

Form ADV Part 2A – Firm Brochure



## BroadCore Investments LP

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This brochure provides information about the qualifications and business practices of BroadCore Investments LP ("BroadCore"), an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). If you have any questions about the contents of this brochure, please contact us at (646) 535-6900, or [twong@broadcoreinv.com](mailto:twong@broadcoreinv.com). This information has not been approved or verified by the SEC, or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. Additional information concerning BroadCore Investments LP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

BroadCore last filed an annual amendment to this brochure in March 2022. There have been no material changes to the brochure since that date.

## **Item 3: Table of Contents**

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#### **Item 4: Advisory Business**

BroadCore Investments LP is a Delaware limited partnership that was formed in June 2011. We only have one office in Roslyn Heights, NY. We commenced business in July 2011, with Charles Jarvis, Thomas Wong, Grace Zona and Stephen Jay Mermelstein, (collectively, the "Principals") who own 100% of BroadCore Investments LP, directly and indirectly, through BroadCore Investments LLC, a Delaware Limited Liability Company, whose members are the Principals. BroadCore would like to note that Charles Jarvis has deceased in January 2018.

BroadCore currently provides advisory services on a discretionary basis to the managed accounts (each, an "Account") of a qualified pension plan and a taxable individual and plans to offer its services to other high net worth individuals, institutions, and qualified pension plans. BroadCore utilizes a proprietary market-timing model to manage long-only portfolios consisting of certain exchange traded funds and cash and/or cash equivalents. BroadCore manages client accounts based on specific asset classes and benchmarks.

Prior to entering into an advisory agreement, BroadCore's product investment processes, strategies, and risks are discussed with prospective clients. Once an investment product has been selected, BroadCore will manage the Client's assets based on an allocation consistent with the Client's risk tolerance and in compliance with its investment objectives and guidelines. BroadCore generally does not allow Clients to place restrictions on the specific securities held in their Accounts. As used herein, the term "Client" generally refers to each beneficial owner of an Account.

#### **Products Offered**

##### **Large Cap Core:**

Objective: To seek to achieve portfolio returns (net of fees and expenses) in excess of the S&P 500 Total Return Index® (the "Large Cap Core Benchmark") over time, by investing in certain exchange traded funds (each, an "ETF") selected by BroadCore, in its discretion.

##### **Midcap Core:**

Objective: To seek to achieve portfolio returns (net of fees and expenses) in excess of the Russell Midcap® Index (the "Midcap Core Benchmark") over time, by investing in certain ETFs selected by BroadCore, in its discretion.

##### **Small Cap Core:**

Objective: To seek to achieve portfolio returns (net of fees and expenses) in excess of the Russell 2000® Index (collectively with Large Cap Core Benchmark and Midcap Core Benchmark, each a "Benchmark") over time, by investing in certain ETFs selected by BroadCore, in its discretion.

Regardless of the product selected, BroadCore will determine the strategic allocation of assets between cash (and cash equivalents) and the selected ETFs in its sole discretion. Typically, though, a Client's Account will be invested as follows:

<b>Instrument</b>	<b>Percentage of Account Invested*</b>
An ETF whose performance objective seeks to achieve 1X the daily return of the relevant Benchmark**	70%
An ETF whose performance objective seeks to achieve 2X daily return of the relevant Benchmark**	0-30%
Cash or cash equivalents (including money market funds\available in sweep accounts of the Custodian)	0-30%

BroadCore will determine the amount to be invested in each of the above instruments on a daily basis and will adjust such amounts, as BroadCore deems appropriate, in light of, among other things, its perception of market conditions and transactions costs.

\*Percentages may change at any time, in BroadCore's discretion, and thus could differ from stated amounts above due, among other things, to market fluctuations.

\*\* The specific ETFs in which the Account will be invested will be selected by BroadCore, in its sole discretion, with a view to implementing the above objective. The specific ETFs in which the Account will be invested may change at any time, in the discretion of BroadCore.

In addition, BroadCore offers two hybrid products, each of which combines two of the aforementioned products. They are:

**SMID (Small-Midcap Core): Invests 50% in Midcap Core and 50% in Small Cap Core.**

Objective: To seek to achieve portfolio returns (net of fees and expenses) in excess of the Russell 2500® Index over time, by investing in certain ETFs selected by BroadCore, in its discretion.

**All Cap Core: Invests 90% in Large Cap Core and 10% in Small Cap Core.**

Objective: To seek to achieve portfolio returns (net of fees and expenses) in excess of the Russell 3000® Index over time, by investing in certain ETFs selected by BroadCore, in its discretion.

There can be no assurance that the Account will achieve its objective and the Client may lose all or part of its investment in the Account.

BroadCore does not participate in wrap-fee programs.

As of December 31, 2014, Client assets under management were approximately \$24,591,000.00, all of which were managed by BroadCore on a discretionary basis.

### **Item 5: Fees and Compensation**

BroadCore charges each Client's Account an investment management fee as described in each Client's advisory agreement in accordance with the asset-based fee schedule below. Fees are calculated and billed at the end of each quarter by applying one-fourth of the annual rate to the market value of the Client Account, as determined by BroadCore, at the end of that quarter before giving effect to any contributions to or withdrawals from the Account. The fee will be pro-rated for contributions and/or withdrawals made to or from the account during the quarter.

BroadCore bills Clients separately for its management fees and does not deduct any fees directly from Client Accounts.

In addition to paying investment management fees, Client Accounts will also be subject to certain other investment expenses such as custodial or similar fees, brokerage commissions, and bank service fees, if applicable. In addition, investors in ETFs are subject to their pro-rata share of the ETF's expenses, which include the investment management fees payable to the manager of the ETF. Also, see Item 12, Brokerage Practices on page 10.

Generally, BroadCore's asset-based fee schedule for separately managed accounts is as follows:

<u>Asset</u>	<u>Fee</u>
First \$25 million	0.40%
Next \$25 million	0.35%
Next \$50 million	0.30%
Assets above \$100 million	0.25%

Fees above \$50 million are negotiable.

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

BroadCore charges its Clients an asset-based fee and currently does not charge performance-based fees.

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

As previously stated BroadCore's Clients are separately managed accounts who are provided with a detailed description of BroadCore's investment products, including an advisory agreement that states the investment objectives of each Client within a specific product. BroadCore's products are targeted towards taxable or tax-exempt investors, who are individuals, institutions, or qualified plans. Generally, the minimum account size for new accounts is \$500,000.00.

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

BroadCore utilizes proprietary quantitative tactical asset allocation ("market timing") strategies based on single factor regression models with additional quantitative risk control overlays. The models are constructed using the CBOE S&P 500® Volatility Index ("VIX") for the Large Cap and Midcap products, and the CBOE Russell 2000® Volatility Index ("RVX") for the Small Cap product. The VIX is a market estimate of expected volatility that is calculated by using real-time S&P 500® Index option bid/ask quotes. VIX uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant 30-day measure of the expected volatility of the S&P 500® Index. The RVX is a market estimate of expected volatility that is calculated by using real-time Russell 2000® Index option bid/ask quotes. RVX uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant 30-day measure of the expected volatility of the Russell 2000® Index. In measuring expectations of near-term volatility, the VIX/RVX captures important aspects of investor psychology, which have demonstrated a tendency of reversion to the mean. Based on this concept, the BroadCore

models analyze VIX/RVX price trends to determine the appropriate asset allocation for the Client Account. The consistency of historic inverse correlations of VIX/RVX price movements versus the underlying indices gives us confidence in relying on the VIX/RVX as a predictor of near-term market directions. However, the investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

## **Risks**

Investing in securities involves risk of loss that Clients should be prepared to bear. Prospective Clients should carefully consider the risks involved in appointing BroadCore to manage their Account including, without limitation, those discussed below and those described in the Client's managed account agreement. These risk factors focus on those risks associated with the types of securities in which Accounts may invest or those risks which we believe to be material, significant or unusual and relate to significant investment strategies or methods of analysis employed by us. Additional or new risks not addressed below may affect the Client. The following list of risk factors cannot and is not intended to be exhaustive. Prospective investors should consult their own legal, tax and financial advisers about the risks that could apply to the Client. The following risk factors and other relevant risks could have a material adverse effect on the Client's Account.

**Exchange Traded Funds** BroadCore will invest a significant portion of the Client's assets in ETFs, which are shares of publicly traded vehicles that seek to track or exceed the performance of specific indices. ETF shareholders are generally subject to the same risk as holders of the underlying securities comprising the index. 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 indices 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. There is a risk that ETFs in which the Client's assets may be invested may terminate due to extraordinary events. For example, any of the service providers to ETFs, such as the trustee or sponsor, may close or otherwise fail to perform their obligations to the ETF, and the ETF may not be able to find a substitute service provider. Also, ETFs may be dependent upon licenses to use the various indices as a basis for determining their compositions and/or otherwise to use certain trade names. If these licenses are terminated, the ETFs may also terminate. In addition, an ETF may terminate if its net assets fall below a certain amount. Additionally, the Client's Account will 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 customary brokerage commissions for each purchase and sale of ETFs as well as other direct expenses, including the asset-based management fees paid to BroadCore, the Client will also indirectly bear similar expenses of an ETF, which can have a material adverse effect on the net return of the Client's Account. Further, certain of the ETFs in which the Client's assets may be invested are leveraged and thus may be considered speculative investments subject to a greater risk of loss than non-leveraged, direct investments in the securities comprising the index.

**Equity Securities and Equity Derivatives Generally** The ETFs held in a Client's Account invest in equity securities and in certain cases in equity derivatives. The value of the ETFs and these equity securities and derivatives generally will vary with the performance of the issuers and movements in the equity markets. The market value of equity securities and derivatives may fluctuate, sometimes rapidly and unpredictably. This risk is generally greater for small companies, which tend to be more vulnerable to adverse developments. See "Small or Mid-Cap Equity Securities" below. Further, equity derivatives may be inherently leveraged and thus may be subject to a greater risk of loss than non-leveraged securities. Thus, they could cause increased volatility. Additionally, equity derivatives are subject to counterparty risks

(which are that a counterparty to the derivative instrument becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties) and liquidity risks.

**Small or Mid-Cap Equity Securities** The ETFs themselves, as well as their underlying equity securities, may include small- or mid-capitalization companies (collectively, smaller companies). Securities of smaller companies can, in certain circumstances, be subject to more risk than higher capitalization companies. The securities of smaller companies might not be traded in volumes typical of securities of larger companies. Because smaller companies normally have fewer shares outstanding than larger companies, it may be more difficult to buy and sell significant amounts of smaller company shares without an unfavorable impact on prevailing market prices. Thus, the securities of smaller companies -- and corresponding ETFs -- may be less liquid, and subject to more abrupt or erratic market movements than larger capitalized companies. Additionally, the risk of bankruptcy or insolvency of many smaller companies, with the attendant losses to investors may be higher than for larger companies. In addition to the risks related to the performance of the issuer and movements in the equity markets, there are numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous political, climate-related and terrorist factors, government activities and regulations and inflation that influence the value of equities. Further, despite the heavy volume of trading in equity securities, periodic illiquidity, mispricing and market disruptions may occur.

### **Quantitative Analysis**

*Model and Data Risk.* In seeking to achieve the objective of a Client's Account, BroadCore relies heavily on a proprietary, quantitative model that is based on information and data supplied by third parties ("Model and Data"). When Model and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Client's Account to potential risks. For example, by relying on Model and Data, BroadCore 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.

The model used by BroadCore is 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 the 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.

*Obsolescence Risk.* A Client's Account is unlikely to be successful unless the assumptions underlying the 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 BroadCore does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. Any modification of the models or strategies will not be subject to any requirement that the Client receives notice of the change or that it consents to the change. There can be no assurance as to the effects (positive or negative) of any modification on the performance of the Client's Account.

*Crowding/Convergence.* There is significant competition among quantitatively focused managers and the ability of BroadCore to deliver returns that have a low correlation with aggregate equity markets is



dependent on its ability to employ models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that BroadCore is not able to develop sufficiently differentiated models, the Client's investment objectives may not be met, irrespective of whether the models are profitable in an absolute sense. In addition, to the extent that BroadCore's model comes to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect the Client is increased, as such a disruption could accelerate reductions in liquidity or rapid re-pricing due to simultaneous trading across several funds in the marketplace.

*Risk of Programming and Modeling Errors.* The research and modeling process engaged in by BroadCore 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 BroadCore 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 raise the chances that the finished model may contain an error; one or more of such errors could adversely affect the performance of the Client's Account and likely would not constitute a trade error under BroadCore's policies.

#### **Item 9: Disciplinary Information**

In 2009, while serving as Chief Operating Officer of Ark Asset Management Co., Inc., Stephen Jay Mermelstein was charged with failing to supervise a now-deceased portfolio manager, who allegedly engaged in fraudulent trade allocations. Without admitting or denying the charges, Mr. Mermelstein settled the matter by accepting a six-month suspension from acting in a supervisory capacity with an investment adviser and a \$50,000.00 fine.

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

BroadCore and its management persons: (i) are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer and (ii) are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisers or associated persons of the foregoing entities.

We do not recommend or select other investment advisers for our Clients.

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

BroadCore strives to adhere to the highest legal and ethical standards in the investment management industry. BroadCore has adopted a Code of Ethics (the "Code") that obligates itself and its partners and employees ("Related Persons") to put the interests of Clients before their own interests and to act fairly and honestly in all their dealings with Clients. Related Persons of BroadCore are required to comply with the Code. Clients or prospective clients may obtain a copy of the Code by contacting Thomas Wong, by telephone at (646) 535-6900, or by email at [twong@broadcoreinv.com](mailto:twong@broadcoreinv.com).

BroadCore and its Related Persons do not buy or sell securities directly to or from Client Accounts, nor do they recommend to Clients or buy or sell for Client Accounts securities in which BroadCore or any Related Person has a material financial interest.

It is understood that BroadCore and its Related Persons perform investment advisory services for various Clients and may also purchase or sell securities for their own accounts. However, no Related Person may trade in ETFs that are utilized by BroadCore's products for their own accounts, unless the trade is executed by BroadCore's trading desk. It is BroadCore's policy to allocate investment opportunities in a manner that BroadCore determines is fair and equitable under the circumstances to the Client and the other Accounts and in accordance with the Client's or other Accounts' applicable investment strategies, over a period. Investment opportunities will generally be allocated among those Accounts for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: (i) the need to re-size risk in an Account's portfolio; (ii) whether the risk-return profile of the proposed investment is consistent with an Account's objectives; (iii) the potential for the proposed investment to create an imbalance in an Account's portfolio; (iv) the liquidity requirements of an Account and (v) regulatory restrictions that would or could limit an Account's ability to participate in a proposed investment. BroadCore will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any Client solely because BroadCore purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to another Client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the first mentioned Client.

Related Person trades may be aggregated with those of Clients, when they are entered as a Market-On-Close order. If trades are entered other than Market-On-Close, and include participation of BroadCore's Related Persons, then the Client Account orders will be entered first, and then after execution is confirmed, Related Persons' orders will be entered. If a trade is not executed in its entirety, the execution will be allocated to Client Accounts on a pro rata basis.

#### **Item 12: Brokerage Practices**

BroadCore selects brokers, dealers and counterparties on behalf of the Client's Account. Unless the Client requests that BroadCore direct brokerage to a particular broker or dealer, portfolio transactions for the Client will be allocated to brokers or dealers based on numerous factors and not necessarily lowest pricing. Prior to entering into a brokerage relationship, BroadCore will consider the following: financial soundness, length, depth and scope of expertise, capacity to manage BroadCore's trades, disciplinary history, and any other factors that may be deemed relevant, including execution quality, overall price and market access. BroadCore recognizes that the use of Client brokerage transactions to pay for services, research or products utilized by BroadCore would create a conflict of interest. BroadCore would receive a benefit because it would not have to pay for the services, research or products and it might have an incentive to select a broker or dealer based on its interests rather than those of the Clients'. Currently BroadCore does not receive services, research, or products other than execution from a broker-dealer in connection with Client securities transactions.

BroadCore often purchases or sells the same ETF for Clients contemporaneously and using the same executing broker, but it is under no obligation to do so. It is BroadCore's practice, where possible, to aggregate Client orders for the same purchase or sale of the same ETF submitted contemporaneously for execution using the same executing broker. BroadCore will also aggregate in the same transaction, the same ETF for Accounts where BroadCore has brokerage discretion. Such aggregation may enable

BroadCore to obtain for Clients a more favorable price or better commission rate based on volume of a particular transaction. When an aggregated order is filled, BroadCore will allocate the securities purchased or sold pro rata among the participating accounts. If the order at a particular broker is executed at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission. If an aggregate order is only partially filled, BroadCore's procedures provide that the securities purchased or sold are to be allocated among the participating Clients on a pro rata basis based on order size. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by BroadCore or requested by the Client, as applicable. As a result, certain trades in the same security for one Account (including an Account in which BroadCore and/or its Related Persons may have a direct or indirect interest) may receive more or less favorable prices or terms than another Account, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

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

Each Client Account is reviewed by Thomas Wong, the Portfolio Manager of each Account and Chief Compliance Officer, or Stephen Jay Mermelstein, Chief Financial Officer daily to determine whether exposure levels are consistent with the applicable model. Clients receive account valuations and activity reports no less than quarterly.

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

It is BroadCore's policy not to accept or allow its employees to accept any form of economic benefit, including cash, sales awards or other prizes from non-clients, in conjunction with the advisory services provided to our Clients.

Neither BroadCore nor any Related Person pays for client referrals, nor do they utilize the services of third-party marketers.

### **Item 15: Custody**

BroadCore does not maintain custody of any Client assets. Clients will receive statements from their custodian and should review those statements carefully and compare with any reports received from BroadCore.

### **Item 16: Investment Discretion**

BroadCore provides investment advisory services on a discretionary basis to Clients via separately managed accounts. For BroadCore to assume discretionary authority over an Account, both the Client and BroadCore must execute a separately managed account agreement, which includes a limited power of attorney setting forth the scope of BroadCore's investment discretion. Generally, BroadCore has the authority to determine action, the type of security, the volume and timing of investment transactions entered into on behalf of a Client, in each case without seeking or receiving prior consent.

### **Item 17: Voting Client Securities**

To the extent BroadCore has been delegated proxy voting authority on behalf of a Client, BroadCore complies with its proxy voting policies and procedures that are designed to ensure that in cases where BroadCore votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients. In voting proxies, BroadCore votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock. BroadCore will determine whether a proposal is in the best interests of its Clients and may consider the following factors, among others (a) management's recommendation on the proposal and BroadCore's opinion of management; (b) whether the proposal will entrench existing management; and (c) whether management will be fairly compensated for past and future performance.

At a Client's request and consistent with the managed account agreement, a Client may reserve the right to vote its own proxies. In this instance, BroadCore will forward all proxies and proxy information to the Client. A copy of BroadCore's proxy voting policies and procedures will be provided to any Client upon request. Clients may also request information on how their proxies were voted. Requests regarding proxies may be sent to Thomas Wong, Chief Compliance Officer at 646-535-6900 or [twong@broadcoreinv.com](mailto:twong@broadcoreinv.com).

With respect to ERISA accounts, BroadCore will vote all proxies unless the plan documents specifically reserve the plan sponsor's right to vote the proxies or a third-party provider has been retained to vote the proxies on behalf of the Client.

### **Item 18: Financial Information**

BroadCore 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.