invoice clients for our services in arrears on a monthly basis, though these terms may be changed by agreement with the client. At times, we may directly debit client fees from their custodial account(s), if so desired by the client.

Quattro's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Quattro's fee, and Quattro shall not receive any portion of these commissions, fees, and costs.

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

As indicated in our reply to Item 5 above, we may accept performance-based fees from certain qualified clients. Such a performance-based fee is calculated based on a share of capital gains on or capital appreciation of the assets of the account. Qualified clients must either demonstrate a net worth of at least \$2,100,000 (excluding the value of their primary residence) or have \$1,000,000 of assets under management with us in order to qualify for a performance-based fee arrangement.

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Furthermore, since we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance of their accounts.

Performance-based fees will only be charged in accordance with the provisions of the Investment Advisers Act of 1940 or applicable state regulations. Quattro shall not be entitled to performance-based fees in a state that has jurisdiction over Quattro which prohibits such fees.

Quattro does not charge performance-based fees for its management of the VRX I Investment Fund.

#### **Item 7 – Types of Clients**

Our firm primarily provides advisory services to foreign entities and to foreign and U.S. high net worth individuals, but we are not limited to offering our services to foreigners as we seek to expand our client base. Although we do not require a minimum relationship size, we recommend a relationship with at least \$20,000,000 of assets under management or advisement.

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

Our firm employs the following types of analysis to formulate client recommendations:

Strategic Asset Allocation (SAA): It is widely accepted that strategic asset allocation is the most important step in the investment process and the main determinant of performance for balanced portfolios. It is therefore the cornerstone of the investment advice we offer to our clients. The two main goals of the strategic asset allocation process are to match the portfolio risk with each investor's risk tolerance and, second, to ensure that clients are fully compensated for the risks inherent to an investment portfolio. In other words, strategic asset allocations have to deliver the highest potential return for a given level of risk or, alternatively, the lowest risk for a given level of expected return. Strategic Asset Allocation is not only the process used for determining long-run optimal portfolios

but it also refers to those combinations of asset classes resulting from this process. Moreover, once a SAA has been defined as the most appropriate long run allocation for a client, it does become the benchmark used for judging the quality of the performance generated by the portfolio manager. The basic tenet of SAA is diversification which helps reduce risk without impairing expected return. The key drivers for establishing a strategic asset allocation are long-term risk and return expectations for various asset classes. These assumptions are reviewed on a yearly basis and are primarily driven by factors such as potential growth rates and fair value models. The business and market cycles usually have a disproportionate impact on how people behave.

Tactical Asset Allocation (TAA): We believe that in order to reap the full benefits of diversification and risk management, the asset allocation process needs to include both a strategic and a tactical component. Tactical Asset Allocation is the process of deviating from the Strategic Asset Allocation when short term forecasts deviate from the long-term forecasts used to formulate the strategic asset allocation. The goal is to periodically tilt the SAA in order to incorporate medium term views of the relative attractiveness of each asset class. Importantly, TAA decisions have to be made within the context of the long-run equilibrium allocations, and not in isolation. TAA is designed to help further enhance risk-adjusted returns by dynamically dialing up or down the sensitivity of a portfolio to various asset classes and markets, with the primary goal of improving and smoothing the return path towards achieving long-term goals. TAA should not be confused with market timing or frequent short-term trading. Tactical decisions should have a time horizon of anywhere between six months and two years. These decisions are taken in order to take advantage of the cyclical nature of financial markets, but the framework and philosophy is similar to what applies to strategic asset allocation views. Market timing tends to focus on much shorter time horizons, and tends to lead to more extreme decisions and less diversified portfolios. Market timing also leads to much higher transaction costs.

TAA involves adding additional asset classes to a portfolio, which increases the level of granularity. While the SAA process only focuses on primary asset classes as it is concerned with long run diversification benefits, tactical recommendations tend to be more specific and incorporate views on secondary asset classes. For instance, while growth and value styles tend to have relatively similar risk and return characteristics in the long run, their relative performance varies greatly based on the various stages on a typical business cycle.

Tactical asset allocation decisions are implemented within a disciplined process in order to avoid the potentially very negative consequences of letting emotions drive investment decisions. Indeed, TAA often recommends contrarian trades, such as selling into rallies and buying into sell-offs. These decisions are often difficult to implement due to well-known emotional biases. Adding a tactical component to the overall asset allocation process is important because the factors impacting asset class returns and risk are very different than in the long run. In the long run, the impact from the business cycle is eliminated and asset classes tend to converge towards their fundamental fair value. In the medium term however, asset class returns tend to significantly diverge from their long-term trends. As a result, we believe that a disciplined tactical asset allocation process should be based on the following analysis:

**1. The Business Cycle:** This is the most important factor that impacts the relative performance of asset classes in the medium term. The long-term growth potential of an economy depends on the quantity of various factors of production (e.g., labor, capital, resources) as well as the quality of these factors (such as productivity). In the medium term, however, economies deviate from their sustainable growth path. The business/economic cycle refers to these deviations away from the

potential GDP growth rate. To gauge where we are in the cycle, we therefore analyze medium-term developments in the growth rate (level and direction) and inflation (level and direction). Understanding where we are in the economic cycle is a key factor impacting tactical asset allocation decisions, irrespective of valuations or technical factors. A typical business cycle is divided into four phases – deflation, recovery, expansion and slowdown. Analyzing the business cycle helps us to tilt the portfolio more heavily towards asset classes and markets that tend to perform better in each phase of the cycle. This helps us from a risk management perspective in order to limit our exposure to market segments that tend to be negatively impacted at certain stages of the cycle. TAA should therefore be seen as a tool to enhance returns versus the long-term strategic asset allocations, but also as a tool to better manage downside risk and volatility. Indeed, we believe that minimizing as much downside risk as possible helps our clients stay invested and benefit from the power of compounding returns on an ongoing basis.

**2. Investors’ collective expectations:** the potential to reap the full benefits of analyzing the business cycle is greater if there is a disconnect between how clients are currently positioned and where we believe markets are headed. As a result, we complement our analysis of the business cycle with the following factors:

- Fund Flows - we look at mutual funds and exchange-traded funds’ net flows on a monthly basis to gauge where the momentum is and whether this is consistent with our economic outlook.
- Investors’ Sentiment - we look at surveys gauging clients’ sentiment in order to better understand the current market environment and the potential for positive or negative surprises.

**3. Clients’ Positioning:** there is often a difference between what clients say (sentiment surveys) and how they are actually invested (i.e. you can be an “invested bear”). As a result, we look at factors such as positioning in the options and derivatives markets (the net long or short position in options and futures contract for various asset classes as measured by the CFTC), as well as the volume of Put and Call option contracts or the level of implied volatilities in various markets.

**4. Relative Valuation and Performance:** while valuations are less important for TAA decisions, they help us gauge whether there is a discrepancy between our macro scenario and what is currently priced in by investors. The same reasoning applies to recent trends in relative asset class performance.

**5. Technical Analysis:** the last factor we look at is the technical picture from a medium-term perspective. In particular, we believe that the 200-day moving average gives a good indication about the medium-term trend in markets and potential inflection points. As a general rule, it only pays to be a “contrarian” around inflection points, otherwise the “trend is usually your friend.”

#### Our philosophy in terms of portfolio/asset allocation implementation:

The purest way to implement an asset allocation strategy is to build a portfolio where each asset class is represented by the most representative index – for example, the S&P500 for US equities or MSCI Emerging Markets for EM equities. Today, such a strategy is available for most investors, thanks to the exponential growth of exchange-traded funds (ETF). An ETF is an investment fund traded on



stock exchanges, and shares similar features with ordinary stocks. ETFs usually track the performance of an index and, as a result, provide investors with an easy, cost-efficient, diversified exposure to an ever-expanding array of asset classes (e.g., equities, bonds, commodities, currencies, REITs). For those clients that believe in the benefits of asset allocation and are either reluctant to pay an additional layer of fees for active security selection or do not believe in the value added by active managers, a portfolio of ETFs is the most suitable solution. For balanced portfolio management, we aim to deliver value to our clients in three different ways (often referred to as “triple alpha”):

- Optimal/efficient structuring of the assets for the long-run – Strategic Asset Allocation.
- Ongoing adjustments to the portfolio in the medium term – Tactical Asset Allocation.
- Within each asset class, implement a strategy to outperform the most representative index – Active Asset Class Management through either in-house security selection or selecting a third-party specialist manager. Security/Manager Selection can deliver significantly better returns than a strategy of passively following an asset class benchmark but the contrary (a manager under-performing the asset class index) is also likely.

We have developed a disciplined process for manager selection in each asset class and we also offer our clients with our own security selection for equities and bonds. We are agnostic when it comes to recommending a particular approach as we believe each philosophy has its own merits and drawbacks. We strongly believe, however, that a very robust and disciplined framework is needed at each step of the investment process – strategic and tactical asset allocation, security selection and manager selection.

There is often confusion between a manager alpha (security selection skills) and beta (sensitivity to market performance). During previous bull markets, many equity managers outperformed via high beta exposure but also underperformed when the market fell. Many active managers will also venture in other sub-asset classes in order to outperform their benchmark and, as a result, will also have an indirect impact on the overall asset allocation (which we believe should be determined by the ‘balanced’ portfolio manager, not by asset class manager). Typical examples include investment grade bond managers who also include an allocation to high yield bonds (their outperformance against a pure investment grade index is not due to “alpha” but to having an exposure (defined as “beta”) to another asset class. The same applies to a US large cap equity manager who allocates a portion of his portfolio to small caps, or an EAFE manager with a specific allocation to emerging markets. We perform a thorough analysis of why a manager outperforms his/her benchmark in order to determine whether this is due to security selection skills, a style drift, an asset allocation drift or pure luck.

Statistically, only one in 16 managers will randomly outperform over a 5-year period (over any period of time, managers can only outperform if other managers underperform). This is similar to data compiled from providers such as Lipper or Morningstar (for US equities). Most academics would argue that no one consistently beats the market – this would also call into question the tendency to pick managers based on past performance. From a statistical perspective, these past outperformers are more likely to be underperformers in the future. Past performance is however a very useful tool to identify risk management skill (performance in various market cycles).

The following principles guide our portfolio implementation philosophy:

- Active Management adds an additional layer of risk versus the recommended asset allocation. As a result, these risks (“tracking errors”) should be identified, controlled and managed, and also compensated for with higher returns (alpha and information ratio).
- Simplicity and transparency – we firmly believe that our clients should know and understand what they own.
- Costs (and taxes) have to be kept as low as possible or offset by true alpha generation.
- Specialization is critical for managers to excel. Nobody is an expert in every market and aspect of portfolio management.
- We need to always remain in control of our asset allocation and make sure security or manager selection does not unduly impact this process.
- Security/Manager selection needs to incorporate the reality that some markets are more efficient than others (and active management might not be the best implementation method) and that past performance has very limited predictive value.

Investment Committee. Quattro has an investment committee comprised of those involved with investment advisory services (the “Investment Committee”). The Investment Committee endeavors to meet on a weekly basis. During these meetings, the Investment Committee:

- Reviews recent market and economic developments and their impact on client portfolios.
- Reviews and potentially recommends changes to tactical asset allocations.
- Reviews existing portfolio holdings and potentially recommend changes.
- Reviews and analyzes risk level and recent performance for various model portfolios.

**6 Risk Factors:** The following is a brief summary of the risks that we believe to be material and associated with the methods of analyses and investment strategies employed by Quattro. *For risk factors specific to the VRX I Investment Fund, see 7. VRX I Investment Fund.*

The following risk factors do not purport to be a complete list or explanation of all risks involved with all of our methods of analyses and investment strategies. Clients should carefully evaluate all applicable risks with any investment or investment strategy before investing. Investing in securities (including instruments in which client accounts may invest) involves a risk of loss that clients should be prepared to bear. An investment in a managed account is not guaranteed and is suitable only for investors who can tolerate significant risk. Past performance is not indicative of future performance, and there is no assurance that any client account will achieve its investment objective(s).

*Reliance on Key Personnel.* All decisions with respect to the discretionary investment of client assets will be made by Quattro, which relies on the services of its officers and employees. Should any of the key officers or employees of Quattro terminate their relationships with Quattro, die or become otherwise incapacitated for any period of time, this may adversely affect the operations of Quattro and, potentially, the performance of client accounts.

*Business Risks; Economic Conditions.* Investments are subject to risk from changes in the economic climate, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, tax laws, the competency of management, and innumerable other factors, in a similar way to other industrial or

commercial companies. None of these conditions are within the control of Quattro. For these and other reasons, there can be no guarantee that companies in which client accounts invest will develop as anticipated or that the consistent, absolute returns sought will actually be achieved.

*Market risk.* Prices of the securities and other investments held by client accounts will fluctuate sometimes rapidly and unexpectedly. These fluctuations may cause the price of a security or investment to decline for short or long-term periods and cause the security or investment to be worth less than it was worth when purchased by the client account. In addition, actual and perceived accounting, and other irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumors of such irregularities.

*Debt Securities Risk.* The risks of investing in debt securities include, without limitation: (i) credit risk -- the issuer may not repay the loan created by the issuance of that debt security; (ii) maturity risk -- a debt security with a longer maturity may fluctuate in value more than one with a shorter maturity; (iii) market risk -- low demand for debt securities may have a negative impact on their price; (iv) interest rate risk -- when interest rates go up, the value of a debt security goes down, and when interest rates go down, the value of a debt security goes up; (v) selection risk -- the securities that we select may underperform the market or other securities selected by other funds; and (vi) call risk -- during a period of falling interest rates, the issuer may redeem a security by repaying it early, which may reduce the strategy's income, if the proceeds are reinvested at lower interest rates.

*Municipal Securities Risk.* Municipal securities risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes which could affect the market for and value of municipal securities. To be tax exempt, municipal bonds must meet certain regulatory requirements. Municipalities continue to experience economic and financial difficulties in the current economic environment. The ability of a municipal issuer to make payments and the value of municipal securities can be affected by uncertainties in the municipal securities market. Such uncertainties could cause increased volatility in the municipal securities market and could have a negative impact on the strategy's performance. To be tax exempt, municipal bonds must meet certain regulatory requirements. If a municipal bond fails to meet such requirements, the interest received by the strategy from its investment in such bonds may be taxable. It is possible that interest on a municipal bond may be declared taxable after the issuance of the bond, and this determination may apply retroactively to the date of the issuance of the bond, which could cause a portion of prior distributions made by the strategy to be taxable in the year of receipt.

*Equity Securities Risk.* Investments in common stocks and other equity securities are particularly subject to the risk of changing economic, stock market, industry and company conditions and the risks inherent in our ability to anticipate changes that can adversely affect the value of the strategy's holdings. Opportunity for greater gain often comes with greater risk of loss.

*Foreign Securities Risk.* Investments in foreign securities are subject to risks that differ from those of U.S. issuers. These risks may include: fluctuating currency values; less liquid trading markets; greater price volatility; political and economic instability; less publicly available information about issuers; changes in U.S. or foreign tax or currency laws; and changes in monetary policy. Foreign securities may be more difficult to sell than U.S. securities. These risks may be greater in emerging market countries (including certain countries in Latin America and Central and Eastern Europe) than in more developed countries. Investments in foreign securities may involve difficulties in receiving or

interpreting financial and economic information, imposition of taxes, higher brokerage and custodian fees, currency rate fluctuations or exchange controls or other government restrictions, including seizure or nationalization of foreign deposits or assets. There may also be difficulty in invoking legal protections across borders. Some of these risks may cause the value of client account assets to be more volatile than that of a U.S. only strategy. Client accounts may also incur higher expenses and costs when making foreign investments, which could affect a client account's total return. The risks of foreign securities are likely to be greater in emerging market countries (including certain countries in Latin America and Central and Eastern Europe) than in foreign countries with developed securities markets and more advanced regulatory regimes. Among other things, emerging market countries may have economic structures that are less mature and political systems that are less stable. Moreover, emerging market countries may have less developed securities markets, high inflation, and rapidly changing interest and currency exchange rates. Exchange rate movements can be large and can endure for extended periods of time, affecting either favorably or unfavorably the value of client account assets.

*Convertible Security Risk.* Convertible securities generally offer lower interest or dividend yields than non-convertible fixed-income securities of similar credit quality because of the potential for capital appreciation. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. A convertible security's market value, however, also tends to reflect the market price of the common stock of the issuing company, particularly when the stock price is greater than the convertible security's conversion price. The conversion price is defined as the predetermined price or exchange ratio at which the convertible security can be converted or exchanged for the underlying common stock. Mandatory convertible securities are distinguished as a subset of convertible securities because the conversion is not optional and the conversion price at maturity is based solely upon the market price of the underlying common stock, which may be significantly less than par or the price (above or below par) paid. Mandatory convertible securities generally do not limit the potential for loss to the same extent as securities convertible at the option of the holder.

*Alternative investments.* Alternative investments, such as hedge funds and private equity, or venture capital funds, are speculative and involve a high degree of risk. There is no secondary market for alternative investments and there may be significant restrictions or limitations on withdrawing from or transferring these types of investments. Private equity funds generally require an investor to make and fund a commitment over several years. Alternative investments generally have high fees (including both management and performance-based fees) and expenses that offset returns. Alternative investments are generally subject to less regulation than publicly traded investments.

*Derivatives Risk.* The use of derivatives may increase the volatility of the value of client account assets and may involve a small investment of cash relative to the magnitude of risk assumed. The principal risk of forward commitments is that the security may be worth less when it is issued or received than the price that a client account agreed to pay when it made the commitment. The principal risks of swap agreements are that they may be difficult to value and may be susceptible to liquidity and credit risk. The principal risk of futures contracts is that they may result in losses in excess of the amount invested in the futures contract, which may be unlimited. The principal risk of options transactions is that they may increase the volatility of the value of client account assets and may involve a small investment of cash relative to the magnitude of the risk assumed. Derivatives may also be subject to counterparty risk, that is, the risk that the other party in the transaction will not fulfill its contractual obligations.

*Foreign Futures or Options.* Quattro may trade foreign futures or options contracts for certain client accounts. Transactions on markets located outside of the United States, including markets formally linked to a United States market, may be subject to regulations which offer different or diminished protection to client accounts. Further, United States regulatory authorities may be unable to compel the enforcement of the rules or regulatory authorities or markets in non-United States jurisdictions where transactions for client accounts may be effected. Specifically, some non-U.S. exchanges, in contrast to U.S. exchanges, are “principal markets” in which performance with respect to a contract is the responsibility only of the individual member with whom the trader has entered into a contract and not of the exchange or clearinghouse, if any. In the case of trading on non-U.S. exchanges, client accounts will be subject to the risk of the inability of, or refusal by, its counterparty to perform with respect to such contracts. It is also possible that client accounts will not have the same access to certain trades as do various other participants in non-U.S. markets. Due to the absence of a clearinghouse system on many non-U.S. markets, such markets are significantly more susceptible to disruptions, which may include prolonged suspensions of trading and involuntary settlement of positions at artificial prices, than on U.S. exchanges.

*Sovereign Debt Obligations.* Quattro may invest in sovereign debt obligations for certain client accounts. Sovereign debt obligations are issued or guaranteed by a foreign government or one of its agencies, authorities, instrumentalities or political subdivisions. Investments in sovereign debt obligations involve special risks not present in corporate debt obligations. The issuer of the sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and client accounts may have limited recourse in the event of a default. During periods of economic uncertainty, the market prices of sovereign debt may be more volatile than prices of U.S. debt obligations. In the past, certain non-U.S. markets have encountered difficulties in servicing their debt obligations, withheld payments of principal and interest and declared moratoria on the payment of principal and interest on their sovereign debts. A sovereign debtor’s willingness or ability to repay principal and pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange, the relative size of the debt service burden, the sovereign debtor’s policy toward principal international lenders and local political constraints. Sovereign debtors may also be dependent on expected disbursements from foreign governments, multilateral agencies and other entities to reduce principal and interest arrearages on their debt. The failure of a sovereign debtor to implement economic reforms, achieve specified levels of economic performance or repay principal or interest when due may result in the cancellation of third-party commitments to lend funds to the sovereign debtor, which may further impair such debtor’s ability or willingness to service its debts.

*ETF Risk.* Because ETFs trade on a securities exchange, their shares may trade at a premium or discount to their net asset value. An ETF is subject to the risks of the assets in which it invests in addition to those of the investment thesis it follows. A client account invested in ETFs will incur brokerage costs when it buys and sells shares of an ETF and also bear its proportionate share of ETF fees and expenses, which are passed through to ETF shareholders.

*Real Estate Securities Risk.* The value of real estate securities in general, and in particular REITs, are subject to the same risks as direct investments and will depend on the value of the underlying properties or the underlying loans or interest. The value of such securities will increase and decrease in response to many factors, including economic conditions, the demand for rental property and

interest rates. Specifically, the value of such securities may decrease when interest rates increase and will be affected by the real estate market and by the management of underlying properties. REITs may be more volatile and/or more illiquid than other types of equity securities.

*Currency Risk.* The value of a client's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred by clients when a strategy changes investment from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

*Leverage Risk.* The Third-Party Managers, and any collective investment vehicles in which client accounts may be invested and that are managed by Third-Party Managers, may employ leverage through borrowings (including transactions entered into on margin) and through the use of options, futures contracts, swap transactions, repurchase agreements and other derivative instruments. While the use of borrowed funds can substantially improve the return on invested capital, it also may increase any adverse impact to which the funds may be subject and, therefore, subject client accounts to greater risk of loss. Quattro will have little or no control over the use of leverage by Third-Party Managers and such collective investment vehicles.

*Portfolio Concentration.* Our internally managed investment strategies (and some Third-Party Manager strategies) generally will hold a relatively concentrated portfolio of securities in comparison to their respective benchmarks and broader market indices. In addition, certain of these strategies may focus on particular sectors of broader markets. As a result, the returns of the strategy may be impacted (adversely or positively) by the performance of one or more positions in the portfolio or the sectors in which the strategies focus their investments.

*Valuation Risk.* There is no central place or exchange for fixed-income securities trading. Fixed-income securities generally trade on an "over-the-counter" market, which may be anywhere in the world where the buyer and seller can settle on a price. Due to the lack of centralized information and trading, the valuation of fixed-income securities may carry more risk than that of common stock. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes may lead to inaccurate asset pricing. In addition, other market participants may value securities differently. As a result, when a security or other instrument is sold in the market, the amount that the account receives may be less than the amount at which it was valued. Valuations of the assets, which will affect the amount of fees (including, to the extent applicable, performance compensation) payable to Quattro may involve uncertainties and judgmental determinations, and if such valuations prove to be incorrect, client portfolio value could be adversely affected.

**7. VRX I Investment Fund.** The principal investment objective of the VRX I Investment Fund is to achieve capital appreciation using a broad range of long and short trading strategies across Global Markets, Latin American and Emerging Markets. In general, the Company is not restricted in the investments it may make in respect of any Segregated Portfolio, which may include public or private equities, real estate, capital assets, convertible securities, debt securities (government and

corporate), commercial paper, loans and loan participation, money market instruments, indices (among others stock, fixed income and commodities), mutual funds (including ETFs), precious metals, put and call options (such as in equities, currencies, commodities), forward currency contracts, futures (such as equities, fixed income, currency and commodities), swap agreements, derivative securities, synthetic and hybrid instruments and other financial instruments.

Investing in Shares involves certain significant risk factors. Specifically, investing in Global Markets and Latin American and other Emerging Market securities involves certain special considerations and risk factors not typically associated with investing in securities of issuers in the United States, Western Europe or Japan. These include, but are not limited to: (a) local restrictions on foreign investment and repatriation of capital and profits; (b) market illiquidity, volatility and smaller market capitalization; (c) currency devaluation, other fluctuations of exchange rates and costs and exchange control regulations; (d) high rates of inflation and interest; (e) political, social and economic uncertainty; (f) a history of government and private sector debt defaults, (g) significant government influence on the economy; and (h) different and less rigorous regulatory, accounting, financial and other reporting standards than in developed markets. The VRX I Investment Fund's investments also involve the normal market and credit risk considerations associated with any portfolio of equity and debt investments.

The VRX I Investment Fund may invest all or a significant portion of its total assets in securities that are privately placed or are not listed on a recognized exchange. Such securities are normally illiquid and any concentration in such securities may increase the VRX I Investment Fund's exposure to market and/or interest rate volatility since such securities may be difficult to sell or restructure when the VRX I Investment Fund would find it advantageous to do so. Accordingly, there can be no assurance that the VRX I Investment Fund will be able to dispose of such securities, if at all, on advantageous terms or that such securities will not be sold at a price below their acquisition cost.

Most of the debt instruments acquired by a VRX I Investment Fund will be either rated below investment grade or unrated and, therefore, involve speculative characteristics. The unrestricted nature of most of a VRX I Investment Fund's investment policies should be understood to permit highly leveraged, speculative and volatile investments for all or a portion of the VRX I Investment Fund's investment portfolio. Accordingly, an investment is speculative in nature and you should only purchase Shares if you are capable of bearing the loss of your entire investment. For a more detailed list of risk factors, please refer to the VRX I Investment Fund's offering circular.

#### **Item 9 – Disciplinary Information**

Our firm has no reportable disciplinary events to disclose.

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

As stated in this Brochure, Quattro is wholly owned by Mr. Jose Luis Llamas. Mr. Llamas also owns Quattrowm, Asesor en Inversiones, S.A. de C.V. ("QAI"), a Mexican-based multi-family office that is oriented to ultra-high net worth clients in Latin America. All of QAI's clients are non-U.S. based and QAI's services include the management of real estate holdings, the management of business entities,

the hiring of outside consultants, bookkeepers, attorneys, private bankers, accountants, insurance advisors, real estate management firms, and other concierge services that may be requested by or necessary to family offices. Mr. Llamas serves as the sole owner and the managing director for QAI and he dedicates a portion of his time to the QAI business.

Quattro and QAI operate as separate, distinct, entities. Quattro may recommend QAI's family-office services to our advisory clients, and QAI may recommend our advisory services to its family-office clients. But, no referral fees of any kind are exchanged between these two entities.

Potential conflicts of interest also arise to the extent that these non-advisory activities for this separate entity, QAI, may require a significant time commitment from our principals (or employees), thus limiting the amount of time they can dedicate to management of advisory client accounts and to Quattro.

### **Item 11 – Code of Ethics**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering.

Our code provides for oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients upon request to our Chief Compliance Officer at the firm's principal office address.

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to or purchased for clients. In addition, any related person(s) may have an interest or position in a certain security or certain securities which may also be recommended to a client. This practice results in a potential conflict of interest, as we may have an incentive to manipulate the timing of such purchases to obtain a better price or more favorable allocation in rare cases of limited availability.

In case there is a partial fill of a particular batch order, we will allocate all the purchases pro-rata, with each account paying average price.

We do not aggregate our employee trades with client trades.

We endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser, therefore, we have established the following steps at Quattro to address and to mitigate these potential conflicts:

1. No persons associated with our firm may buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No persons associated with our firm may prefer his or her own interest to that of the advisory client.



2. It is the firm's policy that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.
3. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by executive management or members of the research or compliance staff.
4. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
5. All persons associated with our firm must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. Any individual not in observance of the above may be subject to disciplinary action or termination.
7. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and its employees to earn compensation from advisory clients in addition to our advisory fees.
8. We do not pay or collect referral fees from any related persons or entities.
9. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance.
10. Our management reviews each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances.
11. We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed.
12. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## **Item 12 – Brokerage Practices**

We do not have any formal or informal soft-dollar arrangements and do not receive any soft-dollar benefits. Typically, with respect to any portion of a client's portfolio directly managed by our firm, we do not request or accept the discretionary authority to determine the broker dealer to be used for client accounts, unless requested by the client. This means that we will not survey or shop the brokerage market place for best execution on a transaction-by-transaction basis. Clients must direct us as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that we will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients.

Quattro does not have, nor will it enter into, any formal soft dollar commitments or arrangements, written or verbal, explicit or implied, with any broker-dealers. A soft dollar commitment or arrangement is viewed by the Firm as a commitment, understanding or agreement to pay increased commissions, or direct trades to a broker-dealer, in exchange for the receipt of research. The Firm does however, effect transactions for clients with broker-dealers who provide the Firm with research or other brokerage products and services, providing lawful and appropriate assistance to the Firm in the performance of its investment decision-making responsibilities. Research and brokerage products and services received from broker-dealers are supplemental to Quattro's own research efforts and may be used to service all client accounts. Receipt of such research and services is a benefit because the Firm does not have to produce or pay for the research, products or services. All trades are completed with the broker-dealer which holds each client's assets in custody which mitigates the potential conflict for directing trades to a particular broker-dealer in exchange for research or services.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we will recommend the use of one of several broker dealers, provided that such recommendation is consistent with our fiduciary duty to the client.

Our clients must evaluate these brokers before opening an account. The factors considered by our firm when making this recommendation are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, and the broker's quality of execution services and costs of such services, and the custodial platform provided to clients, among other factors.

Clients are not under any obligation to effect trades through any recommended broker.

Our firm may have limited brokerage discretion on some client accounts where the client has pre-existing relationships with multiple broker dealers for the same account. In such cases, we will have the discretion to select a broker dealer from the pool of broker dealers approved and selected by the client. All broker dealers so selected and approved by the client must be indicated in writing. In cases where our firm has brokerage discretion, we will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services which will help us in providing investment management services to clients. We may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

With respect to the use of third-party investment advisers, each such adviser may or may not recommend broker dealers to clients, or will have their own policies, practices and procedures regarding brokerage. Our firm does not directly recommend the services of any particular broker dealer to these clients under these circumstances. Clients should refer to the disclosure document(s) of recommended independent registered investment adviser(s) for information on the brokerage recommendations, practices and policies for those entities.

We may aggregate client trades when doing so is advantageous to our clients. We will batch client transactions to receive volume discounts and to obtain better and more uniform pricing across client accounts. If we determine that aggregation of trades in a certain situation will be beneficial to our clients, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed from each client account on any given day. Any exceptions from the prorate allocation procedure will be carefully explained and documented. Such exceptions may occur due to varying cash availability across accounts, divergent investment objectives and existing concentrations, and desire to avoid “odd lots,” (an amount of a security that is less than the normal unit of trading for that particular security).

Furthermore, it is possible that certain securities will be bought or sold by a portfolio manager for the client’s accounts without a similar transaction being contemplated for accounts managed by other portfolio managers, even if such a transaction could be suitable for these accounts. We will attempt to minimize such instances through frequent Investment Committee discussions and firm-wide broadcasts of limited opportunity investments, whenever feasible and practicable.

Trade aggregation and participation in certain investment opportunities may be limited to the client’s selection of custodian or broker.

### **Item 13 – Review of Accounts**

We monitor the underlying securities in client accounts and perform quarterly reviews of account holdings for our clients. We also monitor the performance of third-party managers on a continuous basis. Accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder’s personal, tax or financial status. Political and economic specific events may also trigger reviews.

In addition to the monthly statements and confirmations of transactions that clients receive from their broker dealer, our firm may provide monthly consolidated account summaries and/or performance reports, as contracted for in the advisory relationship. Clients should refer to the selected registered investment adviser(s) disclosure document(s) for information regarding the nature and frequency of additional reports, if any, provided by the selected third-party investment advisers.

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

We may pay compensation to a third-party if they refer clients to us. Prior to paying such referral fees, we will verify that the third-party is appropriately registered to receive such compensation.

### **Item 15 – Custody**

Custody is defined as any legal or actual ability by our firm to access client funds or securities. We do not take any physical possession of client assets, as all client funds and securities are maintained with a qualified custodian.

We urge all of our management clients to carefully review and compare their reviews of account holdings or performance results received from us to those they receive from their custodian for any discrepancies and to please notify us as soon as possible.

Quattro may direct debit its advisory fees from certain client custodial accounts and therefore may be deemed to have custody of those accounts. Further, as the investment manager and owner of the control shares of the VRX I Investment Fund, Quattro may be deemed to have custody of this account. The private fund is audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are distributed to each client in the Fund within 120 days of the end of the private fund's fiscal year.

#### **Item 16 – Investment Discretion**

For clients that grant us discretionary authority to determine which securities and the amounts of securities that are to be bought or sold for their account(s), we request that such authority be granted in writing. With respect to the use of third-party investment advisers, our firm does not manage these client portfolios, or this portion of these client portfolios, in the traditional sense of the definition, rather, we manage the managers. As such, the client may grant us the authority to hire and fire the selected investment adviser, broker, or dealer directly. The client may also grant us the authority to determine the commission rates to be paid to a broker or dealer for a client's securities transactions. Should the client wish to impose reasonable limitations on this discretionary authority, such limitations shall be included in the executed investment advisory agreement and IPS. Clients may amend these limitations as desired. Such amendments must be submitted to us by the client in writing.

#### **Item 17 – Voting Client Securities**

Unless the client designates otherwise, Quattro votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of Quattro's proxy voting policy is available upon request.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about Adviser's financial condition. Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

#### **Paycheck Protection Program**

Quattro applied for and received a business support loan as part of the government's Paycheck Protection Program ("PPP") implemented in response to the COVID-19 crisis. The PPP loan was designed to help businesses keep employees on payroll amid the turmoil and uncertainty created by COVID-19. Because of the significant turmoil experienced in the financial services industry and the uncertainty regarding the length of time companies could be impacted by stay-at-home orders, remote arrangements, and barriers to face-to-face client interactions, Quattro felt it was prudent to apply for the loan. The loan application process required Quattro to submit a significant amount of financial information regarding our business operations to the Small Business Association ("SBA"). After reviewing our application, the SBA approved the requested loan of \$159,995.

The PPP is a federally supported loan wherein the proceeds are to be used to pay certain expenses such as payroll, rent, mortgage interest or utilities. If the proceeds are properly used within required timeframes and meet the program requirements, the loan can be forgiven partially or in full based on PPP calculations. Quattro is using these proceeds in accordance with the PPP program.