

# Quantrader LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Quantrader LLC. If you have any questions about the contents of this brochure, please contact us at 833-Qtrade1 (833-787-2331) or 646-443-6400, or by email at: [contact@quantrader.ai](mailto:contact@quantrader.ai). 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 Quantrader LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Quantrader LLC's CRD number is: 305510.*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Quantrader LLC has not yet filed an annual updating amendment using the Form ADV Part 2A. Therefore there are no material changes to report.

## Item 3: Table of Contents

Item 1: Cover Page	
Item 2: Material Changes .....	ii
Item 3: Table of Contents .....	iii
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation.....	5
Item 6: Performance-Based Fees and Side-By-Side Management .....	6
Item 7: Types of Clients .....	6
Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss.....	7
Item 9: Disciplinary Information .....	10
Item 10: Other Financial Industry Activities and Affiliations .....	10
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	11
Item 12: Brokerage Practices.....	12
Item 13: Review of Accounts.....	13
Item 14: Client Referrals and Other Compensation.....	13
Item 15: Custody.....	13
Item 16: Investment Discretion .....	14
Item 17: Voting Client Securities (Proxy Voting).....	14
Item 18: Financial Information.....	14

## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Quantrader LLC (hereinafter “Quantrader”) is a Limited Liability Company organized in the State of Delaware. The firm was formed in August 2019, and the principal owner is AI Systems Inc.

### **B. Types of Advisory Services**

#### ***Discretionary Automated Portfolio Management***

Quantrader provides automated investment services via an interactive website. This service uses machine learning to determine the appropriate allocation for clients among different model portfolios. Quantrader’s automated portfolio management entails asset selection and reallocation as dictated by the company’s investment algorithms. Discretionary authority from clients is required, as Quantrader will select securities and execute transactions without permission from the client prior to each transaction.

The specific transactions for a given client will depend in part on the existing holdings within the account, so not all clients will participate in the same transactions as another client. Quantrader seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of Quantrader’s economic, investment or other financial interests. To meet its fiduciary obligations, Quantrader attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, Quantrader’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is Quantrader’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent, including investment opportunities that might have a limited supply, among its clients on a fair and equitable basis over time.

Quantrader may also act as a subadviser to advisers unaffiliated with Quantrader. These third-party advisers would outsource portfolio management services to Quantrader. 2A builder: This relationship will be memorialized in each agreement between Quantrader and the third-party adviser.

Quantrader generally limits its investment advice to mutual funds, fixed income securities, equities, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds and commodities. However, Quantrader may invest in other securities when dictated by its investment model.

### C. Client Tailored Services

Quantrader offers the same investment approach to all of its clients. This is limited to an **aggressive** investment strategy powered by Quantrader's proprietary investment models. Accordingly, clients are not permitted to impose restrictions in investing in certain securities.

### D. Wrap Fee Programs

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, and certain other administrative fees. Quantrader does not participate in wrap fee programs.

### E. Assets Under Management

Quantrader has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$0	\$0	August 2019

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Portfolio Management Fees*

Clients will be charged a **one percent (1.0%)** annual advisory fee for portfolio management. The daily balance in the client's account throughout the billing period is used to determine the net liquidation value of the assets upon which the advisory fee is based. Advisory fees due shall be calculated by multiplying the advisory fee by the net liquidation value of the account as of the close of trading on the New York Stock Exchange ("NYSE") (herein, "close of markets") on such day, or as of the close of markets on the immediately preceding trading day for any day when the NYSE is closed, and then by dividing by 252 (except in any leap year, during which year the amount shall be divided by 253). The advisory fee is non-negotiable and final fee schedule will be memorialized in the client's advisory agreement. Clients may terminate the agreement without penalty for a full refund of Quantrader's fees within five business days of signing the Investment Advisory Agreement. Thereafter, clients may terminate the Investment Advisory Agreement immediately upon written notice.

## **B. Payment of Fees**

Asset-based portfolio management fees are withdrawn directly from the client's accounts, with client's written authorization, monthly in arrears.

## **C. Client Responsibility for Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by Quantrader. Please see Item 12 of this brochure regarding broker-dealer/custodian.

## **D. Prepayment of Fees**

Quantrader collects its fees in arrears. It does not collect fees in advance.

## **E. Outside Compensation for the Sale of Securities to Clients**

Neither Quantrader nor its supervised persons accept any compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Quantrader does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

Quantrader generally offers advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Banks and Thrift Institutions
- ❖ Corporations or Business Entities
- ❖ Other Investment Advisers

There is an account minimum of \$50,000, which may be waived by Quantrader in its discretion.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

Quantrader's methods of analysis include Charting analysis, Cyclical analysis, Fundamental analysis, Modern portfolio theory, Quantitative analysis and Technical analysis.

**Charting analysis** involves the use of patterns in performance charts. Quantrader uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Cyclical analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

#### *Investment Strategies*

Quantrader uses long term trading, short term trading, short sales and margin transactions.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

#### *Methods of Analysis*

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

**Quantitative analysis** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

### ***Investment Strategies***

Quantrader's use of short sales, margin transactions and options trading generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired.



**Short sales** entail the possibility of infinite loss. An increase in the applicable securities' prices will result in a loss and, over time, the market has historically trended upward.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Quantrader's use of short sales and margin transactions generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in

hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Commodities** are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors, such as disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither Quantrader nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Quantrader nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Evan James Costaldo is a licensed attorney and principal of Costaldo Law Group P.C. From time to time, Mr. Costaldo may offer clients advice or products from this activity. Mr. Costaldo is also Co-Founder and President of AI Systems Inc. (the parent company of Quantrader LLC). Clients should be aware that these services may involve a conflict of interest; however, Quantrader always acts in the best interest of its clients. Quantrader's clients are in no way required to utilize the services of any representative of Quantrader in connection with such individual's activities outside of Quantrader.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

Quantrader does not utilize nor select third-party investment advisers.

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

#### **A. Code of Ethics**

Quantrader has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Quantrader's Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

Quantrader does not recommend that clients buy or sell any security in which a related person to Quantrader or Quantrader has a material financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Quantrader may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Quantrader to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. Quantrader will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients**

From time to time, representatives of Quantrader may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Quantrader to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, Quantrader will never engage in trading that operates to the client's disadvantage if representatives of Quantrader buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on Quantrader's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and Quantrader may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in Quantrader's research efforts. Quantrader will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

Quantrader will require clients to use Interactive Brokers LLC.

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

While Quantrader has no formal soft dollars program it will have access to whatever research, products, or other services ("soft dollar benefits") that are included without additional charge as part of a custody platform. There can be no assurance that any particular client will benefit from access to soft dollar benefits offered by the custodian and these benefits can result in higher commissions. However, any such benefits will be consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. Moreover, Quantrader benefits by not having to produce or pay for the research, products or services included as part of the custodian's platform. Finally, while there is an incentive to recommend a broker-dealer based on receiving research or services, access to soft dollar benefits is not a material basis for Quantrader's selection of a custodian.

#### ***2. Brokerage for Client Referrals***

Quantrader receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

Quantrader will require clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

#### **B. Aggregating (Block) Trading for Multiple Client Accounts**

Due to its data and algorithm driven investment approach, Quantrader does not aggregate or bunch the securities to be purchased or sold for multiple clients, which could result in less favorable prices, particularly during periods of heightened volatility or reduced liquidity in the applicable securities markets.

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

Quantrader's advisory services are reviewed at least quarterly by Evan James Costaldo, Quantrader's Chief Compliance Officer and Investment Adviser Representative, with regard to Quantrader's investment policies and its clients' respective risk tolerance levels. All accounts at Quantrader are assigned to this reviewer. Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

Quantrader does not provide written reports, but clients will receive a quarterly statement from the custodian.

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

#### **A. Economic Benefits Provided by Third Parties**

Quantrader receives compensation via its arrangement with its underlying subadvisers, but otherwise does not receive any economic benefit from any other third party for advice rendered to Quantrader's clients.

#### **B. Compensation for Client Referrals**

Quantrader does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, Quantrader will be deemed to have limited custody of client's assets and must have written authorization from the client

to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

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

Quantrader provides discretionary investment advisory services to clients. The advisory agreement established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, Quantrader generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share.

### **Item 17: Voting Client Securities (Proxy Voting)**

Quantrader will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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

#### **A. Balance Sheet**

Quantrader neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

#### **B. Financial Conditions**

Neither Quantrader nor its management has any financial condition that is likely to reasonably impair Quantrader's ability to meet contractual commitments to clients.

#### **C. Bankruptcy Petitions**

Quantrader has not been the subject of a bankruptcy petition.