

# **WRAP FEE PROGRAM BROCHURE**

Part 2A of Form ADV

August 21, 2023

## **CleverAlpha Asset Management, LLC**

#CRD 301620

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**This wrap fee program brochure provides information about the qualifications and business practice of CleverAlpha Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 310-293-7837 or [rcabanes@cleveralpha.com](mailto:rcabanes@cleveralpha.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state security authority.**

**Additional information about CleverAlpha Asset Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**CleverAlpha Asset Management, LLC is a registered investment adviser with the Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of CleverAlpha Asset Management, LLC provides you with information about which you can use to determine to hire or retain CleverAlpha Asset Management, LLC.**

## ITEM 2: MATERIAL CHANGES

CleverAlpha Asset Management, LLC (“CleverAlpha” or the “Firm”) is a registered investment adviser with the Securities and Exchange Commission (“SEC”). As such, no material changes are noted here. Our prospective clients are strongly encouraged to read this Brochure in its entirety prior to engaging CleverAlpha for any advisory services.

Pursuant to State and SEC Rules, CleverAlpha Asset Management, LLC will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of CleverAlpha Asset Management, LLC’s fiscal year. Additionally, as the firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please visit [www.cleveralpha.com](http://www.cleveralpha.com).

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## **ITEM 4: SERVICES, FEES AND COMPENSATION**

### **A. Services under the Wrap Fee Program**

The CleverAlpha Wrap Fee Program is an advisory program (the “Program”) sponsored by CleverAlpha Asset Management, LLC (“CleverAlpha”). CleverAlpha is registered as an investment advisor with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended, and is a California corporation.

The Program offers clients investment strategies that consist of diversified portfolios in a single account that is managed on a discretionary basis.

CleverAlpha provides administration and related services for the Program. CleverAlpha provides portfolio management services for Program accounts on a discretionary basis consistent with clients’ chosen investment strategy.

CleverAlpha is a digital only asset manager, offering investment advisory services over the internet to individuals and businesses directly via a Business to Consumer website, [www.CleverAlpha.com](http://www.CleverAlpha.com)

Clients should carefully consider whether their participation in the Program is appropriate for their investment needs and goals. Clients can change their investment strategy by going online and completing a new web or mobile-based assessment.

Clients give investment discretion to CleverAlpha to manage their account and make trades in their account. Clients will not be allowed to make trades in their account.

CleverAlpha directly manages the portfolios of Clients pursuant to each client’s Advisory Agreement, and each client’s financial goals and personal information through CleverAlpha’s online application. At account opening, clients provide Account Opening information such as: age, financial condition, employment status, investment objectives, risk tolerance and time horizon. Then via a series of a risk tolerance score is mapped to the client which the algorithm utilizes for selecting target asset allocations. Based on this information, CleverAlpha’s algorithm will recommend a portfolio comprised of stocks, ETFs, Funds and/or cash (collectively, Assets”). CleverAlpha also incorporates tax loss harvesting for taxable accounts, but CleverAlpha does not, provide tax advice to clients.

Investment advisory recommendations are based on the client’s financial situation at the time the services are provided and are based on financial information disclosed by the client. If the client experiences any significant changes to their financial or personal circumstances, it is the client’s responsibility to timely notify the Firm so that such information can be used in managing the

client's portfolio. In addition, CleverAlpha does not assume any responsibility for the accuracy of the information provided by clients. Clients are advised that certain assumptions can be made with respect to interest and inflation rates and past trends and performance of the market and economy. Past performance is in no way an indication of future performance.

## **B. Fees**

The Program includes the following services: (i) CleverAlpha's Program administration services; (ii) CleverAlpha's portfolio management services; and (iii) the custodian's trade execution, custody and related services. Clients are not charged and will not be charged a Program fee for these services.

To the extent that cash used by clients to fund their Program accounts comes from redemptions of mutual fund shares, ETFs or other investments outside of the Program, there can be tax consequences or additional costs from sales charges previously paid and redemption fees incurred.

CleverAlpha charges clients a single bundled fee that covers the investment advisory services it provides, as well as the brokerage and custodial services associated with holding and trading securities provided by its custodian broker-dealer. CleverAlpha's fees for Retail and Institutional Clients: \$1 per month for accounts under \$5,000 or, an annualized fee of 0.25% for accounts greater than \$5,000. There are no other separate fees for any trade execution or custody service. There is no minimum account size; however, the minimum deposit is \$10.

The fees that clients pay directly and indirectly in the Program can be more or less than they would pay if they purchased separately the types of services in the Program. Clients can be able to obtain some or all of the types of services available through the Program on a stand-alone basis from other firms. Factors that bear upon the cost of the Program in relation to the cost of the same services purchased separately include, among other things, the type and size of the account (and other accounts that clients can be able to combine to determine fee break points), the historical and expected size or number of trades for an account, and the number and range of supplementary advisory and other services provided to an account. As CleverAlpha absorbs certain transaction costs in wrap fee accounts, CleverAlpha can have a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement.

CleverAlpha generally charges a monthly asset management fee in advance, based on the account's assets under management (AUM) as of the close of business on the last business day of the preceding calendar month. Lower fees for comparable services can be available from other sources.

Should a client open an account during the month, management fees will be prorated for assets

held for a partial month based on the number of days that the account was open during the month.

In the event that CleverAlpha's services are terminated mid-month, the annual fee shall be prorated through the date of termination as defined in the Agreement and any earned, unpaid balance will be immediately due and payable by client, and any pre-paid unearned fees will be promptly refunded to the client.

### **C. Compensation**

No CleverAlpha employee or access person receives any special compensation for recommending the Wrap Program to clients who participate in the program other than the compensation received from the CleverAlpha management fee charged as the owner of the Firm.

## **ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

CleverAlpha provides independent, objective advice regarding investments for individuals and high net-worth individuals. There is a no minimum required to open and maintain an investment advisory wrap account.

Clients of the Program can include individuals, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), are not eligible for the Program.

CleverAlpha can terminate a client from the Program for any reason, in CleverAlpha's sole discretion. CleverAlpha also can terminate a client from the Program if CleverAlpha deems the client's requested investment restrictions to be unreasonable. Before terminating a client from the Program, CleverAlpha will provide at least 30 days' notice. Depending on the reason for the termination, the client can have the opportunity to resolve the reason for their termination.

## **ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **A. Selection and Review of Portfolio Manager**

CleverAlpha is the Portfolio Manager of the Wrap Program. There is no third-party review performed of the portfolio manager's performance.

### **B. Advisory Business**

CleverAlpha is the sponsor of the Wrap Program. A "wrap-fee" program is one that provides the client with advisory and execution services for an inclusive fee. The client is not charged separate

fees for the respective components of the total service. CleverAlpha actively solicits advisory clients for the program.

CleverAlpha Asset Management, LLC is owned by Richard Cabanes 36.20%, VCT Holdings II, LLC, 24.00%, Lucio Flores 20.00%, Gato Systems, LLC 16.00%, Duncan Clark 3.00%, John Isbell, 0.60% and Michael Ernst 0.20%.

### **C. Performance-Based fees and Side-by-Side Management**

CleverAlpha does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains on or capital appreciation of the client's assets or any portion of the client's assets). Consequently, CleverAlpha does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management).

### **D. Methods of Analysis**

At account opening, clients provide Account Opening information such as: age, financial condition, employment status, investment objectives, risk tolerance and time horizon. Then via a series of a risk tolerance score is mapped to the client which the algorithm utilizes for selecting target asset allocations. Based on this information, CleverAlpha's algorithm will recommend a portfolio comprised of stocks, ETFs, Funds and/or cash (collectively, "Assets") targeting each of the client's financial goals and account type. CleverAlpha's Investment Committee determines which portfolio strategies and Assets to offer to clients via an algorithm. CleverAlpha may change the specific Assets that comprise a particular Allocation without notice to clients, and clients cannot exclude any Assets from inclusion within their Allocation.

### **E. Investment Strategies and Risk of Loss**

CleverAlpha uses algorithms to advise clients and manage their accounts. These algorithms are developed, overseen, and monitored by CleverAlpha's investment advisory personnel. When clients sign up for a CleverAlpha account, an algorithm, developed by CleverAlpha's investment advisory personnel, determines a recommended Allocation based on inputs from the client.

Algorithms may also generate other types of advice regarding other investment decisions, including but not limited to Allocation selection, savings, contributions and distribution or withdrawal rates, automatic rebalancing, account type selection, and the amount of cash CleverAlpha recommends that Retail and Institutional Clients maintain in the bank account they have linked to their CleverAlpha account.

The algorithms described above will generate recommendations only from information that is input into the algorithm. Although, CleverAlpha collects a variety of information from clients, individualized information about every aspect of a client's personal financial situation is not

elicited through CleverAlpha's website, and therefore, not considered by CleverAlpha's algorithms.

CleverAlpha algorithm specifically seeks to rebalance client portfolios so that each client's portfolio remains controlled to within a narrow range of the initially targeted, risk adjusted Internal Rates of Return (IRR) called the glide-path. CleverAlpha typically rebalances a client's account when a portfolio is identified as having drifted by an approximate plus or minus 10% from an initial glide-path IRR. The rebalancing threshold differs for certain custom portfolios.

### ***Risk of Loss***

Investing in securities involves a significant risk of loss which Clients should be prepared to bear. CleverAlpha investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the Client's account. There can be no assurance that the Client's investment objectives will be obtained and no inference to the contrary should be made.

Past performance is not indicative of future results. Therefore, Clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

The market value of fixed income securities will generally fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations and inflation-linked fixed income securities.

The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities.

There is no assurance that a mutual fund or ETF will achieve its investment objective. Past performance of investments is no guarantee of future results.



There are certain additional risks associated with the securities recommended and strategies utilized by CleverAlpha including, among others:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of Client investments. This is also referred to as systemic risk.
- Non-diversification risk – The risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- Equity (stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Fixed Income Risk – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Interest rate risk – The chance that prices of fixed income securities will decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- Reinvestment Risk – The risk that interest and principal payments from a bond will be reinvested at a lower yield than that received on the original bond. During periods of declining interest rates, bond payments may be invested at lower rates; during periods of rising rates, bond payments may be invested at higher rates.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Opportunity Cost Risk – The risk that an investor may forego profits or returns from other investments.

## F. Voting Client Securities

CleverAlpha's policy and practice is to not vote proxies on behalf of its Clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a Client's account, unless the

account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, the Client retains the responsibility for receiving and voting all proxies for securities held within the Client's account. CleverAlpha shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a Client.

CleverAlpha typically does not advise or act for Clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in Clients' accounts.

#### **ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

As stated above, clients provide Account Opening information such as: age, financial condition, employment status, investment objectives, risk tolerance and time horizon. Then via a series of a risk tolerance score is mapped to the client which the algorithm utilizes for selecting target asset allocations. Based on this information, CleverAlpha's algorithm will recommend a portfolio comprised of stocks, ETFs, Funds and/or cash (collectively, "Assets") targeting each of the client's financial goals and account type. CleverAlpha's Investment Committee determines which portfolio strategies and Assets to offer to clients via an algorithm. CleverAlpha may change the specific Assets that comprise a particular Allocation without notice to clients, and clients cannot exclude any Assets from inclusion within their Allocation.

#### **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

CleverAlpha is a digital only asset manager, offering investment advisory services over the internet via a Business to Consumer website, [www.CleverAlpha.com](http://www.CleverAlpha.com)

#### **ITEM 9: ADDITIONAL INFORMATION**

When the Firm places orders for the execution of portfolio transactions for client accounts, transactions are allocated to brokers and dealers for execution in various markets at prices and commission rates that, based upon good faith judgment, will be in the best interest of the client. In addition to using brokers as "agents" and paying commissions, the Firm may affect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

The following discussion summarizes the material aspects of the Firm's practices for the selection of broker-dealers to execute Client transactions.

#### **A. Discretionary Authority and Selection Criteria**

Except in limited situations where CleverAlpha permits clients to direct brokerage (as described below), CleverAlpha will have discretionary authority to make the following determinations without first obtaining client's permission for each transaction:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers through which securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

All separately managed account clients are required to establish custodial accounts with a qualified custodian of record. CleverAlpha may only implement its investment management recommendations after the client has arranged for and furnished the Firm with all information and authorization regarding accounts with appropriate financial institutions to act as custodian. In addition, in most cases, a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Factors which CleverAlpha considers in selecting broker-dealers include their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by particular brokers selected by CleverAlpha may be higher or lower than those charged by other broker-dealers.

CleverAlpha generally affects all transactions for separately managed accounts through the broker-dealer. CleverAlpha periodically evaluates the commissions charged and the service provided by the broker-dealer and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative broker-dealers. Other factors CleverAlpha may consider when evaluating its choice of broker dealer include:

- Ability to trade mutual funds and other investments that CleverAlpha determines suitable for a client's portfolio;
- Any custodial relationship between the client and the broker-dealer;
- Excellent customer service;
- Interaction simplicity with the Adviser;

- Discount transaction rates; and
- Reliability and financial stability.

For those clients who select broker-dealers not recommended by CleverAlpha, clients should be aware that CleverAlpha may not be able to negotiate specific brokerage commission rates with the broker on the client's behalf, or seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case and that CleverAlpha will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution.

## **B. Best Execution**

CleverAlpha will generally seek "best execution" in light of the circumstances involved in transactions. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. CleverAlpha will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction. Consistent with the foregoing, while CleverAlpha will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

To ensure that brokerage firms selected by CleverAlpha are conducting overall best qualitative execution, CleverAlpha will periodically (and no less often than annually) evaluate the trading process and brokers utilized. This evaluation will include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

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

CleverAlpha does not receive soft dollars generated by the securities transactions of its clients. The term "soft dollars" refers to funds which are generated by client trades being used by the Firm to purchase products or services, such as research from or through broker-dealers whom CleverAlpha engages to execute securities transactions.

### **2. Directed Brokerage**

In limited situations CleverAlpha may accept written direction from a client regarding the use of a particular broker-dealer to execute some or all transactions for the client. In the event that a client

directs CleverAlpha to use a particular broker or dealer, the client will negotiate terms and arrangements for the account with that broker-dealer, and CleverAlpha will not seek better execution services or prices from other broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by CleverAlpha (as described below). Additionally, in directed brokerage situations, CleverAlpha will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or

receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, CleverAlpha may decline a client’s request to direct brokerage if, in our sole discretion, we believe such directed brokerage arrangement would not be beneficial to a client.

### **C. Trade Aggregation and Allocation**

Transactions for each client will be effected independently, unless CleverAlpha decides to purchase or sell the same securities for several clients at approximately the same time. CleverAlpha performs investment management services for various clients, some of which may have similar investment objectives. CleverAlpha may aggregate sale and purchase orders with other client accounts and proprietary (employee) accounts that have similar orders being made at the same time, if in CleverAlpha's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices and lower trade execution costs. CleverAlpha may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among CleverAlpha's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, CleverAlpha may allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

### **D. Disciplinary History**

Registered investment advisers such as CleverAlpha are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client’s or prospective client’s evaluation of CleverAlpha or the integrity of its management. CleverAlpha does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item.

## **E. Other Financial Industry Activities and Affiliations**

Certain investment adviser representatives of CleverAlpha are registered representative of, and offer securities and related business through, Velocity Clearing LLC a registered Broker/Dealer and member of FINRA and SIPC. These investment adviser representatives can receive separate and typical commissions or fees for doing business with these firms. However, CleverAlpha does not have any relationship or arrangement that is material to its advisory business or to its Clients. CleverAlpha does not recommend or select other investment advisers for Clients in exchange for compensation from those advisers. CleverAlpha is neither owned nor controlled by PSC.

## **F. Code of Ethics**

CleverAlpha is a fiduciary who owes its Clients undivided loyalty. This fiduciary obligation imposes upon CleverAlpha and its associated persons a duty to deal fairly and to act in the best interest of its Clients. In addition, this obligation imposes upon CleverAlpha and its associated persons numerous responsibilities, including the duty to render disinterested and impartial advice; to make suitable recommendations within the context of the total portfolio to Clients in light of their needs, financial circumstances and investment objectives; to exercise a high degree of care to ensure that adequate and accurate representations of its business and other information about securities are presented to Clients; and to not engage in fraudulent, deceptive or manipulative practices.

To this end, CleverAlpha has adopted a Code of Ethics (“Code”) which establishes standards of conduct for the firm’s supervised persons and includes general requirements that such supervised persons comply with the their fiduciary obligations to Clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of Client information.

Because CleverAlpha’s investment professionals and associated persons may transact in the same securities for personal accounts as they may buy or sell for Client accounts, it is important to mitigate potential conflicts of interest. As such, CleverAlpha has adopted personal securities transaction policies in its Code, which all of CleverAlpha’s associated persons must follow. Specifically, the Code requires personnel to report personal trades and holdings and prohibits or requires pre-clearance for certain trades in certain circumstances. The Code also contains procedures for reporting violations and enforcement. The Code is reviewed and distributed to personnel annually. CleverAlpha will provide a copy of its Code of Ethics to any Client or prospective Client upon request. Please contact CleverAlpha at (310) 293-7837.

## **G. Participation or Interest in Client Transactions and Personal Trading**

It is CleverAlpha’s policy not to enter into any principal transactions or agency cross transactions on behalf of Client accounts. Principal transactions occur where an adviser, acting as principal for

its own account, buys securities from or sells securities to any advisory Client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction.

CleverAlpha or individuals associated with CleverAlpha may buy or sell for their personal account(s) securities or investment products identical to those recommended to or already owned by Clients. Alternatively, CleverAlpha may cause Clients to buy a security in which CleverAlpha or such individuals have an ownership position. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the Client. Nevertheless, such practices present potential conflicts of interest. To mitigate these conflicts, CleverAlpha has adopted a Code of Ethics, which outlines the procedures regarding personal trading that must be followed (see details below). Additionally, as part of CleverAlpha's fiduciary duty to Clients, CleverAlpha and its supervised persons will endeavor at all times to put the interests of the Clients first and at all times are required to adhere to CleverAlpha's Code of Ethics.

### ***Personal Trading***

On occasion employees of CleverAlpha may buy for their own accounts securities which CleverAlpha also recommends to Clients. It is possible that officers or employees of CleverAlpha may buy or sell securities or other instruments that CleverAlpha has recommended to Client and may engage in transactions for their own account in a manner that is inconsistent with CleverAlpha's recommendations to a Client. Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a Client.

In order to mitigate this conflict of interest and to comply with all applicable laws and regulations, CleverAlpha's Code of Ethics sets forth the professional and fiduciary standards that all associated persons must follow. The Firm's intention is to protect Client interests at all times and to demonstrate CleverAlpha's commitment to its fiduciary duties of honesty, good faith and fair dealing with Clients. All associated persons are expected to adhere strictly to the policy and are required to follow specific procedures regarding personal trading, including:

- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Conduct all personal securities transactions in a manner consistent with the adopted policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

CleverAlpha and its Associated Persons may also buy or sell specific securities for their own accounts based on personal investment considerations, which CleverAlpha does not deem appropriate to buy or sell for Clients.

## **H. Review of Accounts**

### **1. Periodic Reviews**

Accounts are monitored on an ongoing basis, through the use of the algorithm described above in Item 4. The accounts are measured for performance, consistency with the investment strategy and Client objectives, and other account parameters in order to determine if any adjustments need to be made.

### **2. Other Reviews and Triggering Events**

In addition to the periodic reviews described above, reviews may be triggered by changes in a Client's personal, tax or financial status. Account holdings also are reviewed when changing market conditions warrant such review. Clients are encouraged to notify the Firm and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

### **3. Regular Reports**

Written account statements are generated no less than quarterly and are sent directly from the account custodian. These statements list the account positions, activity in the account over the covered period, and other related information, including any fees deducted from the account. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived. Clients are urged to carefully review all account statements.

In addition, clients may receive other supporting reports from mutual funds, trust companies, broker-dealers or insurance companies based on their involvement with the account and their applicable internal reporting requirements.

### **4. Client Referrals and Other Compensation**

As discussed in Item 9 above, CleverAlpha does not receive soft dollars generated by the securities transactions of its clients. The term "soft dollars" refers to funds which are generated by client trades being used by the Firm to purchase products or services, such as research from or through broker-dealers whom CleverAlpha engages to execute securities transactions.



As such, neither CleverAlpha nor any related person of CleverAlpha has any arrangement, oral or in writing, where it is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients or directly.

5. Financial Information

CleverAlpha does not require or solicit prepayment of more than \$500 in fees per Client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. CleverAlpha does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to Clients, and has not been the subject of a bankruptcy proceeding.